

**BUSINESS MODELLING: A CASE STUDY OF A SME GROCERY
BUSINESS IN MANTIN, MALAYSIA.**

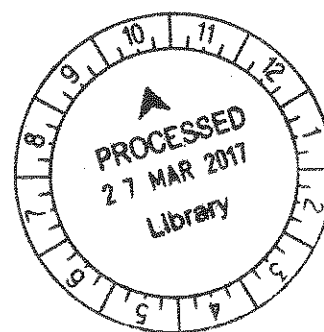
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DECLARATION

I hereby declare that: I understand the meaning of "Plagiarism" and "Intellectual Property Rights" and Ethics Related to the Principles of Academic Works. This dissertation is hereby acknowledged as my own work and I have duly acknowledged use of published and unpublished works of other people from the print, electronic and other media.

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Abstract

The objective of this research is to identify and explain real world SME grocery business in Malaysia, followed by the development of a suitable model based on the identified business model canvas (BMC) integrated into the balanced scorecard (BSC) to measure the level of performance in the organization and for transforming the business to improve business outcome (profit and sustainability). Literature reviewed has shown the need to identify and explain BMC for SME grocery business despite the various methods evolved over the years to remain competitive in the business environment; there are no effective performance measures to maintain the sustainability of SME grocery businesses. Measurement tools are only effective when the size of grocery business is greater than SME model identified as these provide practical information for grocery business to improve as a whole and remain sustainable in the competitive environment.

This research applies change management theory as the theoretical foundation and reviews relevant literature to achieve research objective. It will adopt a qualitative case study approach with a single case design and collect data using face-to-face interviews. Subjects for this research are the owner and employee of selected grocery business which is Yap's Market situated in Mantin, Malaysia.

Keywords: Grocery Business, Small and Medium Enterprise, Business Model Canvas, Balanced Scorecard

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Chapter 1: Introduction

1.0 Overview

The objective of this research is to ascertain the effectiveness of business model canvas (BMC) and balanced scorecard (BSC) in SME grocery business in Malaysia. The main focus will be defined and explained; the BMC and BSC as measurement tools to determine and define success (profit and sustainability) in grocery business. Besides, data will be collected from SME grocery business in Mantin, Malaysia for future study purpose in order to achieve research objective. This chapter will be discussing on the background, problem statement of the research, research objective, research question and scope of the study are also presented in this research.

1.1 Background / Rationale for the study

1.1.1 The rationale for Small and Medium Enterprise (SME)

Small and medium-sized enterprise (SME) is categorized as non-subsidary and independent firms. The global standard characteristics of SME are set based on number of employees and the turnover (revenue) of the company. For instance, SME in European Union considers to have 250 employees and annual revenue of EUR 40 million or less and/ or a balance sheet valuation not exceeding EUR 27 million (OECD, 2000). On the effective date 1 January 2014, new Malaysia SME definition set by SME Corporation Malaysia as follows: -

Manufacturing industries, manufacturing related services and agro-based industries are enterprises with full-time employees not exceeding 200 or with annual sales turnover not exceeding RM50 million (smecorp.gov.my, 2013).

Service sector, services, primary agriculture and Information and Communication Technology (ICT) sectors are enterprises with full-time employees not exceeding 75 or with annual sales turnover not exceeding RM20 million (smecorp.gov.my, 2013).

According to Datuk Hafsah (2013), SME plays a vital role in Malaysia which create significant growth and achieve a developed nation goals by 2020. Furthermore, solution and guideline for the new entry of SME to adapt this new phenomenon, the Malaysian Innovation Agency Act 2010 was enacted and Special Innovation Unit (UNIK) was established to assist SME in the transformation and in the arena of innovation (Kannan, 2013). Due to the action of Government Malaysia, this can be clearly defined that SME are taking seriously to achieve aims and goals of Malaysia.

Moreover, Kannan (2013) indicated that SME able to compete with foreign competitors once business have expanded globally. Due to this action, it could help SME to develop a modern image which could represent their products and market image and supported by ACCA (2010) who stated that flexibility, agility, integration, innovation and speed in all areas will be a major key on this game.

Datuk Hafsah (2013) and ACCA (2010) concluded that revolute as SME are highly recommended because SME able to level up the standard of the business to make success and prosperity and contribute to Gross Domestic Product (GDP) and employment of the country (Kannan, 2013). Hence, it is of importance to study on SMEs within Malaysia, especially the more micro level of SMEs, such as those companies that are involved in the grocery business.

1.1.2 The rationale for focusing on grocery business in Malaysia

In Western country, the word 'grocery' first use was in the 15th century which defined as a place that for business a grocer (Groceteria.com, 2009). The grocer known as owner of the grocery or the person who is selling food, animal products and produce, as well as dry foods (Groceteria.com, 2009). In the past, shoppers come with written list and wait to be served; however, since time has changed, shoppers are given a new opportunity to shop by themselves which is known as self-service concept founded by Piggly Wiggly (Groceteria.com, 2009).

According Wiggly (1917) which cited in Desai, Potia and Salsberg (2012), self-service concept provided open selves and checkout stands; every item tagged the price-tag in the store and integrated with least of technologies methods. Since the concept had been followed and became trends of grocery business, transformation into a bigger sized concept, also called as modern hypermarket had introduced in year 1963 (Desai, Potia and Salsberg, 2012). Based on Desai, Potia and Salsberg (2012), the key concept of hypermarket is everything under one roof which represents the market, supplied huge number of products with self-service concept under the benefits of productivity, efficiency, good environment, sufficient space and cost management and increased in the value of customers.

After a few decades, modern e-grocery with customer satisfaction model contributes to customers in the term of delivery service, price and customer loyalty (Desai, Potia, and Salsberg, 2012). On the other hand, Asian country has the different culture compare to Western country. In Asian, people called grocery as traditional market also known as 'Gaai Si' and wet market (DeWolf, 2011).

The term "wet market" comes from the extensive use of water in the markets that grocer used to wash the floors, keep the fruits and vegetables fresh, and keep fish and to sell fish alive which has a huge difference compare to western grocery market (DeWolf, 2011). In Malaysia context, people called grocery in the term of 'Pasar Borong/ Pasar Awam', morning market (Pasar Pagi) and night market (Pasar Malam)

where licensing is under the controlled of government and the place of business is determined by government; Malaysia 'pasar' was operated in the different time and supplied similar concept of grocery products such as fresh seafood, fruits, vegetables and meats (Gooch, 2012).

According to Groceteria (2009) and DeWolf (2011), there is a clear mindset and understanding on the form of grocery business around the world which will never ending. However, to sustain in the 21st Century, business is an art which require to add-on many components such as ideas, innovation and transformation to make the success and prosperity of a business (Waldron, Vsanthakumar and Arulraj, 2014).

1.1.3 The rationale of revolution

Global business world is pressured with innovation and revolution ideas to compete with competitors. According to Malaysia government, modernizing business by expanding the format of stores is encouraged; however, traditional and small groceries and night market owners lack of scale and skills on improving and innovating business (etp.pemandu.gov.my, n.d.). The number of businesses and demographic trends are affecting small retailers' revenue hence restricting their existence (etp.pemandu.gov.my, n.d.). Therefore, knowledge on modernizing or transforming business model could be a value added for small groceries business. Sambrook (2009) stated that without innovation, business will cease to grow and remain stagnant with no improvement, however, reflecting back on consumers' lifestyle and behavior, change is taking place; technology, changing marketplaces, structures and dynamics (Caraballo and McLaughlin, 2012).

1.2 Problem Statement

The evolution of grocery businesses has increased rapidly in number over the years, and have own proper business models and methods in promoting their business to customers in order to compete in the business environment (DBS, 2015). However, there is a huge challenge for a business to figure out that they own the proper business models and measurement tools to ensure sustainability and create competitive advantages.

On the other hand, there are previous research studied on develop measurement models which to evaluate organizational performance in the retail industry where based in the United States and United Kingdom instead in Malaysia and focuses on customers' behavior (buyers), online grocery stores, strategies and challenges (Richtel, 1999; Sandoval, 2002b; Tapscott & Ticoll, 2000 and Zetty, 2009). However, one study by Timothy, Laurie, Richard and Harden (2010) created their scorecard system at Wildcat in order to study on managers' perceptions of different management levels towards the usefulness of BSC and financial perspective. For business models analysis (BM terminology and ontology) and research have reached a broad spectrum and have been widely researched over in the past (Hovav, 2015).

In additional, there is no research done on brick and mortar BMC and measurement based on BSC in the context of SME grocery business. Hence, this research is therefore important to study on a SME grocery BMC in Malaysia to access growth, sustainability and performance; the current attempts to measure the current and future business environment. Last but not least, this research will be important and applicable for grocery businesses as the researcher remain optimistic that all grocery business owners would want to drive their business towards success and prosperity pathway and therefore would want to know if the model developed by the researcher would benefit their business.

1.3 Research Objectives

The objective of this research is to review SME grocery business' perspective in terms of their use of business tools especially the balanced scorecard (BSC) and business model canvas (BMC), observed during the business operation of Yap's Market to improve their business outcome (profit and sustainability). Therefore, to achieve the aim of this research, the objectives of this research are as follow: -

- To assess the effectiveness of BSC as measurement tool to evaluate grocery business growth, sustainability and performance.
- To determine whether current business model able to improve business outcome (profit and sustainability).
- To find out the effectiveness of BMC as a business model for future development purposes.

1.4 Research Questions

This research focuses on exploring the BSC measurement tool in Yap's Market business model, on a grocery business located in Mantin, Malaysia as to whether it is able to create a sustainable competitive advantage over other grocery businesses. Below are the research questions of this research:

1. Is the BSC is effectiveness as measurement tool to evaluate grocery business growth, sustainability and performance?
2. Is the current SME grocery business model being effective in improving business outcomes (profit and sustainability)?
3. Is the BMC as a business model for SME effective for future development purposes?

1.5 Significance of the study

1.5.1 Contribution to Industry

The number of grocery businesses have increased and transformed in Malaysia and yet, there are no studies to determine the success of business model and measurement tools implemented by Malaysian grocery business in a comprehensive manner, as most studies focus on the trends and customers' behavior of grocery businesses (Forbes, 2015; Nielson, 2015; Richtel, 1999; Sandoval, 2002b; Tapscott & Ticoll, 2000 and Zetty, 2009). Since there is also no effective or efficient method available in measuring the overall grocery business in Malaysia; therefore, an understanding in traditional grocery business from this research will provide practical information for grocery businesses in Malaysia to improve as a whole and increase their potential to succeed in a competitive environment. This research will also serve as a preliminary source of reference to implement the BSC measurement tool with analyzed by BMC for measuring the profit and sustainability of grocery businesses.

1.5.2 Contribution to Academia

This research will serve to contribute further in terms of academic purpose which is beneficial to students, lecturers and future researchers, to have a better understanding on specific business model adoption of SME grocery business in Malaysia. Besides, this research will also serve to contribute further in terms of industrial as this is the very first research done on BMC to integrate BSC measurement tool which beneficial to the grocery business industry that was initially operated as a cottage industry and the sole proprietorship grocery business operating under the family business mode.

1.6 Scope of research

This case study research will focus on a grocery business located at Mantin, Negeri Sembilan and researcher will collect information from the business owner and employee. The unit of analysis for this case study is the organization.

1.7 Limitations of the Study

1.7.1 Time and cost limitations

Time and cost are the two biggest challenges due to short term duration (3 months) which approved in Master in Business Administrative program is given and there are no additional funds such as travelling allowances, printing and stationery expenses contribution from irrelevant parties to support this research.

1.7.2 Data collection limitation

Another boundary was the choice of interviewing single company which adopted brick and mortar as grocery business model in Malaysia. Furthermore, interviews will be done face to face with the owner, employees and consumers of grocery business located at Mantin, Negeri Sembilan.

1.8 Operational Definitions

1.8.1 Grocery Business

Grocery business operates in a physical store with selling three major types of products such as perishable goods (meats, poultry, dairy and frozen foods), non-perishable goods and dry goods (First Research, n.d.). The operations of grocery business included buy and sell products, stock coordinate, advertise, price set and labor allocate (First Research, n.d.).

1.8.2 Revolution

"The historical record of technological revolutions ... shows that they are all characterized by their pervasiveness that is by their penetration of all domains of human activity, not an exogenous source of impact, but as the fabric in which such activity is woven. In other words, they are process oriented, besides, inducing new products." – Castells defines the elements of a true revolution in a similar manner (Coltman et al., 2001). In short, a revolution is a historic transformation a thing in the