



The Digital Age: Shall I Tag Along?

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Prologue

It was late evening in the mid of October 2017. Rahim was cleaned up his workstation at his company in Kajang, Selangor, Malaysia. He just had another busy day of business pitching to new sales agents and distributors of his newly published magazine, “*Indahnya Islam,*” resolving some tender issues and meeting for updating displays for his company’s website, Ambang Mata Sdn. Bhd. He reflected on the past 30 years of their operation. His company’s operation currently was experiencing some hiccups after one of his magazines had been stopped from publishing after five years due to failures of securing the Government tender. After successfully building up reputation distributing Islamic pre-school books throughout Malaysia, Ambang Mata had published its owned Islamic pre-school book and some other publications including text books, light-reading magazines and comics. Ambang Mata was represented by sales agents and book distributors surround Klang Valley besides their sales executive. However, the sales executive post had a very high turnover. Rahim planned to promote products especially magazines through subscription and by giving free gifts. This strategy was deemed to increase sales but Rahim was unsure if the plan would work after reading about the story of KarangKraf, one of publishing companies in Malaysia had turned many of their products especially magazines online.

As he switched off the lights in his office and headed home, Rahim wondered what would be the next challenges that he would be facing with the rise of digital reading materials that are available online. Could he find time to consider the issues arise and solved it while he can to sustain growth or should he surrender his business forever?

Overview of the Publishing Industry in Malaysia

One of the developments in the Malaysian publishing industry was the review of the National Book Policy. The Policy, adopted in 1985, proposed that the book industry should be recognized as an essential industry and, therefore, support must be given for its development. The review was aimed at making proposals for changes which can be implemented in order to support a more vibrant, integrated and commercially healthy publishing sector. With the review of the policy, it was anticipated that the publishing sector would be able to cope with changes and move toward knowledge-based economy. The Government policy towards the local printing and publishing industry was meant to give 'protection' to the industry. However, the Government encouraged foreign investors to establish their industry in Malaysia with full equity to take advantage of the viable local environment with the provision that the output is 100% export. The Government also encouraged foreign participation in printing and publishing projects but imposed a limit of 30% foreign equity. Among the 500 publishing companies operating in the country, only about one-third can be considered as very active. These consist of different categories of publishers in terms of ownership. A majority of them were privately owned, small-scale private companies with around one to 50 employees. The rest were full or semi-government institutions, which include university presses or publishing departments.

Developments in technology and the Internet have changed the nature of digital content and its accessibility and have opened up new opportunities for the publishing industry. The publishing on new titles has kept growing even the traditional publishing industry is facing challenge from the growth of the Internet and digital publishing.

In the publishing industry, associations play a crucial role in enhancing the industry's growth. Examples of the associations are National Book Council of Malaysia and Malaysian Book Publishers Association (MABOPA). MABOPA reported that the Malaysian book industry has generally been stagnant due to several factors such as; a) inflation and cost of living pressure - the disposable income of the people has been stagnant or declining due to the increase in cost of food, transportation and housing; b) slowing down of the global economy has caused a lot of companies to be very cautious in new hiring and in salary increment and; c) the Government budget cut for purchasing of books can be clearly seen in the marked slowdown in acquisition of new books for federal and state libraries.

In the trade book sector, the sluggish growth for existing publishers can be seen due to the increase in competition from new publishers and a lot of new titles. Publishers were competing for display spaces in the bookshop, and to get attention from the readers. The local publishers also were competing against cheaper import in form of remainders, and grey market import. In the school book sector, publishers were experiencing flat or slight decline in their sales. This was specifically due to; a) the popularity of online revision products such as Score-A, tutor.com.my with the urban parents not forgetting Tutor TV and program such as Oh My English!, telecast by Astro a satellite television from Malaysia. The education channel emphasized students to learn from several channel dedicated to the students who will be taking UPSR, PMR and SPM not forgetting nationwide road tour education program and b) the changing of curriculum. There were still old books circulating in the market under the transition period and yet to fully transition to the new curriculum.

Despite that, school book publishers were looking forward for the full introduction on the new curriculum. The new curriculum used totally new textbooks and big business in the form of text books and also in supplementary materials. In the Higher Education sector, the local publishers were struggling to compete with e-book business of the international publishers. University and college libraries were expanding the purchase of e-book and subscription access, and reducing the purchase of printed book.

Ambang Mata Sdn. Bhd. – The Journey Began

Ambang Mata Sdn. Bhd. was incorporated on the 11th September 1987 and owned by Abdul Rahim bin Yahya and his wife, Azura bte Zakaria. The business journey began when Rahim became a distributor for *halal* cosmetics manufacturer and *halal* food manufacturers. They sold canned food, ketchup and chili sauce throughout Malaysia. Rahim graduated from one of the local universities in Malaysia and had served with the Agricultural Department before giving his 100% focus to the business world.

After three years of becoming a distributor, he felt that he kept going to the end of a road. That was because every time he established a new market, the original equipment manufacturer (OEM) sent off their salesman as well. As a result, he needed more extra work to keep penetrating a new market.

As he stated, *“It was like entering a deep jungle to get a new market. You venture into a totally new place and start all over again and again.”*

Rahim expressed that he felt like not getting involved in a real business transaction.

“We were penetrating the rural areas. However, to tell the truth, we did not get any sales. We just left the products there. So that was not the actual sales theory. No buyer but just the intermediary who took the product and left it on the shelves.”

Opportunities - From Pre-School to Adult Market

“If opportunity does not knock you, build a door.”

The above quotation suited Rahim’s character as an entrepreneur. Life as a distributor had impacted Rahim hardly until he saw an opportunity in the book publishing industry especially in Islamic pre-school. At that time, one of the well-known Muslim NGO in Malaysia had opened branches of Islamic pre-school situated all over the nation but they had difficulties in distributing their books. Hence, started with just one kindergarten, Rahim distributed the books to other private kindergartens as well. He utilized his van which he used to drive when he became the food and cosmetic distributor before.

Seizing upon the opportunity, in 1993, Rahim turned *Ambang Mata* to his own publishing company which focused on pre-school exercise books. At that time, there were not many pre- school book publishers around. The company published and distributed books and magazines to all over Malaysia. The company also published three major magazines namely *Anakmu*, *Buka Mata* and *Cekap*. According to Rahim, the magazine’s volume was around 30,000 to 35,000 per month. This was due to the monthly subscriptions by the kindergartens who bought their pre- school exercise books as well. The company also was moving towards publishing e-book for the pre-school. They had published CD to accompany the pre-school exercise books. They planned to translate the *Anakmu* magazines into English and digitalize the content into e-magazine. By doing it, there will be market development and expansion into new geographic region as the needs of Islamic children reading magazines and books is highly demanded in the international market.

In 2006, the company launched a project on translating a series of Encyclopedia for Muslim Kids from Indonesian language to Malay language. Rahim invested a huge amount of money to ensure the project successful. Among others were advertisement through IKIM Radio and collaboration with Bank Islam where their customers could make a monthly installment via their bank account. *Ambang Mata* also actively involved with book fares all around Malaysia. From that project, more people got to know the company and the products published.

Besides focusing on the pre-school niche market, the company was also moving forward by publishing text books for primary and secondary schools. The company had been awarded five tenders from the Ministry of Education of Malaysia to publish and distribute text books at all over Malaysia. These include Mathematics, English, Physics and Arabic text books. The company also obtained a tender to publish and distribute textbooks for Johore Religious School. That was a big opportunity for the company since Johore made it compulsory for all students to attend religious school

to supplement their academic school. Knowing there were demand, Ambang Mata had produce their owned magazines in Arabic writing but it only lasted for five years as there were not many buyer who bought the magazines. It never failed him to seek other segment to venture into.

Seeing an opportunity in the adult readers market, Ambang Mata further ventured into light- reading magazines for Muslim adults. There were many magazines published by other publishers such as Solusi, QnA, Millennia and others. However, according to Rahim, the newly published “*Indahnya Islam*” was meant to provide extra options for the customers to choose their reading materials.

Sales for the introductory edition were 5000 copies and the second edition was sold for 5500 copies. They aggressively promote customers for monthly subscriptions and Rahim believed that the strategy would be useful to ensure the sustainability of the magazine’s publications. In addition, the company had made collaboration with Bank Rakyat by publishing books for children, generating ideas for the bank’s mascot products, buntings, banners and posters. The company also published books for other government agencies, cooperatives, as well as private sector.

The Company’s Operation

Ambang Mata Sdn. Bhd. had 33 staff led by Rahim as the Managing Director. His wife, Azura did not act formally in the company’s operations. The company had a Senior Operations Manager which monitored the main operations of the publishing company. The Chief Editor headed the Editorial department which consisted of three Editors for the company. The Graphics and Designs Manager supervised nine staff whereby the Artist Manager had another nine staff. The other two departments were Sales and Accounts. The Sales department was also responsible for online order by the customers. The company had a van which being used to distribute their products to the customers. The company’s website was maintained by an outsource webmaster. In terms of the book storage, the company had a storage located in the same operation building.

Rahim stressed out that among the functional roles, the Sales Department had a ‘hot seat’ whereby the Sales Executive post had a high turnover. So he had problem to train new Sales Executive for almost every six months. As a result, Ambang Mata depended upon appointed sales agents and distributors. Due to limited number of these agents, the products were not widely distributed.

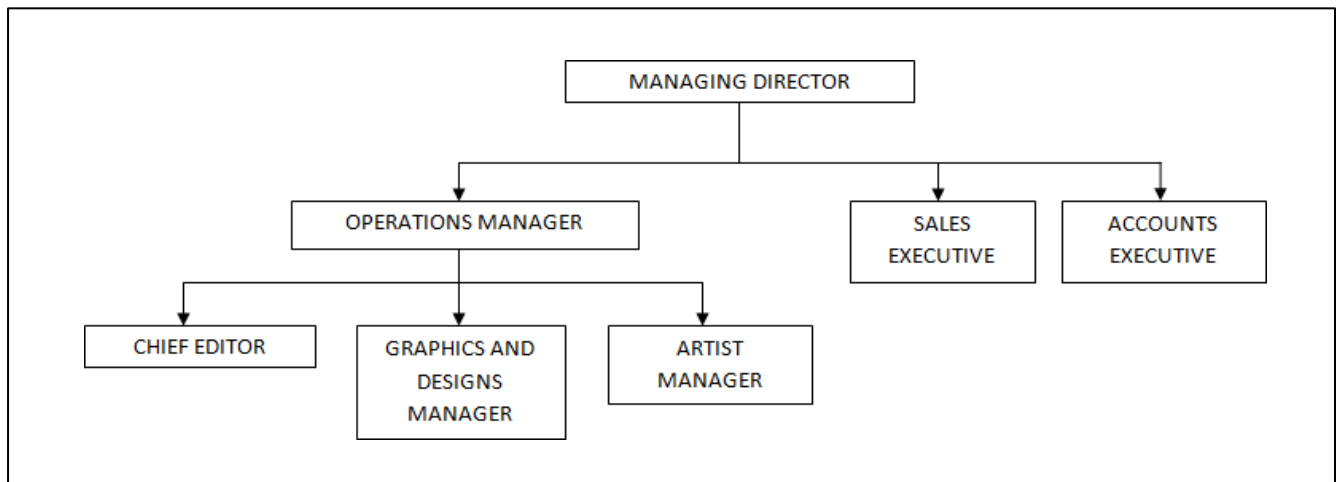


Chart 1: Organizational structure of Ambang Mata Sdn. Bhd.

Financing Source

Only after 30 years being in the industry, the banks called and asked him to apply for a financing. Before this, during his business started up process, he used to utilize his own savings and the company's revenue to run his venture. Yet, he believed in the word of 'trustworthy.'

"Do you know that we had once received RM1 million credits from our supplier? I was touched by this supplier. He trusted me and that is why I believe trustworthy is the important value a businessman should have."

Rahim shared his experience of getting RM1 million trade credits from a supplier when the company had gone into a process of getting the Government textbook tender.

Rahim alleged that he needed more financing source for his business expansion. Nevertheless, nowadays he did not face much problem in getting financing from financial institutions since they had recognized his existence in the industry.

Muslim Entrepreneur

"I started my business with halal food. And now I produced 'halal' books. Can you see both are food? First is food for your physical and now is food for your soul."

As previously mentioned, Rahim started his business by distributing *halal* cosmetics and *halal* food to Muslim consumers all over Malaysia. He further expanded his business by publishing pre-school books focusing on Islamic pre-schools. All of his publications were especially produced for Muslim readers. He believed that as a

Muslim, it was his *fard kifayah*¹ to provide the Muslim community in getting *halal* sources in their lives. These would be both consumable and inconsumable products. He also emphasized on the quality of the products to be published. He was confident to provide books with cheaper price but higher quality from the non-Muslim publishers.

According to Rahim, while running his business, he fixed with a principle of 3R in his daily life. The 3R stands for “*rasuah*” (bribery), “*riba*” (interest) and “*rahman*” (generous). For the first two R, they bring a negative connotation in business. He believed that a man should not get involved with bribery or interest in business. On the other hand, the third R is the most important value than one should have in order to be a good businessman especially being a Muslim entrepreneur. That would be “*Rahman*” which being generous with everyone no matter who they are.

Challenges in the Digital Publication

Convergence of the traditional and electronic publishing industry was aggravated by the rapid growth of the Internet and alternative delivery channels. People’s main access for searching information through the web became the main preference. The use of e-books among younger generation gave an impact to printed books. Demands for printed books were decreased. This is also becoming a problem for publishers in deciding the ideal volume to print because it will involve their affordability to maintain the inventory cost. As an alternative, print on demand (POD) or digital printing was introduced. Publishers may choose to go for digital printing to fulfill low print volume orders in a short period of time and at the same time reducing the inventory and also employee cost. This will create a competitive environment among publishers as well as printers.

At the same time, publishers need to use the Internet as a marketing tool to promote their e- books. The purchasing behavior also had changed due to the changes in the market. Online business using the e-commerce platform becoming more popular and relevant for books purchasing. The younger readers prefer to use gadgets such as tablets and smartphones as a new method for reading. The preference towards e-book was due to its greater breadth and depth collection, ability to download and fewer restrictions on printing and copying. At the university level, digital textbooks and electronic publications were getting more significant. As such, the open access service offered by library is a valuable platform for students’ references. Hence, publishers like Ambang Mata Sdn Bhd need to make sure their existence in the e-books industry is acknowledged by the customers.

Apart from that, there is also a substantial increase of small independent publishers in the industry impacted by the emergence of the Internet and social media. For example, with the existence of cheap and easy-to-use desktop publishing software, the process of publishing books was becoming easier. The role of the proof reader for

¹ fard al-kifayah is a legal obligation that must be discharged by the Muslim community as a whole, such as military struggle; if enough members in the Muslim community discharge the obligation, the remaining Muslims are freed from the responsibility before God. However, if a communal obligation is not sufficiently discharged, then every individual Muslim must act to address the deficiency.

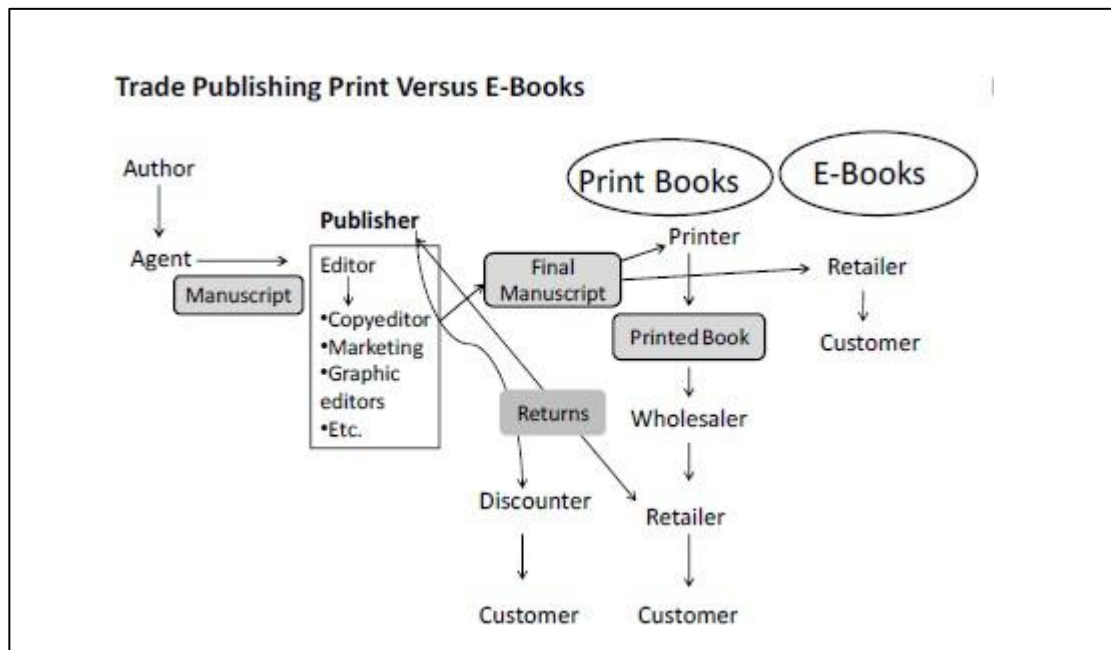
example, becoming less important in the value chain of the book's publication of which one can bypass the process with the help of the desktop publishing software.

Epilogue

Ambang Mata Sdn. Bhd. had stormed the Malaysian book publishing industry for years. The company had survived competing in the tough industry dominating by big players. Pledging with daily routine of not taking any bribery, *riba*' and being bountiful, Rahim had brought his company to another league. Despite having several product lines under his company, Rahim did not feel secure and comfortable. He realized that the business might soon be facing problem if he could not think of other way as his current tender submission was unsuccessful. Many competitors entering the market with all sorts of digital products which can be downloaded easily, this would not be easy to him as he started studying the next project which would help him to maintain in his seat.

Rahim had his concern of the recent developments of the publishing industry and its effect to Ambang Mata Sdn. Bhd. The wave of digital trend in book industry has urged him to be ready with the changes of technology or to be left behind. Would Ambang Mata deploy a similar strategy with Newsweek where everything will be turned to digital? Was he capable to do so? Was the publishing industry still attractive for him to stay in? All these questions were whirling around his mind but he knew that he needed an action plan so that his 30-year-old company will survive in the competitive marketplace.

Appendix 1 - Book Publishing Industry Value Chain



Source: Bradley, S.P. & Bartlett, N. (2012). *Book publishing in 2010*. Harvard Business School.

Discussion Questions

1. Discuss entrepreneurial decision-making criteria that might be adopted by Rahim in making decision for his company.
2. Perform the Positive and Negative method in identifying External Factor Analysis (EFA) and Internal Factor Analysis (IFA) of the company to generate strengths, weaknesses, opportunities and threats.
3. Construct SWOT - TOWS Matrix to generate alternative strategies.
4. Construct SPACE/BCG to generate alternative strategies.
5. Condense those strategies into groups. Prioritize these groups of strategies based on selection criteria that fit with the company and the industry it operates in. Provide justifications for the selected criteria.
6. Recommend one (1) appropriate strategy for the company.
7. Discuss how Ambang Mata Sdn Bhd can utilize the blue ocean strategy model in sustaining the business.

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