



## Spicy Business of Saudagar Rasa and its Heritage Gourmet

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**Abstract:** *This case study presents a food manufacturer, Noraz Berkat Trading (NBT), one of the food manufacturing SMEs in Malaysia which is involved in producing spice-based premixes and seasonings of authentic Malaysian heritage cuisines. A development life cycle and SWOT analysis are the focal points illustrating the survival of NBT in the food manufacturing industry. Primary data were obtained from a series of interview sessions with the founder of the company and secondary data were generated from social media platforms and websites. Upon completion of learning the case study, the students should be able to identify the phases of the development life cycle in SME business and to explain the strengths, weaknesses, opportunities, and threats encountered by the SME.*

**Keywords:** Development Life Cycle, Food Manufacturing, Food Safety Certifications, Small and Medium-sized Enterprises, SWOT Matrix

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### INTRODUCTION

After being retrenched from his well-paid job, Razak Bujang helped his wife to sell local Malaysian delicacies, such as nasi dagang, nasi kerabu, chicken biryani, lamb biryani, kerutuk, kuzi, rendang, and many more, to earn decent incomes. While hunting for a new job, he was still busy helping his wife when he realized that his passion and interest in Malaysian heritage food grew. Then, he decided to quit searching for a job and began selling Malaysian food seriously. Fortunately, he had full support from his wife and mother-in-law to prepare and sell those delicacies. They also helped him with formulating standard recipes to maintain food quality and safety. All cooking was done at his home kitchen and later sold directly to surrounding neighbourhoods. He also did small-scale catering to add to his income. From his clientele, he got positive feedback about his food and many asked him to produce premix so they could enjoy the same taste at home. Initially, he was hesitant because he thought his products were fairly new and could not go any far. It all started when one of his catering clients placed orders for some kinds of premixes at a large quantity. This client's order had sparked the idea of making premixes of Malaysian heritage cuisines. Yet, he did not want to move to a bigger place. All preparation and packaging processes were done in his home kitchen space.

One day, like any other normal day, he and his wife were busy preparing orders when the home cooking gas leaked and burst into flames. Half of his home kitchen was burnt but his family managed to evacuate safely. This fire incident became a turning point for him to move to a processing plant away from his home and never turned back. And, the rest is history.

Cash flow constraint, as occurred to many SMEs, was the core problem in NBT financial management as well and this situation has led to numerous expansion barriers. A development life cycle and SWOT analysis are the focal points illustrating the survival of NBT in the food manufacturing industry, particularly in spice-based premixes and seasoning products. As a growing SME, both internal and external business ecosystem play important factors for the company to determine its next strategic planning. Every decision made is crucial to define the thriving of the whole business operation. By using the SME development life cycle as a guideline, Razak Bujang was able to recognize obstacles faced by NBT and establish feasible goals for his company. This case study presents Noraz Berkat Trading (NBT), Razak Bujang's food manufacturing company as the protagonist; his struggle on expanding his company, starting from scratch, was one of the many challenges he faced throughout the business development life cycle. A SWOT analysis encapsulated unique episodes of NBT's experiences throughout its growing life cycle phases is also narrated.

**SMEs IN MALAYSIA**

Small and medium enterprises (SMEs) are the key driver of the Malaysian economy. Prior to 2014, the definition of SMEs differs from one agency to another agency. The definition of SMEs comes into effect from January 2014 onwards. The standard definition of SMEs is a convenient use for the stakeholders dealing with SMEs in many ways. SMEs are categorized further into two subcategories based on their sales turnover or the total number of employees as shown in Figure 1 (SME Corporation Malaysia, 2020). In Malaysia, SMEs contributed 38.3% to Malaysia's Gross Domestic Product (GDP) in 2018 amounting to US\$126.3 billion (RM521.7 billion) (Digital News Asia, 2019).

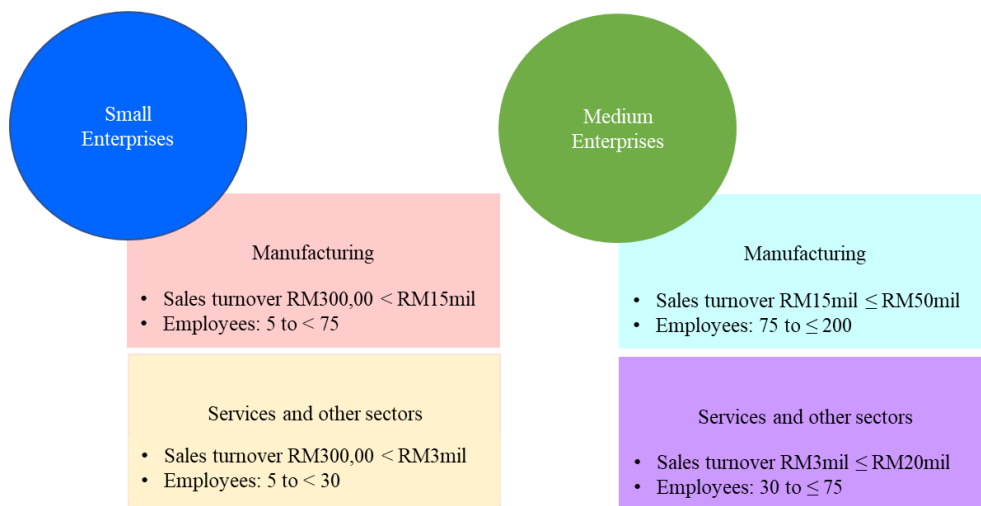


Figure 1: Categories of SMEs in Malaysia. Source: SME Corporation Malaysia (2020)

SMEs always begin with a spark of bright ideas, growing through each phase of the development life cycle with aims to generate profits and become successful. However, each phase offers distinctive challenges to SMEs and requires them to decide and act strategically.

### SMEs DEVELOPMENT LIFE CYCLE

In reference to Peitsch (2020), a business development life cycle consists of seven phases starting with phase zero until phase six. Earlier, the popular business life cycle was introduced by Lewis and Churchill (1983) with five phases of the life cycle: Phase One – existence; Phase Two – survival; Phase Three – success; Phase Four – take off; and Phase Five – maturity. Recently, Peitsch (2020) concludes that there is a need to revisit the framework as there are numerous challenges faced by SMEs to survive their life cycle. In efforts to overcome those challenges, each SME should develop its own strategic planning with customized approaches to deal with. Figure 2 illustrates the seven-phase SMEs development life cycle.

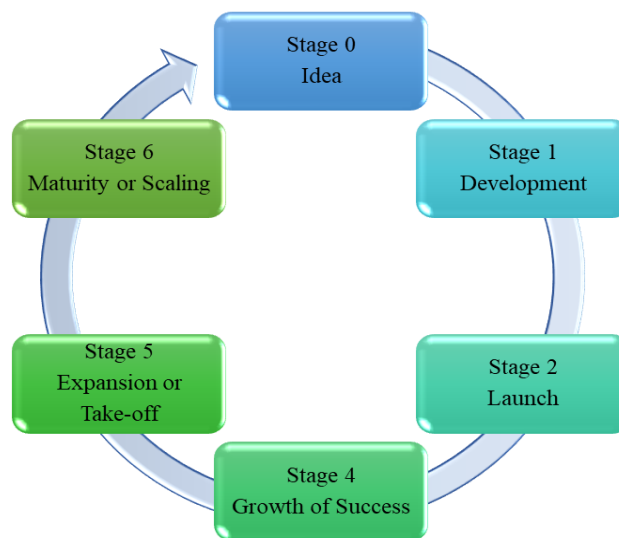


Figure 2: The seven-phase SMEs development life cycle. Source: Peitsch (2020)

### POSITION OF NBT IN THE DEVELOPMENT LIFE CYCLE

**Phase Zero:** At this point, NBT did not exist yet. The founder, Razak Bujang was doing various kinds of businesses to survive after being retrenched. He focused on selling Malaysian delicacies through his catering business and later, based on demands, started producing premixes. Getting feedback from the customers was crucial to get the best idea of products produced and sold.

**Phase One:** For market validation, NBT manufactured and sold its products in batches from orders by the customers. This was the stage where NBT started to build its customer base and gained their trust for brand image positioning. NBT also began to receive customers’ orders for private labels.

**Phase Two:** Razak Bujang decided to manufacture its premixes and seasonings at a small-scale production. NBT was registered for legal purposes at this stage but still operated in the home kitchen. The list of products was based on the customers’ orders due to limited storage and the short shelf life of the raw materials. NBT also began to standardize the formulation of the product.

**Phase Three:** NBT continued to build a reputation among its clients and expanding its clientele. The business direction was defined and focused on producing

premises and seasonings of Malaysian heritage cuisines. Other flavours were introduced in batches.

Phase Four: Due to escalating demands, NBT moved to a new facility and showed steady growth in monthly gross sales. NBT was incorporated as a private limited company with new shareholders on the board. Apart from delegating responsibilities to his partners, however, important tasks including procurement and product delivery were still done by Razak Bujang himself. NBT should be able to identify the financial constraints and ways to overcome the problems.

NBT has not reached Phase Five and Six of the development life cycle which involves expansion and maturity stage respectively (see Figure 3). More departments should be established to manage business affairs including general affairs (IT support and human resources), research and development (R&D), accounting and finance, quality control (compliance and certifications), purchasing (raw supply and equipment), and marketing (web management and product distribution).

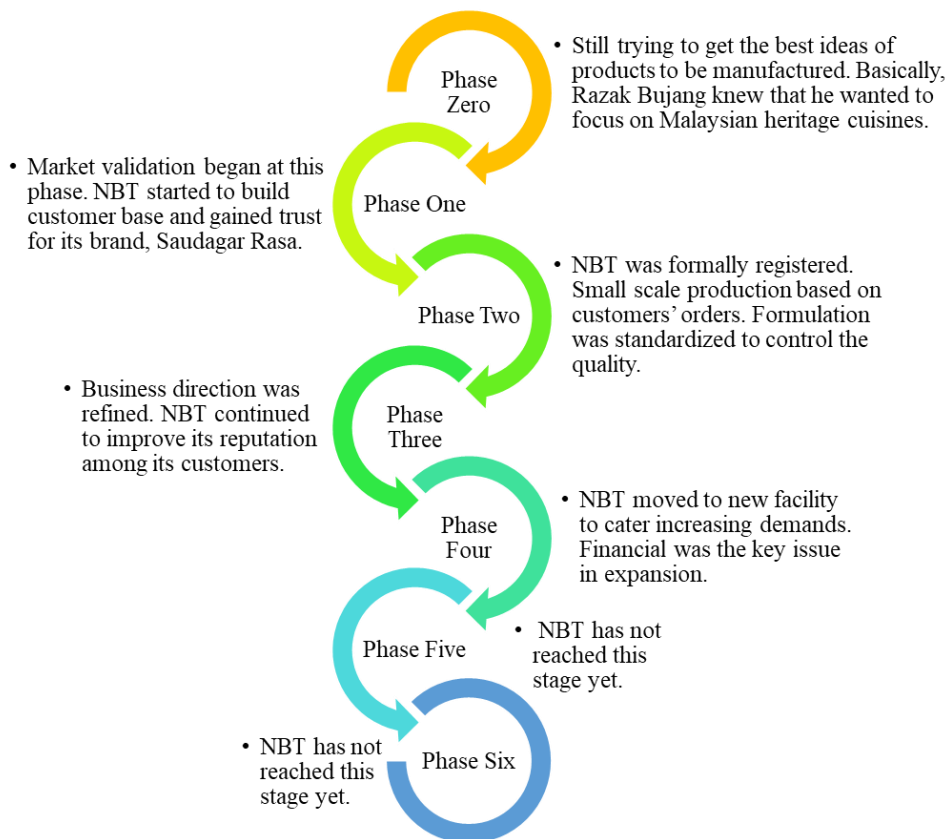


Figure 3: Development life cycle of Noraz Berkat Trading

But NBT was progressing quite well towards expanding the business by obtaining MeSTI certification and currently seeking other food safety certifications as well. NBT also explored new opportunities by participating in collaboration networks

with numerous stakeholders in the food industry. Based on customers' demand, NBT formulated and produced new products but still conducting the R&D analysis on the products, mainly on proximate analysis and nutritional properties, at independent laboratory facilities. The analysis was normally on a case-to-case basis, depending on the budget agreed by the customers. For the time being, NBT did not have the capacity to offer a complete package of new food innovation to his customers which comprised of a detailed set of analysis because his company lacked funding to set up those facilities.

### **SWOT MATRIX**

This analysis consists of four matrices: strengths, weaknesses, opportunities, and threats. Each component represents unique characteristics for the company to use as an evaluation tool in making strategic planning for the business.

### **Company Background**

At the time Razak Bujang was operating at his home in 2014, he did not formalize the business until he moved to the new facility. The early business was catering services which took place at his residential kitchen. Later, Noraz Berkat Trading (NBT) was registered in 2016 as a partnership. The new facility was located at Kampung Kuantan in the Klang District of Selangor and was actually owned by his friend. So Razak Bujang was given a limited space within the facility to process his products. In 2017, due to the escalating demands for his products and the need for a bigger place arose, NBT moved again to his own facility in Sijangkang, Selangor. In 2020, NBT was incorporated as a private limited company. SMEs need to get registered as a private limited company because part of the requirements to obtain government grants for many expansion initiatives was that the company should be a private limited and has its own premise.

### ***Strengths***

Razak Bujang made a quick decision to start a catering business right after being retrenched in 2014. His catering services offered an array of Malaysian heritage cuisines, particularly for wedding events and social gatherings, around Klang Valley and Selangor areas. This catering business was a successful turning point for Razak Bujang to venture another business line, producing cooking premixes and ground spices in small batches for limited orders. The idea of producing premixes was proposed by his loyal catering customers as they wanted to enjoy his products at home. Figure 4 indicates a bar graph of the yearly sales revenue growth of Razak's catering business. From the graph, sales revenue growth for 2014, 2015, and 2016 were recorded at RM250K, RM375K, and RM380K respectively. From 2017 until 2019, the sales revenue appeared to decline slightly due to external factors and this was again the moment of truth for Razak Bujang as he decided to produce the premixes and ground spices intensively.

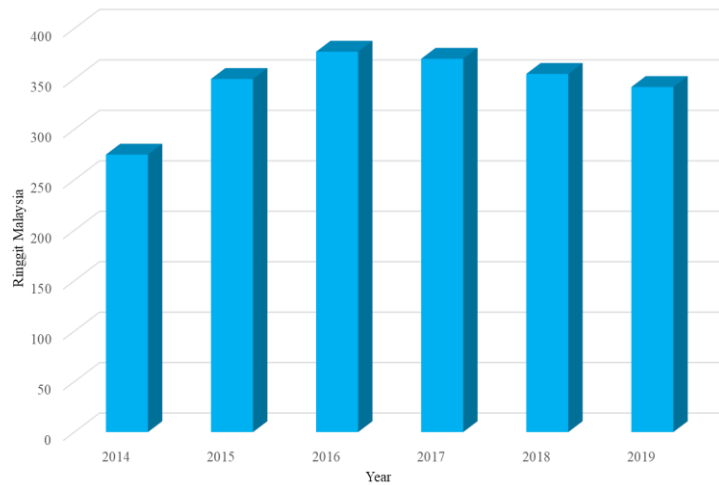


Figure 4: Sales revenue growth for Razak Bujang catering services

As the new business grew, Razak Bujang thought of diversifying his products. He considered going to some short courses relating to food processing organized by the Malaysian Agricultural Research and Development Institute or better known as MARDI. MARDI is a training agency under the Ministry of Agriculture and Agro-based Industry that provides cutting-edge training programs for the public and entrepreneurs. NBT started the business with nine types of products, mostly premixes of Malaysian delicacies. As of mid-2020, NBT produced more than 60 types of premixes, seasoning, and spices. Oriental, Middle Eastern, Indian and Western flavours were also made available. One of the most popular Oriental flavours was salted egg seasoning which has been sold for more than a thousand kilos. For Middle Eastern flavours, NBT produced spices for an array of rice such as mandi, kabsa, maqlubah, haneeth, and bukhary. The top-selling Indian spices were masala and tandoori. Gradually, Razak Bujang shifted his catering business to premixes and spices manufacturing because the catering business was facing higher competition with other caterers who provided extensive offerings and services.

Besides producing his own brand ‘Saudagar Rasa’, NBT also worked closely with other companies to formulate and manufacture products under their own branding or called private labels. As for now, private labels dominated nearly 60% of the NBT monthly gross production. For years to come, many products were in the pipeline but NBT needs a huge budget to complete the research and development process before reaching the market.

### Certifications

Under Malaysian food law, each food manufacturer is strongly recommended to apply for several types of food safety certifications including ‘Food Safety is the Responsibility of the Industry Certification Scheme’ (MeSTI), ‘Good Manufacturing Practices’ (GMP), ‘Hazard Analysis Critical Control Points’ (HACCP) and ‘Halal’. The main purpose of having these food assurance certifications is to ensure that the food manufacturers have complied with the standard outlined by the Ministry of Health in producing food that is safe for human consumption. Food certifications will increase

consumers' confidence and enhance brand image. Realizing the importance of being certified, NBT has applied and granted MeSTI certification recently. The MeSTI logo on the packaging has definitely added value to NBT products. Among those certifications, only the MeSTI certification scheme is free of charge.

### ***Weaknesses***

When Razak Bujang started business at his home kitchen, he never imagined that he would endeavour many challenges to grow his business. For instance, the packaging materials for his products are one of the expensive items in the inventory. As he tried to reduce the company's overhead cost, he chose a simple and less graphic design for the labelling and packaging materials but still acceptable by the customers. Effective packaging design requires professional touch and high-tech equipment which his company could not afford at this time. More, ineffective packaging for his products will shorten the product's shelf life and restrict more inventories from being delivered to a broader customer base.

Due to a lack of cash flow, NBT was not able to hire more staff and this prevented NBT from entering the robust supply chain network. For the record, NBT employed eight production staff and two interns. Currently, Razak Bujang managed product distribution and delivery using his own vehicle as his company could not afford to buy one or to hire a driver yet. During one interview session, he was late because he had to deliver some orders to his customers on his own. Relating to product marketing, NBT relied on 'word-of-mouth' of his customers and did some product videos on social media platforms such as Facebook, YouTube, and Instagram. On a different note, Razak Bujang highlighted his ordeals in applying for business loan facilities for expansion purposes from commercial banks because his company could not provide any collateral to secure the loan application.

### ***Opportunities***

Razak Bujang was an optimistic entrepreneur. He was always positive and looking forward to numerous opportunities including university research and development collaboration, community network, government grants, short courses, and many more. One of the items on his bucket list was to see NBT products being exported and sold abroad. Compliance with other countries' food regulations was difficult because NBT should pay high fees for food safety analysis and application for export safety certificate before penetrating the foreign markets. For instance, product packaging used by NBT was very basic and convenient. This type of packaging would expose the contents to many possible spoilages. NBT should consider improved packaging that would help to extend the product shelf life and reduce inventory spoilage. Variety types of packaging will attract more customers from different segments. For example, if the seasoning was packed in small sachets, it will be convenient for active customers such as school children, travellers, and busy people.

### ***Threats***

For NBT, one of the crucial inventories was spice raw materials. Razak Bujang voiced his concerns about the security of raw materials supply recently, particularly during the COVID-19 pandemic crisis. As he was in charge of procuring the raw materials, he found that some raw materials were not available at the time he needed them most. Most



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of the raw materials were imported directly from India and Pakistan. Besides that, as consumers' demand increased over time, the NBT facility was not equipped with a spacious warehouse to store the raw materials in large quantities because raw materials are prone to spoilage if not being processed in due time. If the unavailability of raw materials occurred, NBT had no choice but to cancel orders. Switching to different grades of raw materials would have affected the quality of the products as well. Therefore, NBT relied on a limited number of suppliers and importers. Another threat was global competition due to the penetration of international brands such as McCormick, Aji-Shio, and Lawry's, into the Malaysian market. Also, established local brands such as Adabi, Baba's, Brahim's and Faiza, created a barrier for the Saudagar Rasa brand to position itself in the domestic market.

### **SUMMARY**

As the founder of NBT, Razak Bujang aspired to become a successful food entrepreneur in the coming years. He realized that no business exists without challenges, and yet he thrivingly worked them out every time. Like other SMEs, the financial constraint was still the crux of concern in expanding NBT to the next level. At each phase of the business life cycle, Razak Bujang looked at the opportunities on how to boost his monthly sales and always tried his best to overcome threats to bolster the strengths of his company. The entire NBT's development life cycle provides a valuable learning lesson to the students in understanding how a food manufacturing SME could scale-up from a home kitchen operation towards the international market.

### **DISCUSSION QUESTIONS**

Students are required to read the case study beforehand. They should attempt to answer Questions 1 and 2 individually. For Question 3, students are expected to discuss the answer in groups and share the answer with the class.

*Question 1:* In reference to the development life cycle framework by Peitsch (2020), could you identify which phase of the development life cycle was the Noraz Berkat Trading at currently? Provide justifications for your answer.

*Question 2:* What types of food safety certifications are available in Malaysia? Why was it important for Noraz Berkat Trading to apply and get certified for these certifications?

*Question 3:* How did Noraz Berkat Trading make decisions for its strategic planning based on the SWOT matrix?



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