

Hoping for A New Dawn: A Printing Business

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Abstract

Firdaus, the Managing Director at X-Factor Printing, strives to pick up his market share from a significant slump due to price war and digitalization transformation surrounding almost every industry. The business was incorporated in 2009 and further expanded to specialize in textile printing in 2012. At the time of the case, businesses worldwide suddenly found themselves facing much uncertainty as Covid-19 disrupts global supply chains. Firdaus is facing a decision as to whether switching from his passion for printing into something that may be more promising or look for angles where he can surpass the external pressure from an increasingly saturated industry. Specifically, he wanted to develop a sustainable strategy to align with his long-term success.

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THE PRELUDE

It was Wednesday afternoon, February 19, 2020. Firdaus, the managing director for X-Factor Printing, was quite nervous about opening to four new faces in a small discussion room about his stories. His business has been attracting too many players recently. The evolution of Web 2.0 multiplied by digitalization transformation pressured the sales level down. The pain of losing almost 30% sales since 2018 was real (Mohd, personal interview, February 19, 2020).

Three hours later, he smiled and said, "I am getting Future Printing to mentor us in another two weeks." X-Factor Printing was chosen to participate in Institute Keusahawanan Negara Berhad's (INSKEN) Business Coaching Programme. Participants have been promised with few measurable outcomes, for instance, a 20% increase in turnover after the 4-month period ends.

Firdaus hopes to learn new tricks from the mentor to sustain his passion for the 10-year-old printing business.

2.0 THE VENTURE

It has been Firdaus's childhood passion to be a successful entrepreneur. He kicks starts the journey during his Diploma years when he was known as the supplier for all kinds of products varying from Raya

cookies to Songket cloths. The idea to focus on the printing business developed while actively involved in universities' programs and events. There was ongoing demand for customized event t-shirts or even door gifts and souvenirs to create awareness of specific events.

He graduated from UiTM with a Diploma in Computer Science, BSc (Hons) in Business Computing, and Master in Business Administration. As an alumnus, alumni of the Tunas Mekar program almost ten years ago, he gets the privilege to secure a space in Kolej Melati as his second branch. He starts serving UiTM students' printing needs. This opportunity opens to more secure jobs where his annual turnover shoots to almost RM700,000 at one time. A decade ago, the RM10,000 worth of start-up was merely operating from home in the form of an enterprise. After two years of struggle, he finally had the guts to commit to a small office in Seksyen 6, Shah Alam. The business is currently supported by four staff.

In 2012, Firdaus lured his brother to infuse more funds to expand his printing expertise though he continues as the mastermind behind the operation. He entirely owned the newly incorporated private limited company, which specializes in textile printing. The printing industry becomes Malaysia's fifth largest manufacturing sector

(Department of Skills Development Ministry of Human Resources, 2012)

2.1. The Honeymoon Years

X-Factor Printing was overwhelmed with orders coming from universities and college events. Piling orders from simple t-shirts to corporate t-shirts, low-budget door-gifts to premium souvenirs. There was a time where they invested in eight printing machines to cater to the demands from the walk-ins for the printing of notes to hard binding of students' thesis. At times, there were rush orders for the shirts. Periodic magazines and even annual reports from clients. However, they never failed to get thumbs up from the clients, even for those urgent orders.

2.2. Knock on Reality

In December 2016, Firdaus started to pack up and move to their new Puncak Alam's office. After realizing he can no longer expect walk-in customers, he has decided to be on the 1st floor and concentrate more on getting in-bulk orders from corporate sides or even students for events.

One morning, Firdaus received an inquiry from a customer:

Customer: *Sir, referring to the email earlier, please quote us the price for those t-shirts for 300 units?*

Firdaus: *For the specification and design, we should be able to give RM25 per unit.*

Customer: *Really? However, we could get RM9.90 per unit from Y Printing. Anything close to that?*

Firdaus: *I am sorry. That would be impossible because the cost of the t-shirt itself is already RM10. We may give a fair price, but it is for one-color printing on both sides and not as you have requested.*

Customer: *No! No! Please follow our design, and we want it in 2-color printing.*

Firdaus: *Hmmm. It would help if you reconfirmed with Y Printing on their promises. It is difficult for us to give you that price.*

Customer: *They are OK. It is just that they cannot deliver in two weeks.*

Firdaus: *Two weeks is not a problem for us; it is just that the pricing was too low to cover our costs. Hmm. Unless the total units are increased.*

Customer: *The total units will stay the same. Please reconsider.*

Firdaus: *Well, the best deal is RM13 per unit, but the quality will not be as good as we quote for RM25 per unit.*

Customer: *I will discuss this matter with the team and get back to you as soon as possible.*

Nevertheless, the call never comes back.

Firdaus was frustrated when he saw some advertisements by the other players in the printing business. *"These people are killing the market! They slashed the price to the lowest and created an impression to the consumers that they can get similar quality products at a reduced price."*

Typical 40% mark-ups in quoting prices previously are seemed to be far-fetched now. This lucrative market has been attracting too many new players. To enter this industry requires minimal investment, especially for those who operate on an outsourcing basis. There were a few times when Firdaus himself have been considering changing his business approach and model. The idea of having a lower overhead commitment with more flexibility and freedom sounds very enticing. Maybe he should now become a trader instead of a manufacturer.

With the evolution of Web 2.0, clients are more demanding and well informed on offers available. Some are smarter and even organize their supplier and negotiate with different manufacturers to produce their orders. They were pushing for lower prices and faster outcomes every time. Firdaus and his team tried to win them over by educating them regarding quality materials and the tedious procedures involved. However, some client interjected their explanation, *"Yup, we are aware of the high-quality products you offered. Still, our constraint is the approved budget"*.

Demands still exist. However, the pie was being shared by too many players: some big players and those with no commitment at all. X-Factor Printing was in the dilemma of surviving the monthly overheads and avoiding this pressure, getting too much to handle.

Money was not the main issue, even though it is critical to have upfront investment to cover up huge orders. He strategizes by getting deposits in different percentages depending on different target markets. However, orders from government agencies lack this flexibility.

Continuous support from the government for small-medium enterprises (SMEs) through new incentives and policies would make much difference. If he needs financial back up for huge orders, Credit Guarantee Corporation (CGC) is the right place to get funds.

Firdaus was incredibly proud of being affiliated with many existing business associations and networking. *"But, sometimes, I am not sure how the programs or activities organized to assist in growing our business."* He continued, *"What we wanted is a new job!"*

3.0 THE MOVE

Firdaus had been thinking about ways of getting more jobs. Government tenders are also attractive. It is also surprising when even the big players such as Percetakan Nasional Berhad are also jumping into the small tenders. Added by the price war started by the online players. "I am not sure how much chance we have."

Another thing that Firdaus learned was that the shift of digitalization had adversely affected the demand for hardcopy printing. The preference is now in the form of digital documents.

To mitigate the sales drop, X-Factor Printing has started to digitalize its business processes, especially in taking queries and orders from clients. Currently, the company is developing its e-commerce platform to enable clients to shop using a shopping cart. This platform is a more popular way of getting in touch with its serious clients. However, these efforts are still at the infancy stage.

Meanwhile, its Shopee platform was limited to ready stock items to maintain good ratings. Facebook and Instagram were merely a medium to showcase their products and build reputations.

Firdaus even invested in learning Facebook ads and other online tools to catch up with digital marketing and advertising.

To outsource some of its printing activities might be a preferable strategy to focus on more value-added activities. Closing more jobs and minimize their operational cost is more important.

His business primarily catered to printing reports, t-shirts, or corporate shirts, and gifts from economical to premium range. Part of the company's strategy is to compete in a wide range of products for different target markets.

Firdaus even tried to leverage on repeating customers by diversifying product offerings to include other special orders. (Department of Skills Development Ministry of Human Resources, 2012) He said, *"There were occasions where our existing clients request for supply of electrical appliances or even other external services that were not in our list as add-on services."*

3.1. The Way Forward

Many organizations have transformed digitally. All industries have been on the verge of responding to Industrial Revolution 4.0 (IR 4.0). Demand for hardcopy printing has slumped. From online marketing to e-books, e-magazines, softcopy reports, or submissions, all have been a new way forward (Abdullah, 2016). Information is at the fingertips where customers can get to filter the lowest retail price offered by vendors. Organizations continue to be more cost-conscious during this economic uncertainty.

Even before Covid 19 pandemic, Malaysia's Online Food Delivery Market Size was forecasted to be worth

around USD319.1 Million by 2026 (Acumen Research and Consulting). *"I have been eyeing the food industry, which is booming now. People hardly negotiate with their food's pricing as compared to printing products"*. Firdaus commented. *"There is also potential in sales of used items like branded shoes. The demand is hiking."* He paused for a while. *"But, I still need to explore further these new directions."*

The competition is quite stiff, especially when X-Factor Printing needs to rely on some prominent vendors that can easily discriminate against them in any way possible. Being a smart survivor, this bachelor had made some close contacts with a few of them. Gaining trust in both suppliers as well as clients proved to be beneficial for prolonged relationships.

"It would be great if all Bumiputra players could support each other." He sighs. The spirit of helping each other was not as strong as the Chinese business community. Business survival is pertinent during this difficult time.

"Next month, I will be participating in one of INSKEN's program". The owner of Future Printing himself, one of the key market players in the printing industry, will be the mentor. The programme will be for approximately 4-6 months. How to turnaround the business and reinvent the business model.

Firdaus believed he needs to solve the problem faced by his company urgently. If the sales keep on deteriorating, he may need to end his business. He may lose all his ten years of effort.

"Should I fight, or should I switch into something more promising?"

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