

Scubatex Resources Diving into Window of Opportunities

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Prelude

This case study is about Scubatex Resources, Malaysia SME, founded in 2007 as a new firm in Asia's scuba diving industry. Scubatex was founded by Mastura Abdul Manap, an engineer by profession but possessing a deep passion for diving. Mastura started the business as a distributor of scuba diving equipment with the help of her husband. Both Mastura and her husband have worked tirelessly for the first two years, growing the business by leaps and bound. She registered Scubatex Resources as a private limited company (Sdn Bhd) in 2009 to become an established and respected firm in Malaysia's scuba diving industry. Although the risks and challenges involved in investing in the scuba industry are significant, there is always the opportunity for the company to be more flexible and focus on niche markets. The company has far greater growth potential in the industry.

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INTRODUCTION

A mother of two, Mastura Binti Abd Manap was born on 11th April 1973, and today, in 2020, she is 47. Mastura is a graduate from Universiti Teknologi Malaysia (UTM) Johor Bharu with a BS in Mechanical Engineering. After graduation, she worked for over ten years with an engineering firm in the manufacturing industry and worked five years as a project manager for an engineering consultant firm. As recognition for her outstanding work as a professional engineer, she was recognized as the 1st Malay lady with a Certified Technology Specialist (CTS) by the International Communications Industries Associates, Inc. Academy (ICIA) USA.

Interestingly, Mastura's interest in founding Scubatex was initiated by her husband's disillusionment with golf as her interest in diving started in 2006 when her husband wanted to stop his golfing activities. Due to the extra leisure time, Mastura and her husband, Ahmat Najah, could share their love of beaches and islands near Terengganu and the Perhentian Island in Malaysia and thought that scuba diving would be a great activity.

However, in 2006, scuba diving was very expensive, just like golf, they started to search for another

vacation activity when they saw an offer from scuba dive centers for trial scuba dive at a discounted price. The offer was especially appealing because the dive center did not require them to be a certified diver. Even though it was risky for them to scuba dive without proper training, she and her husband took advantage of the trial offer and discovered that they loved scuba diving.

Mastura discovered the business by chance; actually, by accident as she would not have discovered it had her husband maintained his interest in golf. Besides, her willingness, supported by her husband's willingness, to do something that most people who rate as very risky, they just forged ahead.

So it was by chance, luck, or accident combined with their propensity for risk-taking that is the initial business opportunity source.

After their first dive, many of their holiday destinations would be islands located in Malaysia and many other Asian countries; diving, of course, was always first on their agenda. As their interests grew, Mastura and her husband enrolled in scuba diving training to become certified divers. Hence, Mastura and

her husband found their passion for the founding of Scubtatex. She is now a Certified Diver Instructor, a Certified Rescue Diver, and has logged 700 dives over the past ten years at islands in Malaysia and as many international islands. In addition to becoming an expert diver, she is a leader for social concerns. She is actively promoting scuba diving for Muslim ladies insisting on shariah compliance scuba diving suits. Mastura is the Founder of the only Muslim lady divers group known as MUSLIMAH DIVERS; she organizes corporate social responsibilities (CSR) & Charity Scuba Diving programs. She is also a member of the Malaysia Scuba Diving Association (MSDA). With many hours spent diving and actively involved in many diving activities, her interest grew into a passion. Hence, Mastura and her husband found their passion for the founding of Scubtatex. Today in the year 2020, Mastura's accomplishments have exceeded her expectations.

2.0 BACKGROUND

Mastura discovered scuba diving on a whim in 2006, and within a year, in 2007, she started a company based on the passion she found in scuba diving. She follows her passion with action; do it. Mastura can be described as a risk-taker in pursuing her passion, and she is the idiosyncratic nature of the venture.

Scubtatex Resources was established on 3rd March 2007 as an enterprise and later was incorporated to Scubtatex Resources Sdn Bhd on 6th December 2009. Located at Taman Perindustrian USJ 1, Subang Jaya, a prudent and dedicated team, manages the company under the stewardship of a Lady Rescue Diver, Mastura Binti Abd Manap. Scubtatex is a women-owned business, being assisted by her husband, Ahmat Najah B Rahmat, an experienced SDI Instructor Trainer/Course Director. The nature of Subatex Resources is Recreational Diving and Marine Work Activities. When starting up Scubtatex Resources, she and her husband worked full-time in the engineering and logistic line. In the beginning, Scubtatex Resources was only a part-time business for them as they operated the business during weekends and sometimes after working hours. In 2007, Malaysia's scuba equipment was costly, but they believed they could get better prices for their equipment because her husband worked in logistics and had networks worldwide. Mastura believed that Ahmat could use his worldwide contacts to identify better-priced diving equipment. After a few months of searching and research, Ahmat Najah found a Taiwan supplier that offered better pricing than Malaysian pricing. From then on, they bought scuba equipment from Taiwan

for their own use. As with any success, others started to notice, and their friends started to ask them to purchase scuba equipment for them. The requests from friends continued to grow over each month, and it was this demand from friends that revealed the opportunity to start Scubtatex. In this situation, Mastura has started the businesses to solve a personal problem; in this case, the high priced of scuba equipment. Secondly, she has started with a small number of orders to establish "proof of concept." Although their sales to friends may not have been intentional initially, those sales did end up proving that their embryonic business had potential. These two attributes create the synergies that birth notable new ventures.

With high demands and consistent orders for scuba diving equipment from friends, Mastura and her husband decided to open Scubtatex Resources in 2007 to supply diving equipment to local dive centers and diving enthusiasts. In 2008, the company expanded its business to offer diving trips to a local island and international destinations within a year. In 2010, Scubtatex gained exclusive distributor rights to become the sole authorized distributor for IST Sports and Aropec; both brands are from Taiwan. In 2013, the company became the sole distributor for Cressi Sub manufactured in Italy; Cressi Sub is one of the world's top four scuba diving brands. Besides, Scubtatex became a certified Scuba Diving International (SDI) 5 STAR IDC (Instructor Development Center). In 2020, Scubtatex Resources Sdn Bhd is the only 100 percent Bumiputra Company in Malaysia that is a Distributor for Scuba Diving Equipment; it is also registered with the Ministry of Finance.

They are confident that with the combination and cooperation between experienced and dedicated employees, the company will meet its target successfully in the near future. In building up the business, Scubtatex Resources believes the need for a direction to where they are heading. The vision of Scubtatex Resources is *"To become a premier, largest, dynamic and superior organization of scuba diving equipment provider and competitive through the power and familiarity of it has established, the strong and steady team"* while its mission is *"To provide quality services and supplies of quality scuba diving equipment, fast, rapidly and flexible that exceed one hundred percent and expectations of our esteemed scuba diver."*

Mastura has very high aims for the company to become the premier scuba equipment and service provider in Malaysia via an expert team that will provide

exceptional services exceeding customer expectations. There are many business divisions that the company has ventured into and is presented in Figure 1.

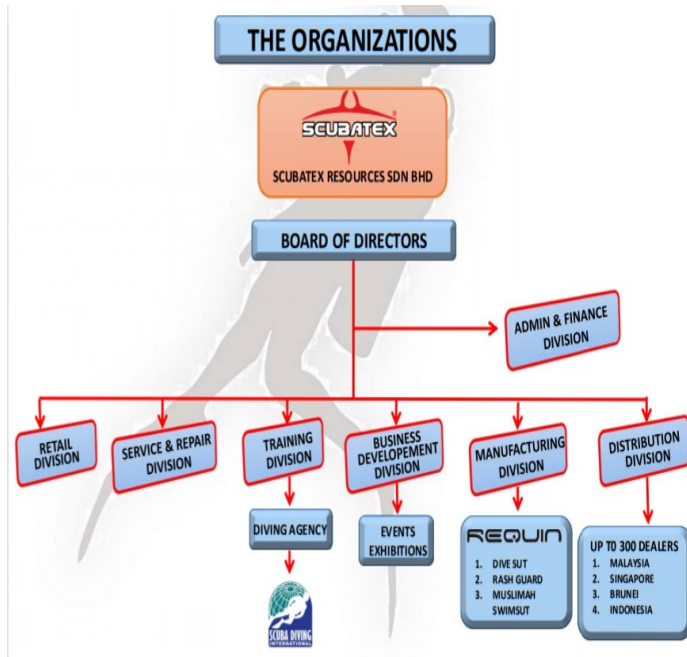


Figure 1: Scubatex Resources Structure

Scubatex's organization chart in 2019 shows the extent to which it had grown over the past twelve years from its humble beginning when Mastura provided only one service: scuba diving equipment. The organization chart also illustrates the large organization that Mastura and her husband had to create from their initial two-person firm to meet the increasing demand for their products and services as demands for scuba diving sets increased tremendously. Today, Scubatex offers a wide variety of products and services to both its commercial and consumer customers. Following are some of Scubatex's commercial, business, and consumer services in addition to its equipment distribution services:

- ❖ Diving Equipment and Compressors Distributions
- ❖ Diving Equipment and Compressors Servicing
- ❖ Diving Trips
- ❖ Diving Courses
- ❖ Underwater Photography Courses
- ❖ Underwater Videography Courses
- ❖ Technical Diving Courses
- ❖ Science and Research Diving
- ❖ Commercial Diving
- ❖ Salvage
- ❖ Consultancy
- ❖ Manufacturing Water Sports Apparel

As mentioned earlier, Scubatex Resources specializes in scuba diving set gears. It is the official sole-distributor for the following brands, as shown in Figure 2.



Figure 2: Various brands carries by Scubatex Resources

3.0 THE STRUGGLE

The four leading challenges to Scubatex' growth are reputation, seasonal demand, and financial support.

Building reputation

The company is continuously on the lookout for being a renowned company. Further, the company's high requirements in terms of the quality of the product and materials used that equivalent to the market standard. This allows the company to offer its customers a wide range of scuba gears and equipment at affordable prices, a key success factor in this industry. According to Mastura, in creating a reputable company, this business required someone with experience and knowledge in scuba diving besides product knowledge. It is not easy for Ahmat Najah, (Mastura's husband) to achieve the certified SDI Instructor Trainer level. It took him four years to be at this top level of certification in scuba diving. This is one of the challenging journeys for Ahmat Najah to bring the company to the acknowledgment level since this certification has created trust and reputation for Scubatex Resources.

Seasonal Demand

The significance of Scubatex Resources in the early stage is to be recognized by the government as the principal source of economic growth and employment opportunities. It is important to acknowledge the government since the government can help promote scuba diving through tourism. Access to finance is critical to the development of this scuba diving company

in the tourism sector. A significant challenge Scubatex faced is the slow demand during the monsoon season in November, December, January and February. Most Asia countries experience the monsoon season when fewer tourists will be diving into the sea, and the decreased demand negatively impacts most of the scuba diving agencies. This is the challenge where Scubatex must convince their financial institution that Scubatex Resources can still manage to make sales during monsoon season, Scubatex was able to do so because they were the sole distributor of scuba equipment and many other brands and had the privilege of dealing with dealers in Indonesia, Thailand, and Maldives that is free from the monsoon season.

Financial Support

Recent financial assistance trends have never focused on scuba diving companies, which have created obvious difficulties for Scubatex Resources Sdn. Bhd. to apply for funding. The urgent need to obtain adequate funding to grow the firms from its humble beginning using the initial capital to start the business of RM18,000 that was from their saving. Finance capital has been one of the biggest challenges that Scubatex Resources has faced. Previously, the company needs to show the bank their forecast demand from each dealer. Most of the banks fail to comprehend the potential of this business in the long term. It is challenging for the company to get financial assistance. Even though the company has an excellent financial record with RM1.5 – RM2 million turnover but, it still failed to convince the bankers.

Later in the year 2015, the company managed to get its first assistance in terms of working capital from OCBC Bank, after eight years in the business. Follow later by another institution such as PUNB and SME Bank in the form of loans. Mastura finds it is not easy to convince the banks in terms of their company's business model. Most of the financial institutions hesitate on the nature and potential of the business in the Malaysian market. They have to pay out front for all the products that they purchased from Taiwan and Italy. There is no term given in the transaction. The procedures are once the company makes an order, they have to pay 50%, and before the product is being shipped out, the company needs to pay the balance of 50%. As a distributor, they need to pile up stock at least at the cost of RM500, 000.

Ever since Scubatex Resources managed to show a good reputation in the business, the company recently received financial backing from public funding institutions. SME Corporation Malaysia (SME Corp.)

managed to award the company to match grants to purchase machinery for manufacturing and the Women Exporter Development Program under the Malaysia External Trade Development Corporation (MATRADE) to cover the global rollout of its products internationally to potential countries. This grant was awarded for three years (2017-2019) that valued at RM100,000 for each year. The grant can be used to promote the company's product in terms of the trade mission, exhibition, or expo.

4.0 THE EXPANSION OF DIVING INDUSTRY

There are several popular diving sites in Malaysia among local and foreign tourists such as Kapas Island and Perhentian Island in Terengganu; Mantanani, Matakang, Mabul, and Sipadan in Sabah; Tioman Island and Aur Island in Johor. The diving spots are excellent, for beginners, and for those who have completed the Scuba Diving course, there are many other diving locations to be explored. Scuba diving industry in Asia is 90% of the consumers are repeat customers, and the industry is only experiencing a 10% growth rate. Scuba diving people have high incomes and have more flexibility to spend to pursue scuba diving passion and activities. Scuba diving can be considered a luxury hobby, allowing such businesses to charge premium pricing for diving gear, equipment, and diving activities. In line with opportunities and customer buying power, Scubatex Resources diversified their business, offering various products and services. The company focuses more on the B2B concept, and only a small percentage of sales is through B2C. Most of the sales from B2C is made through their website online purchasing. The scuba diving industry is moving into its growth stage in Malaysia and Asia countries; therefore, Scubatex Resources need to have a clear strategy to position their business to remain competitive in the market. For Scubatex to continue its growth beyond 2016, it must review its strategy as the industry, and its markets are rapidly changing. A viable strategy for businesses in a growing industry is consolidation, alliance, or joint venture. Scubatex Resources experiences of being an Authorized Sole Distributor for Malaysia, Indonesia, Singapore, Thailand, and Brunei for Aropec (Taiwan) since 2010 and Cressi Sub (Italy) since 2013 until the present has created an excellent reputation for the company and open up new opportunities. In 2016, the company was chosen to be the contract manufacturer of a premium diving apparel brand, 'Sharkskin' from

Australia. The company invested RM2.5 million to be the contract manufacturer.

Their own in-house watersports apparel brand 'REQUIN' was born from the experience, technology, and know-how from the Australian company. 'REQUIN' was created in 2018 after the contract manufacturing alliance with the Australian company ended. 'REQUIN' has several product lines such as dive suit, rash guard, and Muslimah swimsuit. According to Mastura, it is crucial to understand the target market and to change outdoor recreational lifestyles. Since the industry mainly focuses on high-income customers who desire and can afford pursuits of luxurious and expensive diving activities, ScubateX Resources recognized the needs of a fast-emerging customer group and is tapping onto middle to a middle lower-income group of customers.

According to Mastura, the more significant markets are customers who are made up of youngsters, university students, and young executives, regardless of income group. They are the new profile of divers who have ventured into the once exclusive underwater sports. ScubateX Resources recognizes the current gap in the scuba diving market. Most of the scuba diving companies focus on high-income customers since it requires a person to invest initially in a set of entry-level dive gear that cost RM5,000. In response to the changing market, ScubateX Resources started its own brand 'REQUIN' to fill in the gap. The company started producing watersports apparel being sold at 50% cheaper than the existing brands in the market, without compromising its quality.



Source: ScubateX Resources official Facebook
(<https://www.facebook.com/scubateX/>)

Targeting a new segment of the market makes explicitly business sense for ScubateX Resources, mainly because of the growth of youngsters, university students,

and young executives as new entrants in sports diving or embracing it as a challenging yet appealing recreational activity. It allows the business to diversify the product it offers to the new group of the target markets. The two years (2014-2018) experiences and opportunity of the strategic alliance with an established Australian company known in the category for watersports apparel, ScubateX Resources has benefited tremendously in technological know-how and brand reputation, securing them a stronger position in the local and regional market.



Source: ScubateX Resources official Facebook
(<https://www.facebook.com/scubateX/>)

The company imports its in-house watersports apparel brand 'REQUIN' to Maldives and Indonesia. Currently, Indonesia holds the largest market share of the business, besides Malaysia. Since the birth of Malaysian-made watersports apparel 'REQUIN', ScubateX Resources has received many requests from local diving agencies to customize the diving apparel with a printed logo and name of individual diving agencies. This customizes requests are almost impossible to fulfill if the diving apparel is imported from other overseas companies. Government agencies such as the Navy and the firefighter department have indicated overwhelming interests to customize the diving suit for their staff. To date, ScubateX Resources is the pioneer in manufacturing watersports apparel in Malaysia. Therefore, this is one of the company's opportunities to penetrate the local market and the Asia market. The existence of their in-house brand 'REQUIN' has open-up a new window of opportunity for the company. Advantages include a higher demand from both local and Asia countries, a positive direction in gaining a higher market share.

5.0 SUMMARY

The experience that Scubatex Resources has achieved as the Asia sole distributor for several top and famous scuba diving brands led to diversification in the product offerings and an increase in its revenue streams. Although this business requires relatively high capital investment, the revenue from sales to its many distributors offset the various expenses and enable Scubatex Resources to continue being profitable. The company managed to differentiate themselves from their competitors and become a pioneer in manufacturing water sports apparel 'REQUIN.'

Scubatex Resources managed to increase its income reliability by offering various products and services, focusing on the Malaysian market and several Asia markets such as Indonesia, Thailand, and Maldives. With specific markets free from the monsoon season, Scubatex Resources received demand and orders all year round. One of the most significant gains that Scubatex Resources conquered is the increased demands from their Asian distributors that enable the company to produce up to capacity year-round instead of just selected seasons. With a strong business background in the scuba diving industry and an understanding of the psychographics and demographics of youngsters, university students, and young executives concerning watersports recreational activities, it will continue to strengthen Scubatex Resources as a company with a niche market. Scubatex used many strategies to be competitive in the growing scuba diving industry, such as exclusive distributor, private label manufacturing, identifying market gaps, customization, expanding marketing to B2C, and being a pioneer in manufacturing. Scubatex is a very dynamic company, not only to survive but, most importantly, excellent in a competitive and expanding industry.

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