PotatoChipsMachinery

The Pre-Feasibility Study of Potato Chips Industry Investment in Malaysia

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1. Summery

Potato chips are an impulse in which an element of indulgence is required. With the development of people's life, more healthier potato chips are needed. The potato chips market of Malaysia is on the rise as the development of urbanization and the changing of eating habits. This paper mainly indicate the current potato chips market, the favorable investment of potato chips industry, and the opportunities a new player can gained to enter the Malaysia potato chips market.

2. Introduction to Malaysia

Malaysia is regarded as an upper middle income group country. Gross Domestic Product growth is forecast at 4 percent for 2012, with expected to expand to 5.6 percent in 2013-2016. Malaysia is a politically and economically stable country and open to foreign trade. Transportation, communications, banking and health services are modern and efficient. With a population of around 28 million, it is one of the most developed nations in Southeast Asia. About 61% of its population falls into the middle to upper income group of consumers; with GDP per capita income of US$9,890. Its economy has a firm foundation that includes strong manufacturing, service and agricultural sectors.

The Malaysian food and beverage market is very developed and sophisticated and is supplied by both local and imported products. Urban consumers are relatively brand conscious and prefer to shop in stores, which offer convenience and good product selections. Hypermarkets/large format stores are the dominant format in urban/metropolitan areas in Malaysia with about 45% to 60% of urban household shoppers using them as the main outlet for the majority of their packaged groceries.

3. Crucial Factors & Steps in Decision Making for Investment

3.1 SWOT Analysis

STRENGTH

- High automatic production line, effective production and packaging technology
- High demand for potato chips domestically and for export
- Good government support. There is strong government support for the industry stemming from the recent refocusing on the agricultural sector.
- Premium quality products with less fat which meet the quality demand

- Long shelf-life
- Convenient transportation systems
- Have a big market, well accepted by domestic and abroad, especially Singapore markets.

WEAKNESS

- Lack of local material
- No skilled workers, which may result waste
- Weak marketing linkages
- Initial material waste

OPPORTUNITIES

- Increase urbanization which means the potato market is expansion.
- People's life style tends more to on-the-go food which promote the development of snack food market.
- Growing domestic and foreign market
- Available technology generators to further modify the potato chips flavors

THEATS

- Competition from already established companies
- Less or no fat modification of other savory snacks
- Competition from import potato chips
- People pay more attention on health issues.

3.2 Key Successful Factors

A. Marketing

- Marketing and promotional activities, especially media advertising and demonstrations are effective in communicating the new brand and its nutrition and differences from other snacks food.

B. Products

- Premium quality
- Healthy to eat, low fat, low calorie, no transfat and acrylamide
- Special taste that loved by adults and children

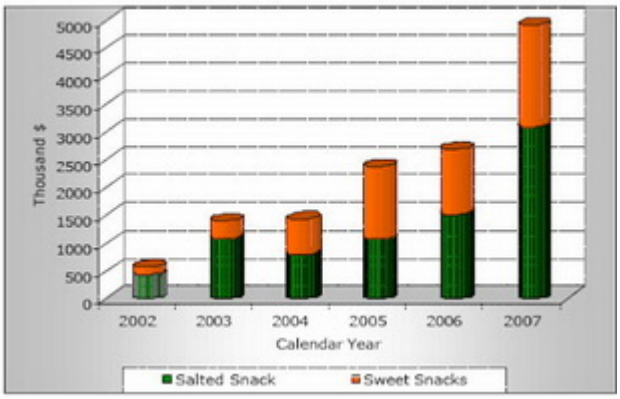
C. Logistics

- Better equipment, proper food handling practices, adequate transportation, and storage will encourage higher output and minimize incidences of spoilage.

4. The Potato Market in Malaysia

As the fourth most important food crop after the cereal wheat, rice and corn in global crop production, potatoes are the most important vegetable crop and the world's recognized stable food consumed by many people. In 2011, potatoes industry contributed approximately 61% to the total gross value of vegetable production. Processing of potatoes has grown at a rapid rate over these years. Consumption of potatoes and potato products is growing rapidly in Asia. As there is lack of locally grown potatoes suitable for processing, the processed potato products, such as potato chips, frozen French fries, potato crisps are mostly imported.

Import of U.S. Sweet and Salted Snacks CY 2002 to 2007



Malaysia does not produce potato locally. Most of fresh potatoes and potato products are imported from its neighbouring countries and other western countries, mainly from the US. Malaysia does not produce chip-stock potatoes. As all suppliers of fresh chip-stock potatoes receive duty-free access in Malaysia, the price of fresh potatoes and potato products are in stable. As Euromonitor predicts the country's sweet and savory snacks market will grow and chips are expected to post strong sales growth as consumers resume steady snacking habits.

5. Malaysia Potato Chips Market

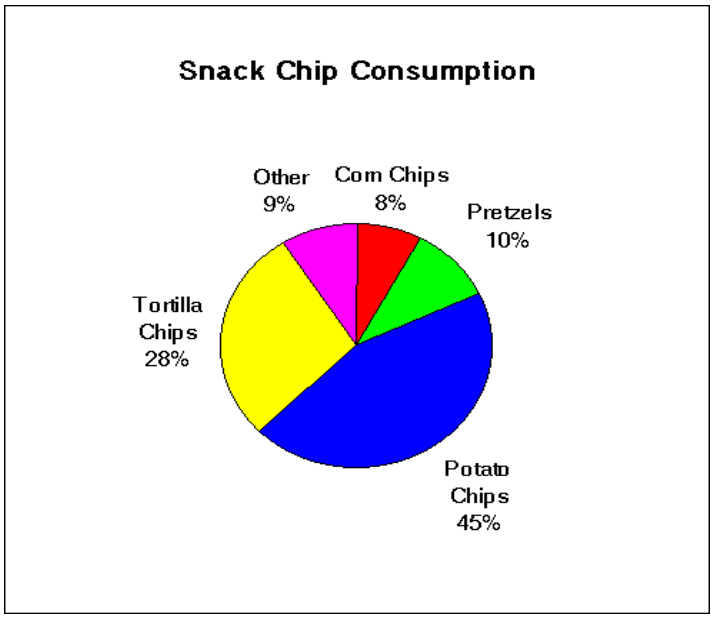
5.1 Snacks Food Industry

Including the manufacture of potato chips, corn chips, popcorns, pretzels, extruded snacks, seed and nuts and chocolates, the snack food industry is on the rise with the increasing of people's income and the change of people's life style. With the rapidly growth of Malaysia's traditional snack industry, the sales figure of snacks food hits $ 66 million. As consumers have ample choice when comes to local snacks, crispy chips made of potatoes, sweet potatoes, tapioca, banana and onion, are the favourite ones. According to the growth data for the country's snack industry, the chips represent the biggest market share of the snack industry with their sales figure amounting to $ 34 million.

The snack industry has played an important role in improving the rural economy and increasing the rural people's income, where many of the chip makers work in groups. Chips market is on the rise as the development of urbanization. The demand of potato chips is increasing day by day.

5.2 Potato Chips Market Information

As there is an increase of working women who spend less time cooking, the snack food market will increase. The demand for snack food, especially potato chips is increasing. According to American Snack Food Association survey done in 1996, potato chips are the most popular snack food, exported to Canada,Western Europe, the Asia Pacific Rim and the Middle East. Consumers snack potato chips between meals at least once a day.



Recently, the expansion of the potato processing industry in most developing countries has created a demand for better varieties for chips, frozen French fries, including Malaysia. Malaysia potato chips producers not only target their target market domestically, but also abroad.

As people pay more attention on health issue and safety, more healthier potato chips are needed. A new brand with premium quality potato chips can enter this market through heavy promotion activities and advertisement.

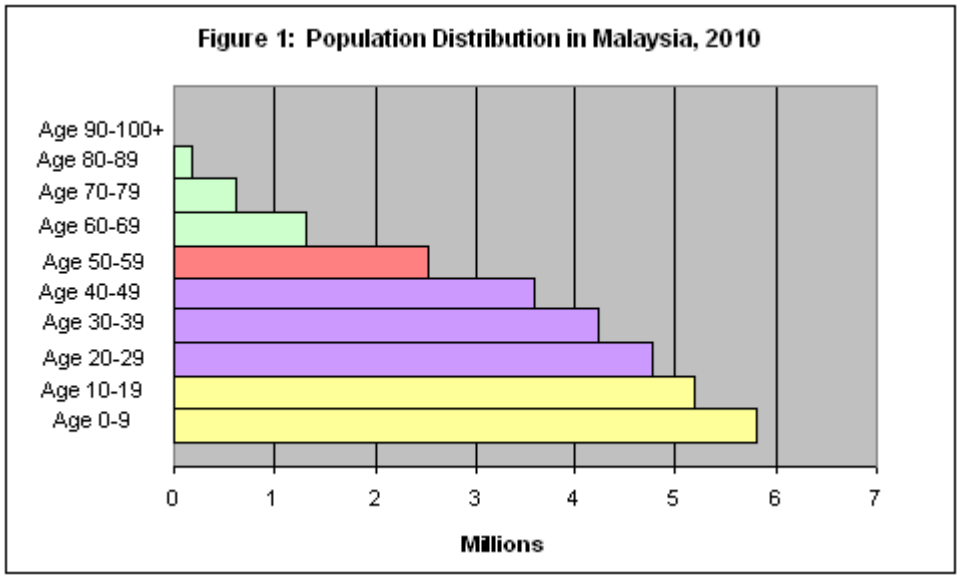
Reasons of People Consumption Chips

For Time Pass	Taste	Hunger
55.83%	37.5%	4.17%

5.3 Target Customers

In nowadays, Malaysia has a young population today with 28% aged 15 years and below and 67% in 15 years old to 64 year age rang. As the research shows, about 97% of the working population are employed. Over 60% of the populations are in middle income to high income who have a growing purchasing power. As Malaysia's lifestyles becoming more sophistication and modernization, people tend more to western snack food, especially potato chips.

With the development of media and globalization, young people are attracted by the western lifestyle, and tend to eat snack food day by day. Recently, more and more women get to work, therefore, they have less time to cook and potato chips with crispy, good taste and color are one of their choice between meals.



Market research of the demand of potato chips and French fries shows that the consumption of potato products are significantly influenced by income, price, the rate of urbanization and country-specific factors. Therefore, the potato chips target customers can be divided as follows:

- Children and students ---- Major target customers, as potato chips are the most favorite snack food. A research shows that potato chips are students' first choice when take lunch.
- Middle income and High income groups ---- These people can afford potato chips. Middle income groups are mostly working people, and they often purchase ready-to-eat food, therefore potato chips as a tasty snack food are popular among them. For the high income people, they pursue high quality life and tend to western lifestyle. Consumption of high quality potato chips is one main snack in their life.
- Tourists ---- Malaysia tourist industry is increasing and bring lots of tourists from all over the world and these are the target customers of potato chips.

6. Conclusion

Currently, the consumption of potatoes and potato products, such as potato chips, French fries and potato crisps is on the rise in Malaysia with the increasing of urbanization and people's income and the boost of tourist industry. Market researches show that the potato chips market in Malaysia is on the rise and there are lots of opportunities for a new player which can provide high quality potato chips. As Malaysia is a developing country, the market is full of opportunities to expansion and to invest.