

Organic Agriculture and Marketing Perspectives for Zenxin Organic Food Company: A Case Study

Lit Cheng Tai¹, Wai Mun Yeong², Malathi Nair³, Bee Chuan Sia⁴ and Alexander Guan Meng Tay⁵

Publication Details: Received 17/12/2019; Revised 03/04/2019; Accepted: 15/04/2019

ABSTRACT

In line with the Malaysian government intention to encourage producers to transform into organic farming, Zenxin Agri Organic Food Sdn Bhd had ventured into organic farming. This case study highlights the issues and challenges encountered by Zenxin and demonstrates how Zenxin response to its external environment. The critical success factors in the organic market serviced by Zenxin are from their well innovative marketing strategies and well-targeted market. Zenxin build its synonymous image as organic fresh produce company throughout the years. Today, Zenxin is a leading organic fresh producer in Southeast Asia specifically in Malaysia and Singapore. Zenxin brand is built based on the passion for health excellence and it remains true to its mission. In the steadily growth of organic food market trend and intense competition, what will be Zenxin next strategic directions in creating their sustainability and competitive advantages in next decade?

Keywords: Organic Farming, Organic Produce, PEST Environment, Marketing Mix, Target Market

INTRODUCTION TO ORGANIC FARMING

Organic Farming (OF) is one of the ecosystems which management uses to grow sufficient food for the increasing population. It is a livestock production where pesticides, fertilizers, genetically modified organisms, antibiotics and growth hormones are not involved throughout the process. (omafra.gov.on.ca). According to Centre for Environment, Technology and Development Malaysia (CETDEM), organic farming uses composting, mulching, green manuring, intercropping and crop rotation to build soil fertility, soil and water conservation, and biological methods to manage weeds and pests. The purpose of OF is to sustain and enhance the biological interactions on which production agriculture is dependent on. It can reduce the harmful farm effects on production practices such as minimizing soil pollution by stopping hazardous chemical reactions in the soil and circumventing contamination as well as soil erosion caused by wind and rain. OF has been practiced not just in developed countries but in developing countries as well. Market research done by the Research Institute of Organic Agriculture (FiBL) and International Federation of Organic Agriculture Movement (IFOAM) in 2017, shows the number of countries involving in organic farming is increasing throughout the years and as of current, there are 179 countries that have data on organic farming whereby Asia is the major exporter of organic products. 2.4 million organic producers are reported in developing countries (FiBL), where

India produced the most producers (585,200) followed by Ethiopia (203,312) and Mexico (200,039).

Figure 1: Number of Countries with Data on Organic Agriculture from Year 1999 to 2017
 Source: FiBL-IFOAM-SOEL-Surveys 1999-2017

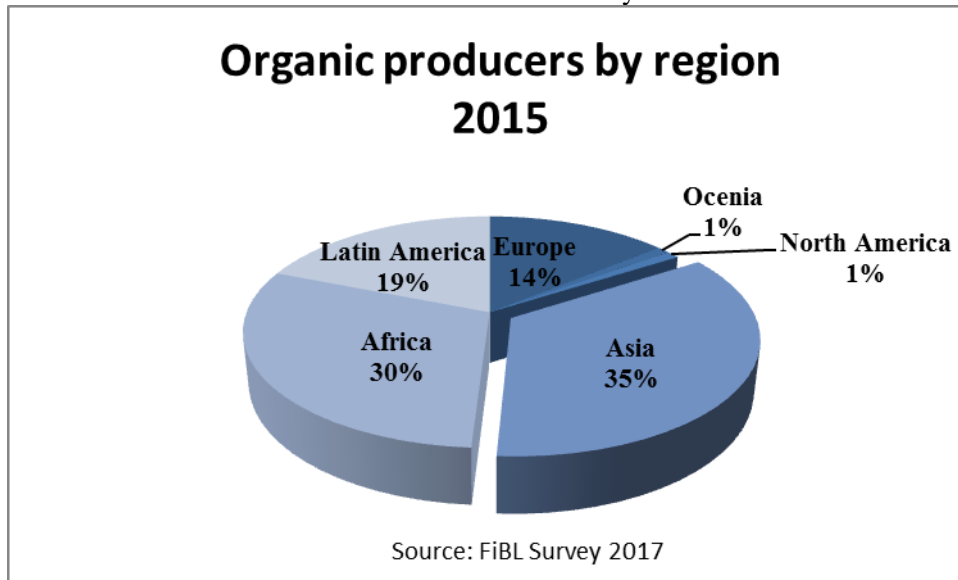
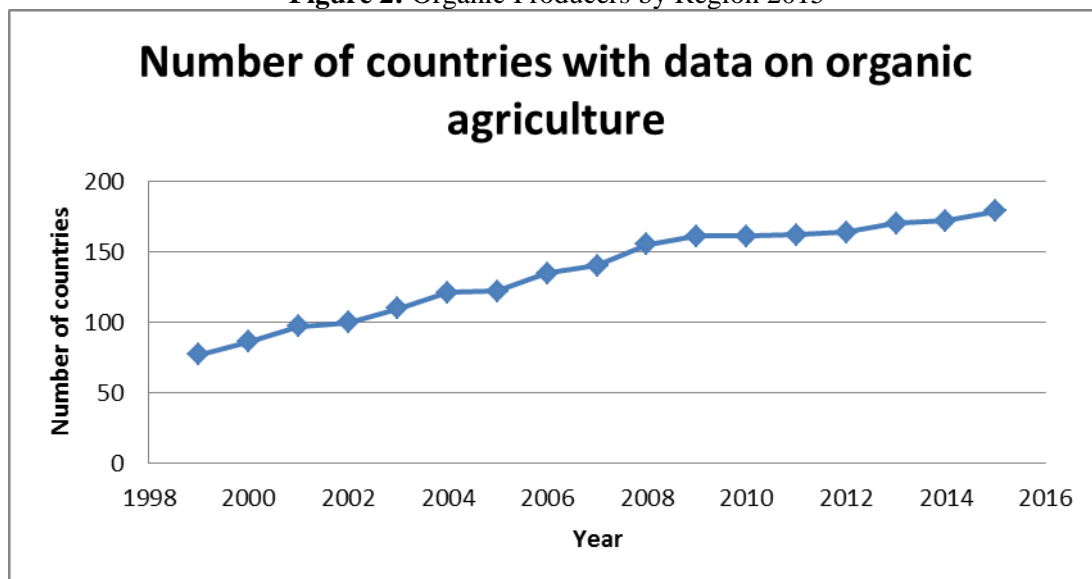


Figure 2: Organic Producers by Region 2015



OF has contributed to socio-economic sustainability especially in developing countries like Malaysia, Thailand and Vietnam. It helps to urbanize rural development by contributing to tourism activities, generating employment and income to support local economies.

In Malaysia, OF is identified as a niche market opportunity for Malaysian small-scale producers (Ahmad, 2001). Various efforts were done to promote OF, for instance, nonprofit organizations (NGOs) like CETDEM has started the organic farming initiative by carrying out experiment on growing multiple organic vegetables and fruits on one acre of land and

their yields have penetrated to varieties supermarkets in Kuala Lumpur. The success of their experiment as well as the demands from consumers has led other farmers to take the same approach to grow organic agriculture in Malaysia. From the government side, Department of Agriculture (DoA) has helped to establish certification scheme to uphold the organic products' standards and qualities while Malaysian Agricultural Research and Development Institute (MARDI) has also research the application of technologies used by organic farmers in Malaysia. Even though many efforts were being made to promote OF in Malaysia by the parties mentioned above, OF did not generate acceptable results particularly in production side. This case study intends to highlight the issues and challenges encountered by one of the local key OF player in Malaysia, Zenxin Agri Organic Sdn Bhd. It demonstrates how Zenxin response to its PEST environment and the innovative marketing strategies Zenxin used in expanding its market across countries and how Zenxin build its image throughout the years.

ZENXIN BACKGROUND

Established in 2001, by Tai Kok Khong, Zenxin Agri Organic Food Sdn Bhd has been synonymous with the organic fresh produce industry. Today, Zenxin is a leading organic fresh producer in Southeast Asia including Malaysia and Singapore. Employing over 200 workforces, Zenxin sales channels comprise of 12 retail shops, 1 recreation park, more than 100 supermarkets and over 100 dealers. Zenxin brand is built on a passion for health excellence and it remains true to its mission – to strive to bring the best quality of organic fresh produce to consumers in the most trustworthy manner. Zenxin offers the widest selection of organic produce with over 60 varieties of organic produce with affordable prices. All their organic produce are packed using NASAA certified organic facilities and the organic produce are keep in a dedicated cold room to ensure the freshness and hygiene.

Zenxin's development can be divided into few phases over the past 16 years. The first phase started from 2001 to 2003. During this phase, Zenxin learnt the Japanese technique of producing organic fertilizer, which is fermentation; to use microbe to turn the waste into fertilizer. That was the time they started to produce organic fertilizer but they couldn't sell. Zenxin had thus created 2 subsidiaries, one is for organic farming and the other is for palm oil industry. For their organic farming, Zenxin started off in Cameron Highland in Perak, and Gua Musang in Kelantan. The process was tough because there was a distance between the farm and the retail stores in Johor thus Zenxin lost around RM5 million in their initial investment. Moreover, during the early stage, people were still not appreciating the value of organic produce and supply volatility was a big threat to Zenxin's performance. Zenxin had a hard time selling off its organic produce through its limited retail channels. The excess organic produce was often discarded. However, during rainy seasons, the farm did not have enough supply to support the retail channels.

The second phase was in 2004 when Zenxin ventured into more organic farmlands in Simpang Renggam and Ayer Hitam, Johor. This move reduced their supply volatility and increased their varieties of organic vegetables and fruits. Zenxin built relationship with supermarkets such as Aeon and Giant in Malaysia and started to distribute Zenxin organic fresh produce through this sales channel. Although Zenxin sees a strong growth in supermarket business, it was unable to gain profit from these big retail channels due to high margin given to the supermarkets. Furthermore, there were still low awareness among the public towards organic vegetables and fruits which made it difficult for Zenxin to market their organic produce at higher prices.

The third phase occurred in 2006 when Zenxin founder decided to open its largest organic farm in Kluang, Johor. Zenxin organic farm serves as an educational and recreational park to showcase the methods of organic farming. The park admission and the guided tour are free of charge in order to educate public about the benefits of organic produce. During the same year, Executive Director, Tai Seng Yee, the second son of Tai Kok Khong, had successfully embarked on the certification route by engaging NASAA, Australia to certify Zenxin's farms. With NASAA certification, this had brought more marketing advantages to Zenxin and at the same time, it gained a third party to scrutinize their operations and to ensure Zenxin is following stringent guidelines to meet international organic standards.

The fourth phase occurred in 2009 where Zenxin broadened its sales network covering the whole peninsular Malaysia and Singapore. The whole supply chain of Zenxin, starting from compost-making facilities, organic farms to organic packing houses went through organic conversion period and was fully certified by NASAA. The profile of being one of the top selling brands of vegetables and fruits in the regional supermarkets brought Zenxin's popularity to another level, which attracted the attention of many suppliers and buyers around the world.

The fifth phase occurred in 2010 whereby Zenxin's vision is to be Asia leader in producing organic food. They started in China by opening up an office in Naning, mainly on importing organic dried foods from all over the world to sell in the retail shops. They also diversified by creating their own growers' group. Till date, they have 25 growers who grow organic fresh produce for Zenxin. Zenxin certified them with NASAA certification and inspected them twice a year to ensure the growers grow the organic produce themselves. These 25 farmers are uniquely formed in Malaysia and this practice had not been used any organic producers in Malaysia yet.

PEST ENVIRONMENT OF ORGANIC FOOD INDUSTRY IN MALAYSIA

Political-Legal Environment

The world population is anticipated to reach 9.15 billion by the year 2050. Based on the current projection, there are more than 2.8 billion people who are living below 2,500 kcal/day (Alexandratos & Bruinsma, 2012). The same report stated that this phenomenon is mainly due to poverty in those low-income countries which subsequently linked to failure in developing agriculture and thus brought to the situation of having limited access to food produced. In view of such projection, agriculture is one of the important areas identified by the government that needs critical attention where the Malaysia's Consumer Price Index for food has increased from 100 points to 124 points from the year 2005 to year 2010. This led the government National Economic Advisory Council's first report on the New Economic Model to state that government will not be able to continually subsidize food whenever prices increases (Oh, 2014, April 19th). Therefore, the National Key Economic Areas (NKEAs) has included the agriculture sector with the task to ensure food security objectives are in line with the country's gross national income (Oh, 2014, April 19th).

Due to the rising population, the government needs to ensure the sustainability of food by ensuring the improved productivity of agro-food production. Specifically, within the organic agriculture, the 3rd National Agriculture Policy (NAP3), (1998-2010) has identified various

market opportunities for organic vegetables and fruit growers (Mohamed Haris, Garrod, Gkartzios, & Proctor, 2016). The organic market globally in 2014 is worth a total of USD\$80 billion compared to only USD\$15.2 billion in 1999. Asia is the third largest consumption market for organic products worldwide after North America and Europe (Willer & Lernoud, 2016). Thus, the Malaysian government has put higher emphasis on organic production as one of the key niche area within the broad agriculture policy. The NAP3 was subsequently replaced by National Agro-Food Policy (2011-2020) to respond to the global food price crisis that has a huge impact on the domestic market due to the high reliance of food import and also for sustainable development (Mohamed Haris et.al, 2016; Oh, 2014). Data indicates that net import of food has increased exponentially from over RM10 billion in 2009 to almost RM14 billion in 2011 (Oh, 2014).

The National Agro-Food Policy (2011-2020) has identified several specific commodities of agriculture products with high value which includes organic vegetables and fruits that can contribute to the country's gross national income as well as the source of food for domestic market (Dasar Agro Makanan Negara 2011-2020, 2011). There are two sources of information; the government and NGO which provide relevant information of OF. The farmers rely on the government agency, the Department of Agriculture (DoA) Malaysia, to provide information on certification and inspection of organic farms. The policy emphasizes on the organic certification via Skim Organik Malaysia (SOM) or Malaysian Organic Scheme where DoA only certify and monitors the organic farming processes and practices. The certification was awarded to organic farmers based on the standards set under Malaysian Standard MS 1529:2001 The Production, Labeling & Marketing of Plant Based Organically Produced Food. This standard has been updated to Malaysian Standard MS 1529:2015 for Plant-based organically produced food requirements for production, processing, handling, labeling and marketing (Mohamed Haris et.al, 2016). In line with the revision of the standards, SOM's logo has also been renamed to Malaysian Organic (myOrganic) in March 2015 (Suhaimie, Ibrahim, & Abd Wahab, 2016).

From the NGO side, CETDEM and Organic Alliance Malaysia (OAM) are to assist and promote the organic movement in Malaysia. CETDEM's active involvement with organic farmers is to provide fundamental training and knowledge exchange among farmers. They also inspire others to be involved in organic agriculture using a variety of exciting programs that promote public awareness via direct participation. On the other hand, OAM is involved in the marketing of organic products, where they help to promote, develop and implement a code of conduct for the marketing of organic products. Thus, the two NGOs play different roles in helping the organic industries to prosper and grow.

Economic Environment

In Malaysia, the policy of agricultural is divided into two periods which is Pre-independence (1948 – 1957) and Post-independence period (1957 -2020). The Pre-independence (1948 – 1957) is established by British colonizers for their own benefits where they brought in Indian labor for the purpose to increase the rubber plantation in Malaysia.

The Post-independence period (1957 -2020) is further divided into a few phases that highlight the practicing of organic agricultural in various Malaysian National Plans and Policies such as: The Malaya Economic Plan (1957 - 1983) and The Third National Agriculture Policy (1998-2010). Within the period of National Agricultural Policy it is divided into The First National Agricultural Policy (1984 – 1991), The Second National Agricultural Policy (1992 –

2010), The Third National Agricultural Policy (1998 – 2010), where organic agriculture was identified as a market opportunity mainly for vegetables and fruit growers. Following the latest policy development under the National Agro-Food Policy (2011-2020), organic agriculture has become a major factor towards sustainable development. Therefore in 1998, organic agriculture policy was introduced by the government to provide the formal guidelines to farmers for organic farming.

The Third National Agriculture Policy (NAP3, 1998-2010) aimed in producing high productivity of agricultural programs while assuring the conservation and utilization of natural resources on a sustainable basis. With the integrated agriculture approaches, the policy emphasizes on agro-forestry, mixed farming, rehabilitation of marginal land, recycling of organic wastes, mulching, cover cropping, composting, organic farming, and soil and water conservation. In fact, under the Third National Agricultural Policy (1998 – 2010) period, it was also recognized as benefiting to the organic agricultural industries. The government realized the benefit of organic farming is through exporting the organic produce to the organic market. This could bring higher revenue to the country. The government therefore intends to motivate small-scale producers to convert into organic farming by imposing the National standards for organic farming and organic foods in order to produce high quality of organic products and to increase producer incomes (Somasundram, 2016). Therefore, within this period of national agricultural policy, the Malaysian Department of Agriculture implemented the national standards and certification program as the Malaysia Organic Scheme (MOS) in 2003. All organic products produced according to the MS 1529 national standard have the Organic Malaysia logo.

Within the dramatic growth of Malaysia economic period in between year of 2000 – 2010, organic farming and production sectors in agricultural industry has become the focus on the national plan of economic development. In successive Malaysian Plans, organic farming has become a key objective for the development of the agricultural sector. The Malaysia government is supporting their organic farming policy which was addressed in the 8th to 11th Malaysian Plan (2010-2020). The government primarily lay out its plans to promote organic agriculture, encouragement of small-scale producers in investing to organic farming, including the allocation of funding, infrastructure improvements, the initiation of training and support services, and the establishment of a certification scheme to preserve quality and product standards.

Specifically, in the Ninth Malaysia Plan (2006-2010), organic farming agriculture was targeted to be worth RM800 million in 5 year's period as forecasted by Department of Agriculture and with 20% of yearly consumption increase. The Ministry of Agriculture also targeted 20,000 hectares of organic farming expansion by the year 2010. Research done by the Economic Planning unit (2017) showed high value agriculture which included organic fruits and vegetables contributed nearly 1% towards Malaysia GDP in year 2009. The rising of consumers demand for the OF production proof vast opportunities and bright future for OF. In the national New Economic Model for sustainable development, the organic production has continued to be a focus in the 11th Malaysian Plan (2016-2020) as the main agenda.

Table 1: The Chronological Order of Pre-Independence and Post-Independence of Agricultural Policy in Malaysia.

Category & Year	Main Issues and Policy Direction
Pre-Independence Period (1948 -1957)	<ul style="list-style-type: none"> ● Agricultural policies were formulated by and for the interest of the British colonial. ● Emphasis in the increase of rubber plantation in Malaysia.
Post-Independence Period (1957 – 2010)	<ul style="list-style-type: none"> ● The agricultural policy was influenced by colonial's policy.
The Malaya Economic Plan (1957-1983)	<ul style="list-style-type: none"> ● Focus was on industrial crops for export markets. ● Rubber and palm oils were the main contributors.
The First National Agricultural Policy (1984 – 1991)	<ul style="list-style-type: none"> ● To eradicate poverty among traditional small holder farmers and to increase the value of agricultural produce for export markets.
The Second National Agricultural Policy (1992-1997)	<ul style="list-style-type: none"> ● Greater emphasis on productivity, efficiency of agro food production (paddy, pineapple & vegetables), competitiveness, and sustainable production. ● The government provides incentives and subsidy programs that benefits small holder farmers.
The Third National Agricultural Policy (1998-2010)	<ul style="list-style-type: none"> ● Organic agriculture policy introduced by the government to provide the formal guideline to farmers for organic farming. ● Aiming high productivity of agricultural programs to ensure conservation and utilization of natural resources on a sustainable basis.
National Agro-Food Policy (2011-2020)	<ul style="list-style-type: none"> ● To tackle the issue of sustainable agriculture and the competitiveness of the agro-food industry with food safety and nutrition aspects along with value chain. ● Programs implemented to increase food production through optimization and sustainable land, development and upgrading agriculture infrastructure and to increase the quality and safety of food by expanding the compliance standards.

Social Environment

Malaysian organic food products (OFP) industry is at its infancy stage valued at US\$25 million, and its consumption is growing steadily due to changing lifestyles and increasing health awareness. Likewise, greater consciousness in food choices has resulted increasing OFP consumption growth at an averages about 20% per year (Quah & Tan, 2009). In Underhill and Figueroa (1996) and Connor and Douglas (2001) studies, result suggest that urbanites (URBAN) are more likely to purchase and spend more on OFP compared to those in the rural areas. These are due to urban localities have a wider array of OFP shopping establishments compared to rural areas and the existing marketing channels are better established in urban locales.

Technology Environment

Even though there are higher demands from local markets, the local farmers could not supply a fixed amount of organic produce each time. Local farmers unable to expand their farm size as there is intensive competition to use land with other sectors (i.e. commercial and industrial) that offer higher returns. Besides, the usage of organic fertilizers tend to produce a lower yield as compared to the conventional way of farming, hence farmers require more suitable lands to increase production. Organic farmers are also facing the risk of uncontrolled pests and diseases occurrence, these have caused the inconsistent of organic fruits and organic vegetables supply in the market.

THE CHALLENGES OF ORGANIC FOOD INDUSTRY IN MALAYSIA

The national policy of agriculture demonstrates how organic agriculture has become increasingly important in Malaysia over the recent years. Although, the government policy outlined the national intention on the development of organic farming and production in Malaysia, there is no clear strategic outline set up on achieving such plan to ensure that more farmers adopt organic farming practices. Furthermore, how the strategic policy on organic agricultural is to be implemented by the relative departmental agency is also one of the main challenge faced by the farmers who intended to transform into organic farming. From the policy context and government intervention, farmers need more support particularly from government, agencies and NGOs. Basically farmers require additional funding sources to assist conversion such as subsidies or loans. This will help to support their on-farm costs (e.g. soil conservation, production, labor, and packaging). Organic farmers need even more financial support to assist them in their investments in soil conservation, labor costs, production costs, certification costs, packing and storage facilities. All these while, the local farmers mainly receive assistance from NGOs which are insufficient. The farmers need financial support from the government.

In order to develop the organic market, Zenxin continuously collaborate with some government agencies and CETDEM (NGO) on the organic farming development for the better future. Zenxin believes that the Malaysia future economic development is an advantage for the exporting business and as a hub of processing manufacturing especially in organic food sectors.

In Malaysia OF has great potential and it needs government support. However, maximizing production for food security objective has always been the main objective for agriculture agencies and as a result, governmental support for OF has been limited since the industry is still considered a niche area within the agriculture sector. Furthermore, the percentage of organic farmers in Malaysia is still very insignificant and OF is not practiced by the majority of farmers and. According to CETDEM, there are limited training provided by the government agencies and most of the training that the local farmers currently received are from the NGOs. Not much extension work has been done on transferring OF to the local farmers. As a result, organic farmers have limited channels to get resources and they have little technical knowledge of OF. Furthermore, some are not specifically trained in OF. Thus, it is necessary for DoA to improve their services by training the farmers with the technical knowledge of OF and support the farmers until they can survive and become entrepreneurs. Therefore, the main challenge of OF adoption is determined by the strategic implementation

issues of the organic policy with extension and advisory services of guidance and training from government agencies.

Additionally, having an official certification to separate the organic from the non-organic products is a good move to ensure the consumers are able to recognize the difference between the two, but the challenge lies in the grace period of two years before the farms can be considered to be organic farms after the application for certification (Suhaimie, Ibrahim, & Abd Wahab, 2016). Furthermore, the growers are not allowed to use the term organic on their products within that period. Therefore, they may have to sell at lower price following the conventional products instead of the premium price of organic products. Thus, for those small and medium farmers, they may be reluctant to convert from conventional farming to the production using OF. A phenomenon in the market, FMC Greenland Sdn. Bhd. started their own farming of organic vegetables in Mantin with a cost of RM200, 000, only managed to sell their products three years later to fully comply with the standard of the produce being classified as organic products (Puspadevi, 2014). Hence, it will be difficult for other players to enter this market if their companies do not have the capability especially financial to bear the non-productive years of production until the real earning are earned.

Suhaimie, Ibrahim and Abd Wahab (2016) stated that MARDI has carried out studies to use technology in enhancing organic farming in Malaysia. However, based on National Agro-Food Policy, Malaysian government has identified only a few specific types of vegetables and fruits for MARDI to focus on. In terms of fruits, priority is given to goods such as papaya, pineapple, rock melon, banana, star fruit and vegetables products includes chilli pepper, lettuce, cabbage, tomato, etc. (Nijar, 2012; National Transformation Programme Annual Report 2015, 2016). As for the case of Zenxin, it has focus on the plantation of dragon fruit which is not under the MARDI coverage of studies even though the company plants other organic vegetables and fruits. Furthermore, MARDI and FAMA should consider providing more assistance to the farmers although they are currently protected by the regulating selling price.

The organic food consumers packaging choice selection has the potential to influence environmental, ethical or health concerns (Lindh, 2009). Materials used for organic food products packaging has to be compatible with the food product packed within, food standards and regulations. Additional concern is needed for organic food products' packaging to avoid any chemicals and to reach consumers in a safe condition. Consumers view plastic packaging more negatively, e.g. as unnecessary, resulting in lower product quality and bad for the environment. Indeed, there are respondents who see plastic as "unhealthy", signifying that consumers may perceive risks with the food it covers. This poses a challenge for food suppliers, in particular appears to be how to communicate consumer benefits and deal with consumers' negative perceptions of some marketing strategies. Due to this, packaging and packaging design should be improved to increase its attractiveness (Fernqvist, Olsson, & Spendrup, 2015) and to fit to the organic products requirements. However, the willingness to pay for environmentally sustainable packaging was found to be highest among organic consumers and lowest among the non-organic consumers (Lindh, 2009). This indicates a need for knowledge and guidance improvements to align environmentally based informed choices about food packaging and the increased demand for sustainable packaging.

In Malaysia, there is a growing awareness of the effects of conventional farming on their health and environment (Christopher, 2012). With the increasing standard of living and the rapid socio-economic development, these have changed our Malaysian consumers'

perceptions and awareness on organic foods. As a result, the market for organic foods in Malaysia has been developing rapidly (Rezai, Mohamed, & Shamsudin, 2011). However, the supply of locally produced organic foods is not enough to satisfy the increasing demand i.e. in East Malaysia as the production of organic products is limited to vegetables and fruits (Somasundram, Razali, & Santhirasegaram, 2016). Instead, Malaysia has to import organic production from other countries, especially from Australia, the U.S., and New Zealand (Christopher, 2012). Moreover, the fundamental knowledge about the environmental, social and health benefits of organic foods is still lacking among the consumers. The relevant authorities should consider the appropriate programs, campaigns or approaches to disseminate information to increase awareness among Malaysians on the benefits of consuming organic food products and its accessibility in the domestic market through promotional campaigns, by collaborating with health supplement stores and relevant agencies (Quah & Tan, 2009; Chen & Lobo, 2012).

In addition, there is still a distinct lack of trust among consumers towards produce that is labelled “organic”, even with the Government’s certification efforts. Therefore, more needs to be done to overcome the prevailing issue of credibility and trust in the marketplace (Somasundram, Razali & Santhirasegaram, 2016). Today, even though the level of awareness has improved, Malaysians have not yet fully understood what organic foods are and how organic food products differ from conventional foods (Zeinab & Seyedeh, 2012). Likewise, to better connect to target customers, organic food producers can set up organizational websites and profile pages on social networking sites, such as Facebook and twitter, to provide more information on organic product offerings, such as its production process and the benefits and allow for interactive customer feedback on any questions or uncertainties regarding organic product offerings (Lim, Yong, & Suryadi, 2014).

A growing concern amongst the Muslims is the food that they consume and the ingredients in it which has led to a stimulus in demand for “Halal” food (Sungkar, 2010). Preceding studies by (Quantaniah, Noreina, & Syakinah, 2013; Mohani, Ismail, Hashim, & Johari, 2009) mentioned that religion is one of the potential individual factors that will shape consumption decisions in determining the choice of food among the Muslims. Moreover, halal products are chosen to be used and consumed based on the halal logo and certification. In line with this, Marzuki, Hall and Ballantine (2012), also supported similar facts that halal certification signifies it has some qualities that make it exclusive and at the same time compliant to the Islamic dietary rules. According to Jabatan Kemajuan Islam Malaysia (JAKIM), the advantages of halal certification are information received by customers help them make purchases confidently and the benefits exist for competitors in manufacturing as a strategy to compete with others. Thus, this suggests that Muslim consumers do purchase organic food and are particular concern with what they eat and buy (Mohamad, Rusdi, & Hashim, 2014).

Technologies used in organic farming in Malaysia are still at its infant stage as compared to countries like Japan and Indonesia. MARDI had explored into the application of technologies used by organic farmers in Malaysia such as control of pest and diseases, accreditation, use of legumes for control of weeds, mulching, fertilizer and buffer zones. Our local farmers emphasize more on buffer zones as compared to Japanese farmers who emphasize on mulching and the use of fertilizers, whereas Indonesians farmers are on the application of fertilizers in legumes. MARDI too had found out that from the technologies used by these three different countries, Malaysia has the lowest yields. This tells us that more organic technologies need to be explored and be transferred from the government agencies to our local organic farmers (MARDI).

Our government agencies should put organic farming in the heart of sustainable agriculture. The success of this program depends to a large extent on the training of organic farmers. Research, education, and extension efforts on sustainable agriculture and organic farming should be directed to organic agriculture in Malaysia. There are market opportunities for Malaysia, especially for products that are not produced in Europe. We ought to learn from the success of some Asian countries such as Japan, China, Korea and Thailand. This will only be possible if the industry players and government support each other and work towards a market-driven industry.

ZENXIN'S MARKETING INITIATIVES

Market Structure and Target Market

Organic food market in Malaysia is still considered a niche market as the sales contribution of organic fresh produce is below 5% of the overall fresh produce sales (Tai, 2009). Majority of the organic customers are Chinese; Mandarin educated and Chinese; English educated (Gan, 2007). The key consumers who opt for organic fresh produce are mothers with newborn babies, cancer patients, health conscious individuals and environmentalists. They formed the early adopters for Zenxin and they buy organic fresh produce regularly. Even though most of Zenxin customers are Chinese, Zenxin is in the midst of targeting at the Malays as the Malays form the largest ethnic group in Malaysia. Halal organic product is seen as an opportunity for Zenxin to expand its market in Malaysia. At the moment, Zenxin has few halal producers from Australia for their organic products such as flour and oats. They also have noodles and teas which had obtained Halal certification and with Halal logo. *"We don't know how big the market yet, but we shall see how it goes"* says Tai Seng Yee.

Product

Zenxin original core business focuses on poultry farming which includes production of broiler day old chick and eggs. Over the years, as the company expanded, they started moving towards organic plantation and producing their own fertilizers in addition to importing others non-local organic vegetables and fruits. Zenxin mainly focuses on planting over 60 varieties types of organic vegetables (i.e. choy sum, siewpakchoy, kangkung, cabbage, lady's finger, bitter gourd etc) and fruits (i.e. dragon fruit, passion fruit, banana and etc). *"We don't grow because is cheap. We try to be unique. We don't replace when there is shortage in the market as we don't want to fail the customers"* says Tai Seng Yee. Therefore, Zenxin does import organic fresh produce like beetroot and pumpkin from Australia, rose apple from New Zealand, garlic from Spain, ginger from Peru and other organic produce such as avocado and kiwi from certified organic farm from all over the world. The company recently has also venture into organic brown rice and making organic noodles. Zenxin is now starting to export its own fresh organic vegetables to Singapore and Hong Kong. They have a shop located at Pasir Panjang Wholesale Centre in Singapore where customers can shop for fresh organic vegetables, fruits and other healthy products.

Zenxin is well aware of the importance of branding towards the success of their company. Building their brand name and upholding their product quality are the two success factors for Zenxin. Having a recognized brand allows customers to identify Zenxin easily as well as to develop customer preference towards Zenxin's organic fresh produce. Zenxin has engaged a Public Relation (PR) company to run their company's PR. As for the product's branding, the

organic farming products in Malaysia mainly use the Zenxin brand. However, in Fair Price, they use the Good Nature brand to different the target market. Where else, products such as organic dried goods, imported and exported products, it uses the Simply Natural brand.

Informative labeling and presentable packaging play an important role towards Zenxin's brand image, product sales and for protection purpose. Better labeling enables Zenxin's organic produce to stand out from the other self-claimed organic produce which do not indicate organic certification. Zenxin creates a new packaging every two years to refresh memory and capture customer attention in an effective manner. Even though, their emphasis is on selling organic products which give customers the direct link to environmental protection, the company still uses plastics to protect the goods that they are selling. This is because they need to protect the vegetables from being dehydrated and keep the moisture within due to the direct exposure with the environment from the farm to the table. Additionally, the wrappers also allow the company to differentiate the organic from the non-organic goods in the market as well as to reduce wastages. Therefore, the plastic wrapper the company uses are recyclable and of higher quality using thinner plastics known as Biaxially Oriented Polypropylene (BOPP) film.

Promotion

Promotion is crucial to many companies to ensure the company bottom line. Zenxin uses mainly direct approach and below-the-line mechanism to reach its customers. The company realizes that direct communication to the customers is most effective. Thus, reaching the target is ultimately their main priority in knowing how wide and deep they are penetrating the market. They are most concern with the marketing communication model which starts from the awareness, knowledge, interest, purchase and lastly repurchase stage. They need to know how effective is each program implementation and how engaging the customers' are. Creating experiential marketing is the ultimate goal because the customers will then help to provide feedback to the company and promote the company on their behalf via word-of-mouth (Cham, Lim, Aik, & Tay, 2016; Cham, Ng, Lim, & Cheng, 2018). Realizing the importance of this, the company started Zenxin Travel in Singapore to organize tours to visit their farm in Kluang, Johor Bahru.

The opening of Zenxin Organic Park has been a very effective strategy used to increase its presence among the communities and its customers. Through the organic park which is open for visitation together with the various activities organized has spread the awareness and understanding about organic food and farming. This certainly increases the awareness of organic products and beside alleviating the company's brand name within the organic industry. Via the tour in the park, Zenxin is able to provide the experiential marketing by allowing customers to be engaged with the company's vision and subsequently their products.

Additionally, the company also uses social media to keep in touch constantly with the members of its communities. The constant updates via Facebook allow the members and others to know about the company's activities. This guerrilla marketing technique provides enormous insights that are available to provide new ideas for the marketing team.

Zenxin also uses customer relationship management through its loyalty program to reward its members. Members will get special discount on their purchases to coincide with the Member's Day celebration. Special event was organized such as Halloween Party to entice the public as well as their members. Relationship marketing is also being applied within the

organization to enhance the sharing of ideas and opinions among the employees. The same method also applies with the external parties such as their farmers and suppliers to foster better relationship and to ensure availability and constant supplies from domestic and international suppliers and farmers.

Zenxin is aware that users and purchasers of organic products partly are in contribution to the well-being of the society as a whole. As part of the company corporate social responsibility, the company participated in charity and fundraising activities where the money will be channeled to the needy and under-privileged.

Zenxin also uses stall promotion to convert ordinary shoppers into organic shoppers. The usage of sampling is used in the retail shop from time-to-time as part of the sales promotion to increase company sales. As for the trade promotion, the company participates in the agriculture trade fair to allow exchange of information among the agriculturists as well as to showcase the company's products. Zenxin also works together with the radio and TV station and celebrities to promote their farm. The visits by these celebrities are publicized together with the farm and company brand as well.

Price

Zenxin believes that one of the influential factors in consumers' purchase decision is pricing. The pricing of organic produce are still 100% higher than conventional produce. Zenxin uses premium pricing in setting the price of their organic fresh produce in comparison with its competitors. They charge higher price for good quality organic produce to attract its target market. Zenxin emphasizes more on convincing individual who are willing to pay more for organic fresh produce as these organic consumers are less price sensitive and they are more concern with the quality of the organic fresh produce. Customers who buy organic produce usually prefer to look at the product quality rather than the price. Zenxin is well aware that their customers are buying their products because of its value for money. The taste, appearance as well as the product quality is the best values that customer can get in return for the money that they are paying. The higher price of Zenxin organic fresh produce are results from high organic production costs such as organic certification, premium quality, environmentally friendly production methods, and the trustworthiness element involved. Hence, the premium pricing in the market is to differentiate Zenxin organic food due to its quality perception, range of benefits and nutrients contained within the organic food product in the customer mind. It is believed that the prices of organic fresh produce will stay relatively high at this level for a period of time. Zenxin believes that for the public to adopt the habit of organic food consumption, pricing will continue to play an important role.

Place

Zenxin is one of the Malaysia's leading distributor, producer and retailer in the organic industry. The company owns a full production chain from factory to organic farms and organic wholesalers. As a large local organic retailer, Zenxin has established a strong foothold in selling and distributing their product. Zenxin started the organic shop in Kluang and Kuala Lumpur before they bought over a paddy field in Kluang. Furthermore, Zenxin has also setup a vertical integration of the distribution channel selling their product in supermarkets. It then opens a farm in Kluang for public visit and to enable its customers to experience organic farming. In 2006, Zenxin Organic Park was established as an organic park

for agro tourism which provides education and awareness about organic farming, indirectly boasting the sales of its produce.

Zenxin organic food product is being distributed and is available for purchase around Malaysia. The production stage and wholesaler's stage will be covered by Zenxin's operation itself. Today, Zenxin has 12 retail outlets located throughout Malaysia, such as Kluang, Johor Bahru, Skudai, Melaka, and Kuala Lumpur under the name of Zenxin Organic Shops to sell their products directly to the customers. Furthermore, Zenxin distributes its product to over 70 retail supermarkets and 100 dealers in Malaysia and Singapore to ensure that all Zenxin customers are able to purchase Zenxin's product throughout Malaysia and Singapore. Zenxin also sell their products through a few nationwide supermarket retail chain companies. For instances, Aeon stores, Village Grocer, Jaya Grocer and some Giant stores and in Singapore, Cold Storage and Fair Price. Thus, Zenxin has a wider distribution for their products. Therefore, Zenxin focuses on direct relationship with retailers, without using any third party or distributors to avoid confusing their customers. To withhold Zenxin's brand, the company uses consignment basis when dealing with supermarkets, thus their retailers are allowed to return the organic fresh produce without questions being asked. Those returned organic fresh produce will not carry Zenxin brand when they are being sold below normal price to ensure that it will not affect the supremacy of the brand.

Zenxin is also offering home delivery over their online website named, Zenxin Organic Express to areas in Johor, Kuala Lumpur and Penang. They provide pickup services so that consumers can pick up their orders at Zenxin's warehouse and retail shops. The distribution of organic food in Malaysia has been fragmented because of the existence of specialty shops operated all over the country. Therefore, Zenxin is considering expanding its places for selling organic food products from conventional markets followed by natural and whole food supermarket.

FUTURE STRATEGIC ACTION AND CONCLUSION

Zenxin is still very much focused on organic food industry. They have no expansion plans until they can get hold of good collaboration and partners to work with. Zenxin's future strategic actions include its ability to sustain its domestic Chinese market. It is essential for Zenxin to secure its marketplace in China in order to succeed globally. In the coming years, Zenxin will continue to nurture their farmers to improve its processing and to increase its export market. By doing so, the entry level will be higher and thus, not many companies can enter into the market to compete easily.

If Zenxin can establish its presence in China, they have already achieved their dream. Will they be able to achieve this dream given the current circumstances that they are facing? Within the local frontier, Zenxin still need to continue to nurture their farmers and gather the resources for processing and exporting. Though it is challenging, it also raises the barriers to entry and thus significantly raise the bar for others to follow suit. Keeping ahead of the game becomes a bigger challenge for Zenxin within both the domestic market as well as international market.

Zenxin believes organic food trend will grow steadily and the competition within the industry will main intense in the next decade. There will be more local and foreign brand of organic produce appearing in the market, which will force the prices of organic produce to be

competitive and relatively cheaper. Keeping the regular customers has always been Zenxin's priority. The company will continue its promotion effort in keeping their customers satisfied.

ACKNOWLEDGEMENT

This case study was funded by UTAR Research Fund (UTARRF) from Universiti Tunku Abdul Rahman (Project Number: IPSR/RMC/UTARRF/2016-C2/T01).

The authors gratefully acknowledge the contributions from Mr Tai Seng Yee, the executive director of Zenxin Agri Organic Food Sdn Bhd whose expertise and insights have been incorporated into this manuscript.

REFERENCES

- Ahmad, F. (2001, September). Sustainable agriculture system in Malaysia. In *Regional Workshop on Integrated Plant Nutrition System (IPNS), Development in Rural Poverty Alleviation*, United Nations Conference Complex, Bangkok, Thailand (pp. 18-20).
- Alexandratos, N., & Bruinsma, J. (2012). *World agriculture towards 2030/2050: the 2012 revision* (Vol. 12, No. 3). FAO, Rome: ESA Working paper.
- Cham, T. H., Lim, Y. M., Aik, N. C., & Tay, A. G. M. (2016). Antecedents of hospital brand image and the relationships with medical tourists' behavioral intention. *International Journal of Pharmaceutical and Healthcare Marketing*, 10(4), 412-431.
- Cham, T. H., Ng, C. K. Y., Lim, Y. M., & Cheng, B. L. (2018). Factors influencing clothing interest and purchase intention: a study of Generation Y consumers in Malaysia. *The International Review of Retail, Distribution and Consumer Research*, 28(2), 174-189.
- Chen, J., & Lobo, A. (2012). Organic food products in China: determinants of consumers' purchase intentions. *The International Review of Retail, Distribution and Consumer Research*, 22(3), 293-314.
- Connor, R., & Douglas, L. (2001). Consumer attitudes to organic foods. *Nutrition & Food Science*, 31(5).
- Fernqvist, F., Olsson, A., & Spendrup, S. (2015). What's in it for me? Food packaging and consumer responses, a focus group study. *British Food Journal*, 117(3), 1122-1135.
- Gan, S. (2007). Country farm presentation. *Country farm: Organic supermarket in Malaysia*, ITC Regional Conference on Organic Agriculture in Asia, Bangkok.
- Haris, N. B. M., Garrod, G., Gkartzios, M., & Proctor, A. (2016). *The Decision to Adopt Organic Farming in Malaysia* (based on the key informants point of view).
- Jusoh, N. A. Q., Syakinah, N., & Syakinah, N. (2013, December 5). *Selecting halal food: a comparative study of the muslim and non muslim malaysian student consumer*. Paper presented at the 2nd International Conference on Technology Management, Business and Entrepreneurship, Melaka, Malaysia.

- Schnase, J. L., & Cunniss, E. L. (Eds.). (1995). Proceedings from CSCL '95: *The First International Conference on Computer Support for Collaborative Learning*. Mahwah, NJ: Erlbaum.
- Lernoud, J., Potts, J., Sampson, G., Voora, V., Willer, H., & Wozniak, J. (2016). *The state of sustainable markets 2015: statistics and emerging trends*. Geneva: International Trade Centre (ITC).
- Lim, W. M., Yong, J. L. S., & Suryadi, K. (2014). Consumers' perceived value and willingness to purchase organic food. *Journal of Global Marketing*, 27(5), 298-307.
- Marzuki, Z.S. , S., Hall, C. M., & Ballantine, P. W. (2012). Restaurant manager and halal certification in Malaysia. *Journal of Foodservice Business Research*, 15(2), 195-214.
- Ministry of Agricultural, Food and Rural Affairs (2009), *Introduction to Organic Farming*. Retrieved February 27, 2018, from <http://omafra.gov.on.ca/english/crops/facts/09-077.htm#define>
- Mohamad, S. S., Rusdi, S. D., & Hashim, N. H. (2014). Organic food consumption among urban consumers: Preliminary results. *Procedia - Social and Behavioral Sciences*, 130, 509–514.
- Mohani, A., M., Ismail, H., Hashim, H., & Johari, J. (2009). SMEs and halal certification. *China-USA Business Review*, 8(4), 22-29.
- National Transformation Programme Annual Report 2015 (2016). *Performance Management and Delivery Unit (PERMANDU)*. Putrajaya, Malaysia.
- Nijar, G. S. (2012). *Malaysia's implementation of the multilateral system of access and benefit sharing*. Bioersivity International, Rome, Italy and Malaysian Agricultural Research Development Institute, Kuala Lumpur, Malaysia.
- Oh, E. (2014, April 19). Let's have more thought for food. The Star Online, Retrieved from <http://www.thestar.com.my/business/business-news/2014/04/19/lets-have-more-thought-for-food-why-wait-for-another-crisis-before-we-talk-about-food-security/>
- Puspadevi, S. (2014, January 29). Changing habits leads to opportunity in organic products. *The Star Online*, Retrieved from <http://www.thestar.com.my/business/sme/2014/01/29/healthy-eating-brings-solid-growth-changing-habits-leads-to-opportunity-in-organic-products/>
- Quah, S. H., & Tan, A. K. (2009). Consumer purchase decisions of organic food products: An ethnic analysis. *Journal of International Consumer Marketing*, 22(1), 47-58.
- Saleki, Z. S., Seyedeh, M. S., & Rahimi, M. R. (2012). Organic food purchasing behaviour in Iran. *International Journal of Business and Social Science*, 3(13).
- Somasundram, C., Razali, Z., & Santhirasegaram, V. (2016). A review on organic food production in Malaysia. *Horticulturae*, 2(3), 12.

- Suhaimee, S., Ibrahim, I. Z., & Abd Wahab, M. A. M. (2016). Organic agriculture in Malaysia. *FFTC Agricultural Policy*.
- Sungkar, I. (2010) Consumer Awareness: Thoughts and trends across the globe, *The Halal Journal*, Mar/Apr 2010.
- Tai, S. Y. (2009). Developing organic brand through building trust and quality-sharing Zenxin experience. *The Approach of Organic Agriculture: New Markets, Food Security and a Clean Environment*, 178.
- Underhill, S. E., & E. E. Figueroa. (1996). Consumer preferences for non-conventionally grown produce. *Journal of Food Distribution Research*, 27(2), 56–66.