



# Market Profile: Malaysia

This Report is intended for food and drink brands looking for export led growth in Malaysia.



## MALAYSIA, A DIVERSE AND EMERGING MARKET THAT IS FULL OF POTENTIAL

Malaysia offers significant export led growth opportunities for food and drink brands, a cosmopolitan Southeast Asian nation with a population of 32 million.<sup>1</sup> Known for its diversity, Malaysia is made up of three main ethnicities; Malay (67.4%), Chinese-Malays (24.6%), Indians-Malays (7.3%) and Others (0.7%).<sup>2</sup> This blend of cultures has led to Malaysia having the one of the most diverse cuisines available in the region. Indeed, food is at the centre of the Malaysian culture. So much so that Malaysians tend to greet people by asking 'Have you eaten?' rather than the traditional "Hello".

Malaysia's rich history contributes to its cosmopolitan diversity. The country was in the hands of the Dutch in 1641 and then the British in 1824 through the Anglo–Dutch Treaty.<sup>3</sup> British colonisation lasted the longest compared to others and Malaysia still has a strong connection with the United Kingdom.

A member of ASEAN (Association of South East Asian Nations), Malaysia has particularly strong cross border ties with neighbouring Singapore. It also holds numerous Free Trade Agreements (FTA) with cooperating nations including New Zealand and Australia. The UK and Malaysia are in talks about an FTA in the post Brexit economy.

The Malaysian economy is beginning to normalise in the wake of the pandemic with growth pegged at 5.3% to 6.3% for the remainder of 2022.<sup>4</sup> This is largely supported by improving domestic demand as the country opens up again after long periods of Covid-19 containment.

#### References

1. World Bank 2020
2. Population Distribution and Basic Demographic Characteristic Report 2010 (Updated: 05/08/2011), Department of Statistics Malaysia
3. Summary Of Malaysia's History, Department of Information, Malaysia 2016
4. Economic and Financial Developments in Malaysia in the First Quarter of 2022, Bank Negara Malaysia, Central Bank of Malaysia, March 2022



## MARKET TRENDS

While there is a growing awareness and demand for health focussed products in Malaysia relative to more developed markets in the region, experience tells us there is a greater demand for products with sweeter and saltier taste profiles.

As a result, we are seeing good opportunities in Malaysia for the categories such as snacking, confectionery, desserts and convenience foods.

For western imported food and drink products in Malaysia, the typical consumer is often middle to upper class Chinese-Malays and expats, given their taste profiles, spending power and desire for premium, imported products.

Like many other Southeast Asian countries, Malaysia experienced long periods of lockdown which heavily impacted the business community and in particular tourism and food service sectors. Much like Singaporeans, Malaysians enjoy eating out regularly at restaurants, street vendors and food courts. Therefore Covid restrictions and work from home mandates meant more people were shopping at supermarkets and preparing food from home.

From a grocery perspective, now the country is reopening there is more opportunity to continue in-store tastings and promotions to grow brand awareness and induce product trial.

Digital marketing has become a critical tool for communicating with target consumers and driving them to point of purchase.



## DIVERSE GROCERY CHANNELS

Malaysia offers an increasingly sophisticated array of domestic and regional grocery groups. Where once the channel was dominated by regional players such as the Dairy Farm Group and AEON, fierce competition from domestic chains has seen several independent grocery brands claim customer loyalty from the upper end of the consumer market.

These independent retailers are focused on providing a wide variety of imported food and beverage products. This has helped them to gain the upper hand over regional players that were often more focused on securing listing fees from suppliers than offering their consumers a great selection of food and beverage brands.

The strong competition amongst these retailers has also benefited food and drink brands looking to gain their place on the shelves. Listings fees are considerably lower in Malaysia than in other more mature ASEAN markets, such as Singapore, which has only two major offline grocery groups.

## ENTRY INTO MALAYSIAN GROCERY CHANNELS

There are a number of ways to enter the Malaysian market, however, the two main models are via a consolidator or through partnership with an importer and distributor.

### Consolidator Model

Malaysia is somewhat unique versus other ASEAN markets in that there are a number of consolidators working with the retailers to bring in international brands directly. This model is similar to a traditional trader that buys and sells goods for a modest profit margin without adding any services or support along the way. Under this model the brand owner has very little influence over how the brand is managed in market.



## Distributor Model

Partnering with a local distributor often yields the best results as this enables the brand owner to work strategically with the distributor to support sales and ensure the full potential of the market is realised.

A professional distributor will act as a brand custodian, enabling the brand owner to participate in setting the pricing strategy and how the brand is marketed.

The most capable distributors have strong relationships with the retail buyers and store managers and they will have a dedicated team of merchandisers to ensure that the in-store execution is delivered to a high standard.

## DOING BUSINESS IN MALAYSIA

Whilst the official language of Malaysia is Malay (or Bahasa Malaysia), for business purposes English is widely accepted.

Malaysia is a large country (330,000 km<sup>2</sup>) and can be accessed overland from Singapore or by air via KLIA, which is a major Southeast Asian air travel hub. Most businesses have their headquarters in the capital Kuala Lumpur, so this should be your first stop when wanting to engage with food and beverage importers and distributors.

Australian and New Zealand residents should consider applying for an APEC Business Travel Card (ABTC). This makes your travel through APEC countries, including Malaysia, much more efficient with preferential fast track lanes at Customs and pre-approved visa access. You can apply for an APEC travel card through your government.



## HALAL

Given 63% of Malays are practising Muslims, Halal certification is a major consideration for the Malaysian market.

The local government Halal Authority in Malaysia is called JAKIM ([www.halal.gov.my](http://www.halal.gov.my)) and they are responsible for approving international Halal certifiers. You can find the current list of JAKIM approved Halal certifiers on their website. Halal certification is not recognised unless it comes from a Jakim approved certifying body.

As approved Halal certifiers can change it can be wise to avoid printing your Halal certifiers logo on your packaging. This mitigates unwanted expense and disruption if your certifier is struck off JAKIM's approved list. In most cases retailers just require your Halal certificate to confirm your products Halal status.

Halal certification is critical to achieve volume sales in the mass market retail and food service sector in Malaysia, including QSR (quick service restaurants), however it may not be a conditional requirement for grocery channels. Chinese-Malay, Indian-Malay and expat consumers are usually not concerned about halal certification and whether an imported food product is Halal. Supermarkets have responded to this group by offering a non-halal section of their supermarket where products such as pork and alcohol are sold.



## REGULATION AND COMPLIANCE

### Animal Products

For animal products, the Malaysian Department of Veterinary Services (DVS) has regulatory requirements that need to be met. Talk to your importer and distributor about what is required to comply.

### Labeling

All imported products in Malaysia require distributor details to be printed on the packaging. Malay language is also a requirement for some products. To comply with this regulation, most brands will work with their distributor to affix an over-sticker upon arrival into Malaysia.

Regulations have recently been revised to stipulate that the products need to have a compliant label before they arrive in Malaysia. While this rule is not strictly enforced, some importers will comply by shipping the goods to a bonded warehouse (inside the Customs area in Malaysia) where stickers can be affixed.

It's worth noting that ten years ago you and your importer may have had challenges clearing your goods across the border into Malaysia, with extra payments required and unexpected delays (also described as the 'grey area'), however in recent years clearance procedures have improved significantly. The alcoholic beverages sector continues to have some burdensome procedures in place in Malaysia due to cultural sensitivities.

### Logistics

Logistics services in Malaysia are sophisticated and straightforward, with the cool chain being trusted and developed. If you are an exporter of chilled or frozen products, Malaysia is a suitable market for your products from a cool chain perspective.



## GETTING AROUND

For a long time, travelling by taxi in Kuala Lumpur and the wider Klang Valley required the need to haggle with drivers on price and involved frequent stops so the driver could ask for directions. Fortunately, with the introduction of the likes of Uber and its competitors, getting around is much easier.

Bear in mind that the business district of Klang Valley and Selangor covers a vast geographical area. For this reason it is best to group your meetings by location. You should also try to avoid travelling during peak times as traffic can get badly congested. Travelling one hour or more by car to a meeting is very common in the Klang Valley.

## SUMMARY

Malaysia is a thriving market with increasing demand for imported food and drink products.

Brands that have achieved success in their domestic market should include Malaysia within their Asia strategy. Malaysia's diversified retail channel means the cost of entry is relatively low and the volume potential is attractive for the right brands who have the right distributor in place.





# Good luck!

## NEED SUPPORT WITH YOUR STRATEGY?

We will help you to quickly determine the right markets and entry model for your products, understand the local regulations and develop the perfect pitch to take your product to market. Then, we will partner you with the right distribution partner and get sales moving.

You'll benefit from our commercial experience and insights gained over a decade of successful food and drink product launches in Asia.

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