

## A Feasibility Study of Wholesale Market in Malaysia: Stakeholders' Perspectives

**Ibrahim bin Mamat\***

Institute of Darul Iman, Universiti Sultan Zainal Abidin, Malaysia

**Fakhrul Anwar bin Zainol**

Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Malaysia

**Wan Norhayate binti Wan Wan Daud**

Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Malaysia

**Wan Musa bin Wan Muda**

Institute of Darul Iman, Universiti Sultan Zainal Abidin, Malaysia

**Safrul Izani bin Mohd Salleh**

Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Malaysia

**Muthmainnah binti Noor Hadi Hamdul**

Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Malaysia

### Abstract

The wholesale and retail sector in Malaysia is closely interlinked and it is one of the most important economic activities that generate the source of income for the country. It is also a sector that is classified under the services sector. During the 10th Malaysia Plan, this sector recorded an annual average growth rate of 6.7% and its contribution to the gross domestic product (GDP) increased from 13.9% in 2011 to 14.7% in 2013. In the 11MP, the subsector is expected to achieve an average annual growth rate of 5.8% and accounted for 14.7% of GDP. A wholesale market feasibility study was conducted to identify the needs of consumers and stakeholders in the wholesale market. In particular, the study reviewed the strategic position (strengths, weaknesses, opportunities and threats) construction of wholesale markets and analysed the impact of the construction of wholesale markets in terms of market, technical, financial, and operating aspects on the socioeconomic development of the local population. Structured interviews were used to collect qualitative data from 15 respondents, 11 of whom from government agencies, 2 from an association, and 2 from the body politic. The interviews were audio-recorded and then transcribed verbatim. Analysis was performed on the transcriptions by identifying themes, which were then analyzed using the software ATLAS.ti 7. The findings indicate that the construction of wholesale markets has a positive viability in terms of all aspects (market, technical, business model, management and economy / finance) and will have a positive impact on the country's social and economic development, particularly that of the locals.

**Keywords:** Wholesale market; Feasibility study; Stakeholder's perspective; Malaysia.



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### 1. Introduction

The construction of wholesale markets is one of the Malaysian government's efforts to develop a marketing system of agricultural products and agro-based industries. The effort serves to ensure that the agricultural sector remains competitive and to guarantee food supply to the people in the future. The institutions of wholesale markets in the country, in particular, function as the strategic centers for daily food distribution businesses.

The network distribution of food is defined as "the process of distribution of goods or services from the producer to the end user of time, place, price and quality are real." This definition implies that an institutional wholesale market plays a role as a center for the collection of agricultural products hence the heart of socio-economic development. Efforts towards improving the wholesale system in Malaysia therefore should be orderly implemented in accordance with the strategic planning, and with the involvement of all parties concerned. This measure serves to ensure that sale-and-purchase activities can be conducted in an orderly and efficient manner. As mentioned, the wholesale market is a medium for producers to market their produce and for users to obtain continuous supply of quality food at reasonable prices.

However, the existence of wholesale markets in Malaysia has led to several problems in terms of management (enforcement and governance); lack of basic infrastructure, infrastructure, and utilities; availability of parking facilities and limited entry and exit routes; and environmental pollution. Yet, the authorities appeared to show lack of concern and had taken no action to address the issues mentioned above thus affecting the locals' socioeconomic development. In response to this issue, the present study seeks to identify the needs of consumers and stakeholders in the construction of wholesale markets and analyse the impacts of the construction of wholesale

markets on the socioeconomic development of the local population, particularly in terms of market, technical, financial, and operating aspects.

## 2. Feasibility Study

A feasibility study is an assessment and analysis of the potential of a proposed project. The study is based on an extensive investigation and research to support the decision making process in regard to a particular project. In the case of the present study, the feasibility study conducted aimed at revealing the objective and rationality about the strengths and weaknesses of an existing business or proposed project. The feasibility study also served to uncover the opportunities and threats that exist in the environment and the resources required for a project to arrive to successful outcome. The feasibility study was designed to provide the historical background of a business or project, a description of a product or service, accounting statements, details of the operation and management, marketing and policy research, financial data, legal requirements, and tax obligations. Generally, a feasibility study will precede the technical development and implementation of a project. A feasibility study is conducted to evaluate the potential success of the project to be implemented, thus it is seen as crucial to enhance the credibility of the study to potential investors and lending institutions. Therefore, the study must be carried out with an objective and unbiased approach in order to provide information on which decisions can be implemented.

## 3. Research Methodology

A structured interview method was adopted to collect qualitative data. Findings obtained from the structured interviews with the stakeholders performed on structured interviews of stakeholders in the construction of wholesale markets, provided useful insights based on their experience and expertise. Altogether, 15 respondents were interviewed consisting of 11 people from government agencies, 2 from an association, and 2 from political bodies. The recorded interviews were transcribed verbatim and the transcribed data were analysed by encoding the lines with specific themes. The resulting codes were then analysed using the software ATLAS.ti 7, which can facilitate the researcher's analysis of the qualitative data collected from the structured interviews.

## 4. Study Findings

This study endeavoured to provide answers to the following research questions:

- i) What do the users and/or stakeholders desire for the construction of wholesale markets?
- ii) How do the constructions of wholesale markets impact the society and the socioeconomic development of the local population market, particularly in terms of market, technical, financial, and operating aspects?

Majority of the respondents perceived that the construction of the wholesale markets will have a positive impact on the agricultural sector value chain system. It can be expected therefore that a more effective and efficient management of chartering can be achieved with the establishment of wholesale markets in which the operating activities, marketing, and services can be fully adjusted.

To answer the second research question, interviews were conducted with 15 respondents, all of whom then gave a positive view of the existence of the current market demand and the supply of adequate products/services offered by the wholesale market. Majority of the respondents felt that it was time to have a more modern wholesale market that meets the current requirements, in line with the population and economic growth in the country. The technical feasibility study is therefore necessary to identify the location of the building for the purpose, and whether the facility has a road network system, good drainage, and a wide area. A study on the viability of the business model refers to how a project or business generates income (total income) and creates recurring revenue (recurring income). In the case of the present study, majority of respondents perceived that the concept of wholesale markets needs to be generated by the wholesale and retail. The feasibility study management model is geared towards the best management model for a wholesale market. However, little consensus has been addressed in regard to the person responsible for managing the wholesale market after it was completed. Traditionally, the wholesale market in Malaysia is regulated by the local authority (PBT). A proposal is available to provide opportunities for the private sector, such as consortia, associations and cooperatives to operate the wholesale market. A study on the economic and financial viability is a quantitative method that can be used for assessing the economic benefits of a project or industry and how it affects the economy and society.

Table 1 provides the detailed responses obtained from the interview sessions:

Table-1. Summary of Research Findings

Theme	Subthemes	Code	Text
User requirements	Logistics Internal Operations Logistics  Marketing Services	Value Chain Pool Model	P13: "First, the freezing room must have a loading and unloading areas. The storage area must be located separately from the business area." P12: "Must be a one stop center." P6: "There should be sufficient parking space, sufficient business areas, and sufficient unloading areas. This is very important." P8: "The concept of wholesale must exist without regarding the profit factor as the main factor. The most important aspect is that the locals and villagers are able to market their products."
Project Viability	Market Viability	Model Viability of (Thompson, 2005)	P3: "I can market my products here, and this is good." P7: "In my opinion, there is a need and the need is there." P9: "Wholesale market is necessary to facilitate the public."
Project Viability	Technical Viability	Model Viability of (Thompson, 2005)	P6: "There should be sufficient parking spaces." P9: "The design of this wholesale market should be slightly different from the wholesale market in Selayang." P13: "There must be loading and unloading areas."
Project Viability	Viability of Business Model	Model Viability of (Thompson, 2005)	P7: "So the model I am imagining consists of both retail and wholesale components, only that we have them by sections. That's why we see in KL we have retail on one side and wholesale across the street. In old Selayang we have both wholesale and retail, but they did not gazette the wholesale. The place is called Selayang Market." P8: "There must be a concept that distinguishes a wholesaler and a retailer." P12: "Commodities include all."
Project Viability	Viability Management Model	Model Viability of (Thompson, 2005)	P10: "Can't we have an authorized body for this? We have the private sector, associations of wholesalers, FAMA, and LKIM. The consortium will operate the whole operation." P11: "Actually having it privatized is better: let the operation be controlled by a single body. If one does not clean then there are rules on it. If we handle everything we are the ones who get blamed if things go wrong. If we could market in terms of maintenance, the cleaning service can be leased to more efficient people." P13: "I think better the government handles this. I think even in Selayang we have the local authorities handling it."
Project Viability	Viability of Economics & Finance	Model Viability of (Thompson, 2005)	P5: "Actually when we do this it is the source of new economy to the local residents." P7: "When the wholesale market exists so will the retail shops."

## 5. Conclusion

Findings of the study imply that the construction of wholesale markets is viable in terms of many aspects (market, technical, business model, management model and the economic / financial) and will have a positive impact on the social and economic developments of the population in the local areas. Many jobs in the wholesale sector can be realised thus relieving the citizens from poverty. Sustainable development therefore should be prioritised to ensure investment and development undertaken and the maximum positive impact on the people.

## References

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