LJMS
2013, 7

Labuan e-Journal of Muamalat and Society

AN EXPLORATORY STUDY ON PRODUCT, PRICE, DISTRIBUTION CHANNELS, AND PROMOTION OF SEAWEEDS IN SEMPORNA DISTRICT OF SABAH, MALAYSIA

Norazah Mohd Suki [1♣], Amran Harun[2], Oswald Igau[2], Zainul Jainnor[2]

[1] Labuan School of International Business & Finance
[2] School of Business & Economics,

ABSTRACT

This exploratory study aims to enhance understanding of marketing of seaweed in Semporna district of Sabah, Malaysia with concentration on product, price, distribution channels, and promotion of seaweeds. Qualitative research is conducted via preliminary observation and focus group interviews with nineteen subjects including small entrepreneurs as well as representatives of the companies involved in the seaweed industry in Semporna district of Sabah, Malaysia. This exploratory research found that seaweed farmers concentrated on producing only Kappaphycus Alvarezii ("cottonii", of commerce) and Eucheuma Denticulatum ("spinosum", of commerce) which are known by local people as "Agar-Agar". Farmers sell their dried seaweed to the middlemen who normally travel among the farms to search for sellers and usually offer a good buying price. Promotion of seaweed products through word-of-mouth, besides consult and trust recommendations by friends and family members before making any buying decisions as they value them more highly than anything companies can say through various mediums of advertising.

Keywords: Products, Price, Promotion, Seaweed, Malaysia

♣ Corresponding author: Norazah Mohd Suki, Labuan School of International Business & Finance, Universiti Malaysia Sabah. E-mail: azahsuki@yahoo.com

Introduction

In general, one of the most important natural resources that could affect the world's economies is oil. Compared to other energy sources in the world, oil seems to have gained a strategic position mainly due to the extensive of this product in most of the production processes. Consequently, it is not surprising to hear that many countries become dependent on this natural resource for their economic growth and development.

Introduction

Sabah is the only state in Malaysia that cultivates seaweed types of Kappaphycus Alvarezii ("cottonii", of commerce) and Eucheuma Denticulatum ("spinosum", of commerce) for commercial purposes (see Figure 1). Semporna District produces seaweed a high of 171,859 tonnes, followed by Kunak with 7,127.40 metric tonnes. Kappaphycus Alvarezii from the tropical Indo-Pacific region is the main species used in seaweed commercial aquaculture and has been introduced in several countries to supply the Carrageenan industries (Ask and Azanza 2002; Bixler and Porse 2011; Castelar et al. 2009; Pickering et al. 2007).

Figure 1: Seaweed Cultivation in Semporna district of Sabah, Malaysia

Research Objective

This exploratory study aims to enhance understanding of marketing of seaweed in Semporna district of Sabah, Malaysia with concentration on product, price, distribution channels, and promotion of seaweeds.

Significance Of The Study

- Enhances understanding of marketing activities of seaweed in Semporna with concentration on product, price, distribution channels, and promotion of seaweeds.
- Determines the direction for further comprehensive study related to the seaweed industry in Malaysia for market sustainability.

Materials and Methods

Qualitative research is conducted via **preliminary observation** and **focus group** interviews with nineteen subjects including small entrepreneurs as well as representatives of the companies involved in the seaweed industry in **Semporna district of Sabah, Malaysia**. The session lasted three hours and was held on 4 March 2012 at Seafest Hotel, Semporna District, Sabah, Malaysia in a relaxed, informal atmosphere with one moderator.

Results

■ Demographic Characteristics

The focus group session was attended by seventeen male respondents and two female respondents aged 30 to 55 years located in Semporna district of Sabah, Malaysia. The group comprised small entrepreneurs as well as representatives of the companies involved in the seaweed industry, of which 9 were company representatives, 8 were small entrepreneurs and one was a representative from the Department of Fisheries and the other a representative of the farmers in Semporna district of Sabah, Malaysia.

■ Products

Seaweed farmers in Semporna district of Sabah, Malaysia concentrated on producing only **Kappaphycus Alvarezii ("cottonii", of commerce) and Eucheuma Denticulatum ("spinosum", of commerce)** which are known by local people as "Agar-Agar" (see Figure 2).

Figure 2: Dry and Jelly Seaweed Product Packaging by Local Entrepreneur

■ Price

The current market price of seaweed in Semporna is between **RM2.50 and RM2.70** a package (see Figure 4) and is determined by the seaweed manufacturers. The manufacturers determine the price of seaweed purchased from middlemen, and similarly the middlemen decide the price to the farmers.

- **Distribution Channels**

Farmers sell their dried seaweed to the **middlemen** who normally travel among the farms to search for **sellers** and usually offer a good buying price (see Figure 3).

Figure 3: Local Farmer Harvesting Seaweed Using Small Boat "Sampan"

- **Promotion**

Promotion of seaweed products through **word-of-mouth**, besides consult and trust recommendations by **friends** and family members before making any buying decisions as they value them more highly than anything companies can say through various mediums of advertising (see Figure 4).

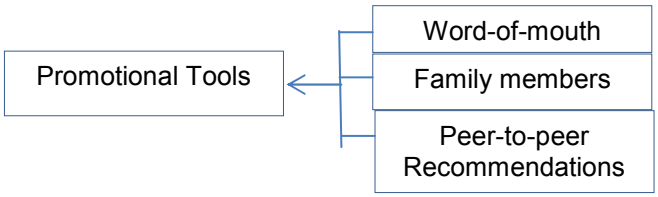

Figure 4: Promotional Tools

Conclusions and Recommendations

Farmers need to have **selling agreements** with buyers and manufacturers of the seaweed based product to control product prices for a more competitive and sustainable market. The **label** of the seaweed based product should be more attractive and convincing to the consumers. Marketers should explore promoting the seaweeds to **online markets** and generating sales with the use of social networking sites such as Facebook and Twitter. Farmers are recommended to sell to **independent traders** or middlemen for export of the seaweed based products to a foreign processing company or its local subsidiary of a foreign based parent company.

References

Ask, E. I. and Azanza, R. V. (2002), "Advances in Cultivation Technology of Commercial Eucheumatoid Species: A Review with Suggestions for Future Research", *Aquaculture*, Vol. 206, No. 1, pp. 257-277.

Bixler, H. J. and Porse, H. (2011), "A decade of Change in the Seaweed Hydrocolloids Industry", *Journal* of *Applied Phycology,* Vol. 23, No. 1, pp. 321-335.

Castelar, B., Reis, R. P., Moura, A. & Kirk, R. (2009), "Invasive Potential of the South Coast of Rio De Janeiro State, Brazil: A Contribution to Environmentally Secure Cultivation in the Tropics", *Botanica Marina,* Vol. 52, No. 1, pp. 283-289.

Pickering, T. D., Skelton, P., and Sulu, J. R. (2007), "Intentional Introductions of Commercially Harvested Alien Seaweeds", *Botanica Marina,* Vol. 50, No. 1, pp. 338-350.