

Global Production And Sourcing :- The Case Of Gardenia Bakery In South East Asia

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Abstract: *In this case study, we will focus about the global production and sourcing of Gardenia company businesses in South East Asia. Global production is the process of converting or transforming resources from all over the world into good and services. Resource include material, machines, employees, time and technology. The output of the production process may be manufactured goods as we highlight in this case of Gardenia Bakery. Gardenia Bakery is core in producing bread which daily consumed by people everyday. (Fariza Hashim, 2010)The process of global production is concerned with operational activities from materials are required until the finished goods or services being manufactured and transported. Other concepts related to global operations include global supply chain, global sourcing, global manufacturing and global logistic. All these activities are conducted all over the world. Thus, these activities need to be properly intergrated and coordinated to ensure the efficiency of the operation. In this article review we will analyze about the global production and sourcing implemented by Gardenia Bakery in South East Asia from beginning of the production to finish process until transporting and distributing the product.*

Keywords: *Global Production, Resource, Global supply chain, Global Sourcing, Global Manufacturing, Global Logistic.*

I. INTRODUCTION

COMPANY BACKGROUND

Gardenia originally was founded by an American named Horatio Scy Slocumm, an employee of International Executive Service Corps. Mr slocumm who had 35 years of baking experinces together with America's leading chain of bakeries. Gardenia was born succesfully after 45 years of hardship.

Gardenia in Malaysia

(gardenia.com.my/aboutus)Gardenia Bakeries (KL) Sdn. Bhd. (GBKL) is a subsidiary of a food listed company , QAF Ltd, who also operates Gardenia Singapore, Gardenia Philipines and will soon opening Gardenia bakery in Fujian, China. Gardenia Bakeries (K.L) Sdn Bhd is a baked food producer in Shah Alam, Selangor. The organization is located at Lot 3 Jalan Pelabur 23/1. This private company was founded in 1985 (about 32 years ago). Gardenia produced the first loaf of bread in year 1986. Gardenia becomes the leader in the bakery market with an outstanding 99% brand recall rate and 80% top-mind-recall within 4 years. The organization generates \$198M in estimated sales as thier revenue per year. Gardenia Bakeries (K.L) Sdn Bhd employs 2,500 people. In Shah Alam, the median number of employees at a company ranges from 30 to 495, meaning that slightly more people work at Gardenia Bakeries (K.L) Sdn Bhd than at the average company.

Gardenia in Singapore

(gardenia.com.sg/aboutus)Gardenia Bakeries in Singapore was starting as a small business. It is only an in store bakery in Singapore. Fortunately, due to their high demands and market share, they had opened a commercial bakery at Pandan Loop. A commercial bakery was finally started in March 1983 at Pandan Loop, producing 2000 loaves per hour. Originally based on the concept of a central bakery supplying a variety of products mainly to retail bakeries, this changed to a single-minded concentration on producing a white sandwich loaf distributed to all retail outlets including supermarkets and sundry shops. Launched against entrenched competition; but with a superior product (softer-textured, tastier-flavoured and enriched bread), modern distinctive packaging and good marketing (effective advertising, merchandising and distribution),Gardenia bread gradually gained popularity. Its merits of being baked fresh, using the finest ingredients and delivered fresh made it the most popular brand of packaged bread in Singapore within two years.A second bakery in Singapore was set up in June 1993, with a production capacity of 8,000 loaves an hour.

Gardenia in Philippines

(gardenia.com.ph/aboutus)Gardenia started operating in the Philippines in 1997, QAF Limited through Gardenia international (Singapore) Pte Ltd established Gardenia Bakeries (Philippines), Inc. and started construction of its bakery plant in the Laguna international Park (LIIP) in Binan, Laguna. In 2011, Gardenia Bakeries Philippines opened a new manufacturing plant in Cebu with a daily capacity of 50,000 loaves in order to serve the Visayas and Mindanao regions. This allowed the company to further improve its distribution across the country as it used to concentrate solely on Metro Manila. The decision to invest in other factories to expand its geographical reach and enter unexploited locations will result in Gardenia Bakeries Philippines maintaining its leading position in baked goods in 2011.

GLOBAL SUPPLY CHAIN

Global supply chain management is a very important concept nowadays as it cover full set of business activities. The coordination of materials, informations, and funds from the initial raw material supplier to the ultimate customer must be encompasses by company supply chain.

Raw Material

(Gardenia Bakeries Philippines Business Analysis, 2016)Food processing is a methods or techniques used to transform raw material into forms for human or animals consumption which utilize by food industry. Food processing take clean, harvested or slaughtered and butchered product and uses it to produce marketable food product. In the Gardenia bread products, the ingredients used in thier bread are sourced only from certified suppliers with high standards of food safety assurance programmes, and these are subject to incoming quality inspections and tests to ensure that they conform to Gardenia’s quality and safety specifications. Gardenia is a food processing which transformed from raw material (Flour) to final product (bread). Gardenia Bakeries Philippines inc. (GBPI) are using import milk only from particular countries such as USA, Australia and New Zealand. Gardenia only uses premium ingredients from all over the world that under strictly checking and testing to ensure the high-quality and safe bread product. In Malaysia, Padi Beras Nasional Bhd was the main supplier of flour to Gardenia Malaysia which associated with Bernas Malaysia whose also the part of rice supplier in Malaysia.

Inventory Management

Gardenia Bread are baked fresh daily so that consumers get the finest quality and freshest bread daily. Usually bread are sold till the inventory is empty, however for unsold bread, they would be sold to commercial fishponds and factory workers in Philipines. Gardenia need to do so in order to maintain its reputation of ensuring its bread is fresh etc. In Malaysia, Gardenia has been actively involved in charitable causes. (Ch’ng, 2012)Everyday, Gardenia will delivers complimentary fresh bread to over 61 charitable organizations like old folks homes, orphanages and centers for disable person. This is the part of thier inventory management and collabirate with Corporate Social Responsibility where there are specific portion of breads will contribute to this society.

Distribution

Gardenia Philippines pioneered a unique distribution system, ensuring that only fresh breads reach consumers every day. Gardenia strictly follows its international policy of keeping only fresh stocks on the store shelves.(swordicer) As soon as products come out of the factory, delivery vans leave the production plant as early as 4 o’clock in the morning to bring the products to specific locations in the country. Replacing unsold breads in store shelves with only freshly baked top-quality products during each day of delivery is a Gardenia practice unmatched in the industry. Currently, Gardenia bread, which is widely distributed in entire Luzon, is the leader in Metro Manila with a market share of more than 65% based on Nielsen retail data.

Also, the company covers the Western part of Visayas including Mindoro, Panay and Negros islands and Eastern part of the Visayas serving the major islands of Samar and Leyte by utilizing the country’s Roll-On Roll-Off (RORO) nautical highway through its fleet of company-owned feeder trucks. (Inquirer, 2015)Gardenia Philipines aimed to expand thier coverage and make Gardenia breads easily accessible and available to all consumers in that country. Gardenia’s Marketing and Sales Manager Nestor Constancia declared that they are now serving the bread requirements to Cebu, Bohol, Cagayan de Oro, Malaybalay, Butuan, Iligan and Davao. The Gardenia’s unique distribution system will utilize a new fleet of feeder trucks and delivery vans within these cities.

Another practice unique to Gardenia is the G-lock system. An integral part of Gardenia’s quality control system, this resealable clip is color-coded to indicate the day that the bread is baked for. It also contains all of its vital information such as the “Best Before” date, the plant that baked the bread, a production code, and the suggested retail price. The G-lock has a specific color for a particular day to let the consumer know when the

bread is delivered instead of just when it will expire. The corresponding G-lock colors with its delivery day are as follows: Tan (Monday), Orange (Tuesday), Yellow (Wednesday), Blue (Thursday), Green (Friday), Red (Saturday), and White (Sunday).

An efficient and effective distribution system is very important especially for companies dealing with food products. Therefore, Gardenia has to ensure that it is able to deliver the freshly baked bread quickly and efficiently every morning to some 3000 retail outlets in Singapore come rain or shine so that the bread remains fresh when it reaches the stores. Gardenia is able to do so with its efficient sales and delivery teams. Since Gardenia bread are available in many different places and thus it is easily accessible, by increasing the visibility of Gardenia products, it will increase the convenient for consumers to buy Gardenia products and thus boosting the sales of its product.

This method of distribution also implemented by Gardenia Malaysia as follows thier business policy of Gardenia Bakery. Gardenia is the only bread manufacturer with a unique distribution system. Gardenia Malaysia also using the Roll-On-Roll-Off (RO-RO) shipping network system. It delivers bread every day, seven days a week, to ensure that consumer get the most freshness bread whenever to be consume. All unsold bread item will be take out and replaced with newly baked ones during every single delivery. It is to make sure the standard of bread.

Technology

In Malaysia, Gardenia has sustained its phenomenal growth and dominance through its distinctive bread-making technique and philosophy. The traditional sponge and dough method is employed to bake every single loaf of Gardenia bread. This bread-making technique allows the dough to develop naturally, giving it the unique Gardenia texture and flavour as well as naturally increasing its shelf life. Each loaf, from the initial mixing of ingredients to the final wrapping, takes approximately eight hours. The results attest to the old saying of taking one's time to do things right, a soft and delicious sandwich bread favoured by Malaysians. Gardenia's insistence on supreme factory hygiene coupled with natural replacements such as raisin juice concentrate and vinegar made it possible for Gardenia to produce bread with No Artificial, Synthetic and Unnatural Preservatives for the Malaysian consumer. (Tahir, 2004) Leveraging on its brand strength, Gardenia also produces a variety of other tasty bread products to satisfy consumers' demands. Amongst it's popular items are Gardenia European Cottage Style bread, Toast'em and Delicia loaves and convenient snacks such as Squiggles, Delicia Cream Rolls, Delicia Sambal Bilis Bun, Delicia Waffles, Twiggies and Quick Bites snack cakes and its range of spread.

(Lifestyle, 2016)Gardenia Philipines has just introducing the new P1-billion facility that can produce up to 6,000 loaves per hour or a total of 150,000 loaves per day, equivalent to a 50 percent increase on its current production capacity. The new plant located at Laguna International Industrial Park in Biñan, Laguna features additional robotics and the latest available technology in modern baking which came from the best baking suppliers from all over the world such as Germany, the Netherlands, United States and Japan. Breads from Gardenia are "completely untouched by human hands," with the whole plant computer-controlled starting from ingredient handling and makeup systems. The use of robotics in handling baking pans and a unique technology in the de-panning process which promises to be gentler to the bread. The facilities also include a tumbler where all four sides of the loaf are checked, while a tornado cleaner ensures that all baking pans are very clean and free of crumbs.

(Cruz, 2009)The new facility features advanced equipment that adheres to globally-accepted baking industry standards. Its advanced dough making and proofing system ensures the right structure and consistency in the texture of breads. It uses one of the world's most technologically-advanced and environment-friendly large-scale ovens that can utilize compressed natural gas as an alternative to LPG. Environment-friendly liquefied petroleum gas will continue to be used by the new oven baking system, which will eventually take in compressed natural gas once it is made available in the industrial market. The new, state-of-the-art bread manufacturing plant is capable of making 6,000 loaves of bread per hour or nearly 150,000 loaves per day, almost doubling its production capability.

The new plant's increased capacity enables the bread-manufacturing giant to deliver more freshly-baked breads to more households, marking another milestone for the company since it began operating in the country. A new pan handling system that uses robotic pan-feeding and stacking equipment allows the baking pans to be stored automatically and vice-versa.

The new plant also adheres to current Good Manufacturing Practices (cGMP), and follows the highest globally-accepted food quality and safety standards through the International Organization for Standardization (ISO) and Hazard Analysis and Critical Control Points (HACCP).

Gardenia's Bread Processing

There are 3 steps which follow by Gardenia bakeries food processing company.

1. Input

High quality control team has set up by Gardenia in order to ensure that all ingredients and raw material are freshness and with best quality. From selecting to purchasing, they are strictest checking and specification the quality of product and finest ingredients. Gardenia has using Just-in-time system in purchase raw material. Therefore, they are very efficient in inventory control.

2. Process

Gardenia using new facility features advance equipment that as globally-accepted baking industry standard in processing. It produces baked bread following a unique process. The whole operation of bread making is closely monitored by quality controllers with trained. They inspection the whole process ensure quality breads are delivered to the market. Other than that, controllers are responsible to ensure that every loaf produced is in best quality and meets customer expectations.

3. Automatic blending

The production process starts with a Computerized system control. Begin blending of the right amount of quality ingredients required. This helps to makes sure equal goodness of every loaf.

4. Production of sponge mix

The specially formulated Gardenia enriched flour, purified water, yeast, vitamins and minerals are added together to form the sponge which released into a trough.

5. Fermentation room

The sponge dough is then kept in a fermentation room, under controlled temperature and humidity. Fermentation process helps develop a unique Gardenia bread texture, aroma and taste.

6. Production of dough mix

At this stage, the sponge is mixed again with other ingredients t form the dough.

7. Divider

The dough is then divided into the standard weight for each particular loaf and conveyed to a rounder and checkweigher

8. Intermediate proofer

The dough is then left to rest in the intermediate proofer for 10 minutes then just being moulded and placed into the baking pans.

9. Final proofer

At this final proofer stage, the yeast is allowed to rise further under controlled temperature and humidity. Once the dough has risen to the desired height, it is ready for baking.

10. Tunnel oven

Gardenia breads are baked for about 20 minutes at a temperature around 200 degrees Celsius in the state-of-the-art tunnel oven.

11. Automatic slicer & bagger

The bread to be kept in cooler for about an hour. After that ready to be sliced and pack. Gardenia packaging mechanically before they are automatically sealed with kwil-logs tags that are printed with the use-by dates. Gardenia delight's unique packaging. It is in an unconventional way which colourful packaging is displayed in an upright position. Besides that, Gardenia was use the G-lock in its packaging. G-lock is a clip that locks the Gardenia bread tightly in its package, sealing in the freshness and makes sure the bread retains its flavour, aroma, and softness. The making Process as below:

12. Output

After all process has been done, it comes to step 3 which is output. All raw materials have turned to final product which sellable. The company sells its product at supermarket, groceries, convenience, and variety stores.

Gardenia Competitive Advantage

The competitive advantages required to be capabilities and hard to be duplicate by competitor. Gardenia having lots competitive advantages which adding the strength and capabilities. Gardenia have a competitive advantage in terms of tangible resources, physical, modern plant facilities, manufacturing located which near with good water supply, JIT inventory control system, technological, State-of-the-art manufacturing machinery and equipment, untouched by human hands from beginning to end of the process, innovative and unique production processes, Patents, copyrights, trademarks, organizational, effective strategic planning with international processes, effective and efficiency evaluation and excellent control system, intangible resources, human, experience and high productivity employees, capabilities employees, believe on people key of success,

excellent managerial skills, innovation and creativity reputation, good brand name, reputation in between customer for quality and reliability, reputation in between supplier, organisational capabilities, ,provide outstanding customer services, high quality product development capabilities and ability hire right people in right position and motivate them.

Gardenia International

As today's global marketplace, Gardenia realised the importance of raising the quality of goods and services. Bread is an essential food item in the markets whereby operate by Gardenia. It proves by the sales whereby the top bread seller and do not expect any significant drop in demand. Gardenia international won the top place in the list of the Fastest 50 companies in Singapore in 2008. By international quality ensuring, Gardenia refer to high quality management practices across the country. Through a global network, Gardenia takes advantages in differences of countries' economic and technological capabilities.

International environment Condition

In order to expanding Gardenia, many issues require to identify. International environment consists four major categories: socio-cultural, political-legal, economic, and educational. Gardenia emphasizes long term orientation and closes coordination with suppliers as well as work closely with human resources and commitment with employees. Gardenia is strictly examined their quality strategies and practising.

Below is the outline of Dimension of international environment and quality control management for Gardenia.

1. Environment condition
2. Information and analysis
3. Human resource development and management
4. Management quality
5. Leadership and strategic quality planning
6. Quality and operational results
7. Customer focus and satisfaction

International Sales Subsidiary

Gardenia established first in Singapore, after the development, it expand to broader such as example Malaysia, Philippine, Thailand and so on. Gardenia owes an overseas manufacturing plant. They invest in plant, machinery and labour in the over sea market. For example, new unveil plants was been developed in Philippine. It is able increasing the producing and as well as ensuring quality product. Gardenia is continuing get know the local market and be able to produce suitable products and services to the needs of local customer. As example, the taste of food for Filipino consumer is more to savoury. Therefore, Gardenia is changing the formulation of product and produce product which accept by consumer.

Challenging in international market of Gardenia

Gardenia leading packaged sandwich Loaf Company in Singapore, Malaysia and the Philippines. It had capturing at least 75 per cent of market share in these three countries. Gardenia moved according consumer demands over the years. Over the years, Gardenia apparent focus on their nutritional information and commitment to quality baked goods in order to growth. Gardenia global bakery arm- Gardenia International, a group of bakery companies in Malaysia, Philippines and Australia and Bonjour Bakery in Singapore- Leads the pack in this year's Fastest Growing awards.

(QAF, 2005)Gardenia Foods (S) Pte Ltd, wholly owned Gardenia Singapore maintained its top position in the Singapore branded bread market. However faced increased competition in 2005 with a proliferation of new products from existing players as well as the entry of new competitors. Sales were also affected negatively by the price sensitivity of a segment of consumer who switched thier purchases toward the low priced large loaves. Despite these challanges, Gardenia maintained its top leadership position by releasing several new product and by launching a succesful new branding campaign.

To cater to the growing healthy lifestyle market, Gardenia Singapore launched the Hi Calcium Milk Bread in April 2005. With the high calcium content, this product has become the obvious choice for health-conscious individuals and families. Atractively priced and marketed as the branded loaf with the highest calcium content, this aromatic and soft loaf has boosted Gardenia's white bread market share.

Gardenia is keep go beyond just offering their 'core-product', the sandwich loaf. In 2004, Gardenia international bought over sole proprietorship called Baker Masion which specialised in par-baked goods. It is challenging for Gardenia international turn the business focusing from producing just ' ready-for-consumption' packaged bread loaves for those retail market. Recently, Gardenia International's sales in Australia have doubled. A high opportunity for Gardenia International goes beyond the high competitive industry.

II. CONCLUSION

Gardenia today is already the market leader on baking industry in different countries like Singapore, Malaysia, Thailand and Philippines. Today, Gardenia is the largest and leading manufacturing company of bread in the South East Asia. Gardenia already created a top of mind awareness to everyone. Along with a mission to serve consumers with the best quality assortment of great-tasting bakery with world-class manufacturing facilities and an efficient nationwide distribution network, thereby providing a fair return on shareholder investments. Gardenia also become the premier company in the baking industry and the related food and beverage industry, known and emulated for our best quality products that delight the consumer.

It is the pride of every employee, investor, trade partner and stakeholder. Having an efficient network and modern technology they want to give people variety of high-quality bread products. Gardenia wants to satisfy their stakeholders and also its shareholders. Moreover, Gardenia also wants to be in the top of the minds of people. Gardenia wants to position in people's mind that they are the best in the baking industry. In making decisions and operation they always think of its customers first. Gardenia wants to achieve their mission and vision with integrity, excellence, innovation and with their teamwork, professionalism and stewardship.

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