Mydin to leverage Kedai Rakyat to keep own prices low
The Malaysian Insider
September 07, 2011
By Yow Hong Chieh

SUBANG JAYA, Sept 8 — Local wholesale and retail giant Mydin expects additional orders of generic items for its Kedai Rakyat 1 Malaysia operations to push down prices of the company's own store brand products, which are sourced from the same suppliers.

Mydin Mohamed Holdings Bhd managing director Datuk Ameer Ali Mydin said that while the government-backed mini market was part of the company's corporate social responsibility (CSR), there was also a profit motive behind its offer to set up and run Kedai Rakyat.

"In the long term, the supply chain of this is very profitable because the more chocolate drinks I order, the more the supplier becomes subservient to me," he told The Malaysian Insider in an interview.

"And he has to give cheaper to Mydin, correct or not? So, indirectly, there is a hidden benefit to Mydin because of that massive supply."

Savings from lower procurement costs will be passed to customers, who will be able to enjoy cheaper goods at Mydin stores, he said.

But Ameer Ali pointed out that suppliers also stood to gain from higher order volumes, especially since many of the companies involved in processing and packing generic products were small-to-medium enterprises (SMEs) in need of custom.

Calling it another "hidden benefit", he said this would help SMEs develop their business as well as allow them a "rare opportunity" to promote their goods on a wider platform than would otherwise be possible.

Prime Minister Datuk Seri Najib Razak launched the first of many Kedai Rakyat 1 Malaysia at the Kelana Jaya LRT station in June. There are now three such shops in the Klang Valley with 22 more in the pipeline.

The 2,000 sq ft shop offers 250 generic products like rice, oil, flour, bread, eggs, milk powder and diapers at prices 30 to 40 per cent lower than market rates as well as Mydin products and branded goods.

Najib said more Kedai Rakyat will be set up in other locations similar to the 1 Malaysia clinics his administration has established in states like Sabah and Sarawak.

Ameer Ali also said Mydin's long-term goal was to increase the proportion of Kedai Rakyat 1 Malaysia brand items from some 25 per cent now to "almost everything" in future.

He said, however, that this would only happen once a sufficient number of outlets have been opened as suppliers were not going to produce goods in small batches.

"The factories are not going to produce 20 cans of sardines... As more and more outlets open, then you'll be able to have more and more (generic) brands out there," he said.

Mydin will not limit itself to LRT stations, which were not designed for commercial purposes, when considering future locations for Kedai Rakyat 1 Malaysia, Ameer Ali added.

The Malaysian Insider
Copyright © 2011 The Malaysian Insider
Source:http://www.themalaysianinsider.com/malaysia/article/mydin-to-leverage-kedai-rakyat-to-keep-own-prices-low/