



DE OLIVE NORTHERN HUB: BUY VERSUS RENT ANALYSIS

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This case was written by Nora Azureen Abdul Rahman and Norhafiza Nordin, Universiti Utara Malaysia. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Introduction

Noor Aziah Abdul Ghani, a tenant of one of the pushcart kiosks in Tesco Jitra felt very upset when she received a notice from the management of the hypermarket. "The rental going to increase again next year," she sighed. She has been renting the pushcart kiosk since 2015 to sell the Olive House products. Noor Aziah believed that renting a pushcart kiosk in the hypermarket building was the most practical and affordable option for her business. This is especially when the Olive House products were new in the market. Thus, by selling the products from a pushcart kiosk, in a high traffic public area would give her a prime access to the consumers. The consumers, who were in the mood of shopping had to walk past her pushcart kiosk and could not help but to see her products. Selling products from the pushcart kiosk also enabled her to provide highly personalized services to the consumers. The size of the pushcart kiosk which was about 3' x 6' was suitable enough to place all of the Olive House products.

However, the rental of the pushcart kiosk increased almost every year. "The rental had increased more than 200% since the first year I rented the pushcart kiosk", said Noor Aziah to herself. Then she thought of her Olive House products business. Previously, there were very limited sellers of the products in Kedah. She had become the main distributor of the products for Alor Setar and Jitra market for quite some time before other distributors started to join the market. Today, the market of Olive House products had grown. There were a lot of sellers selling Olive House products in Alor Setar and Jitra. Some of them opened-up a store and some selling the products via online. This situation had created a competitive market for selling Olive House products in Alor Setar and Jitra.

"The sales of the Olive House products were not consistent, the management of Tesco had been very strict in terms of the operations of the pushcart kiosk and the longer operational hours required by Tesco had increased my overhead costs" she said to herself. "I need to do something, I should move my business elsewhere" she decided. At home, she informed her husband of her decision. She remembered seeing two available shops at Jitra 2; one was for rent and another one was for sale. The shops were about 500 meters from Tesco Jitra. "What do you think, dear? Should I buy or rent the shop?" she asked her husband. Her husband looks at her and said "we have to think carefully before making decision dear. Let give ourselves a few days to think about it," he said again. "Yes, we need to think carefully before we make decision" she agreed. "However, we have to decide fast, dear.... Now is October 2018, so we only have two months before the new year" Noor Aziah reminded her husband. "Yes, I agree with you, the new rental rate will be effective in January 2019. So, let's gather as much information as possible, then by next week we will sit together and make a decision" her husband suggested to Noor Aziah. "Yes, let's do it," replied Noor Aziah.

The Background of Olive House Company

The Olive House business started when the founder of the company, Mohd Aidil Azwal Zainudin, went to Al Azhar University, Egypt, to further his study at Bachelor's and Master's level in Shariah and Law in 1998. While there, he was inspired by the culture of olive nutrition in the diet of the local people, known as the Mediterranean Diet. Based on his observations, he found that consumption of olive oil had a very good impact on the health of the people in the Middle East, especially for the heart. Since then, he determined to bring the olive oil products back to Malaysia. With a capital of RM400, he bought four cans of olive oil from Syria and 400 empty bottles. He did all the processes himself, from bottling the oil, labelling, promoting and selling the olive oil. All of the works were conducted in his house in Alor Setar, Kedah.

His hard work paid off. His Olive oil had received an encouraging response from the local community.

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