Customer Service Quality
as a Competitive Strategy
in the Malaysian Automotive Industry

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# Table of Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Objectives of Study</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>The Significance of this Study</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Reasons for Choosing TCM in this Research Project</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Organization of this Research Project</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Background of the Automotive Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Introduction</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>The History of the Industry</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Factors Contributing to the Slowdown in the Automotive Industry</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Future Market Orientation</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Challenges Facing the Malaysian Automotive Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>General Environment</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>3.1.1</td>
<td>The Political / legal segment</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>3.1.2</td>
<td>The Economic segment</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>3.1.3</td>
<td>The Demographic segment</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>3.1.4</td>
<td>The Technological segment</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>3.1.5</td>
<td>The Global segment</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>3.1.6</td>
<td>The Sociocultural segment</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Industry Environment - Porter's Competitive Analysis</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>3.2.1</td>
<td>Power of Suppliers</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>3.2.2</td>
<td>Power of Customers</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>3.2.3</td>
<td>Threat of New Entrants</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>3.2.4</td>
<td>Threat of Substitute Products</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>3.2.5</td>
<td>Intensity of Rivalry</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Summary</td>
<td>35</td>
<td></td>
</tr>
</tbody>
</table>
4. The Company - Tan Chong Motors (TCM)
  4.1 Background of the Company
    4.1.1 The Motor Division
    4.1.2 The Auto Parts Group
    4.1.3 The Heavy Vehicles And Machinery
    4.1.4 Others
  4.2 Nissan Range of Products
  4.3 TCM's Corporate Philosophy
  4.4 SWOT Analysis of TCM
    4.4.1 Strengths
      4.4.1.1 Financial Resources
      4.4.1.2 Management Skills
      4.4.1.3 Synergistic Diversification
    4.4.2 Weaknesses
      4.4.2.1 Training for the Sales Personnel
      4.4.2.2 Inability to Compete on Cost & Quality
      4.4.2.3 Brand Strength
    4.4.3 Opportunities
      4.4.3.1 Future Potential of the Domestic Market
      4.4.3.2 Regional and International Market
      4.4.3.3 Downsizing for Future Competitiveness
    4.4.4 Threats
      4.4.4.1 Ringgit Depreciation
      4.4.4.2 High Interest Rate
      4.4.4.3 Declining Disposal Income
      4.4.4.4 Stagnant Used Car Market
    4.4.5 Summary
   5.1. Introduction 57
   5.2 Value Chain Analysis - An Overview on TCM’s VCA 58
      5.2.1 TCM’s Value Chain – Primary Activities 58
      5.2.2 Support Activities 61
   5.3 Value Chain Analysis - A Comparative Analysis on Pre-Sales Activities 63
   5.4 Value Chain Analysis - A Comparative Analysis on the Point-Of-Sales Activities 68
   5.5 Value Chain Analysis - A Comprehensive Analysis on the After Sales Activities 75
   5.6 Conclusion 78
      5.6.1 Primary Activities 78
      5.6.2 Secondary Activities 79

6. The Evolution of TCM Customer Care Program
   6.1 Reasons for Implementing Customer Care Programmes 80
   6.2 Example of Successful Automotive Companies 83
   6.3 Concept of Customer Care Strategy in TCM 85
   6.4 Customer Service Implementation 88
      6.4.1 Training 89
         6.4.1.1 TC3 Training 90
         6.4.1.2 Other Training 92
      6.4.2 Information System 92
      6.4.3 Spare Parts Distribution Backup 93
      6.4.4 Assembly Plant Backup 94
      6.4.5 The Marketing of Customer Service – You Come First campaign 94
6.4.6 Customer Relations Department 96
6.4.7 Relationship Marketing 97
6.4.8 Measurement 99

6.5 Summary 101

7. Key Problems of Customer Service in TCM 102
7.1 Introduction 102
7.2 Dimensions that are of Great Importance in Providing Quality Service 103
7.2.1 Service Delivery System and Training 103
7.2.2 Customers Need in Various Stages of Sales Transaction 103
7.2.2.1 Pre-Transaction and Customer Needs 103
7.2.2.2 Peri-Transaction and Customer Needs 106
7.2.3 The Determinants of Service Quality 107
7.2.4 The Human Contact in Service Encounters 108

7.3 Flow-charting of Sales Service Delivery System 109
7.3.1 Phone Inquiries 111
7.3.2 Tangibility of Services 111
7.3.3 First Impression 112
7.3.4 Test Drive 112
7.3.5 Pre-Delivery Inspection 113
7.3.6 Relationship Marketing 113
7.3.7 Customer Complaints 114

7.4 Analysis of CSI Survey and Fishbone Analysis of Sales Delivery System 115
7.4.1 Showroom Facilities – Appearance of Showroom 120
7.4.2 Sales Staff – Courtesy and Friendliness 121
7.4.3 A Shortage of Sales Brochures 127
7.4.4 Communicating the Service Vision 127
7.4.5 Measuring Service Performance 130

7.5 Flow-charting of After Sales Service Delivery System 133

7.6 Analysis of CSI Survey and Fishbone Analysis of After Sales Delivery System 138

7.6.1 Service Vision 142
7.6.2 Service Procedures 143
  7.6.2.1 Service Reception 144
  7.6.2.2 Explanation by the Receptionist Before Repair 145
  7.6.2.3 Quality of Repair Work Done 146
  7.6.2.4 Demand and Supply Management 147

7.6.3 Repair Reliability 148
  7.6.3.1 Parts Availability 148
  7.6.3.2 No Explanation on Estimated Job Done 148

7.6.4 Service Facilities 149
7.6.5 Follow-up 149
  7.6.5.1 Attitude 149
  7.6.5.2 Facilities For Contact – The System and Manpower 150

7.7 Summary 151

8. Recommendation: An Evaluation of Alternative Courses of Action 152

8.1 Establishment of a Clear Strategic Service Vision 152
  8.1.1 Market segmentation 152
  8.1.2 Service Concept 157
  8.1.3 Operating Strategy 159
  8.1.4 Service Delivery System 161
8.1.5 The Integration of Service Elements 161
8.1.6 Recommendation 162

8.2 Recommendations on Managing Demand and Supply in TCM 166
8.2.1 Maximizing Efficiency During Peaks 166
8.2.2 Using Part-time Employees and Rental Equipment 167
8.2.3 Increase Customer Participation in Delivery 168
8.2.4 Building Excess Capacity 169
8.2.5 Cross Train Employees 169

8.3 Relationship Marketing 171
8.4 Developing Strategic Leadership among Managers 172
8.5 Integrated In-House Training Program to Develop Human Capital 173
8.6 Outsource Training to External Consultants 175
8.7 Investment in Infrastructure, Facilities of Information Technology 175
8.8 Investment in the Physical Infrastructure and Facilities 177
8.8.1 Recognise and Affirm Superior Performance in Customer Service 178

8.10 Compensation 179
8.11 Fix it Right The First Time 180
8.12 Regular Customer Care Awareness / Reinforcement Programme/Comprehensive Internal Marketing Strategy 182

8.13. Keeping the Best Talent Close to Customers 183
8.14. Create and Establish Customer Relation Department in EAS 184
8.15 Summary 187

9. Conclusion 189

References
Appendix
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1</td>
<td>The Malaysian Automotive Industry</td>
<td>14</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>The Common Effective Preferential Tariff Scheme</td>
<td>18</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Malaysia Automotive Industry – Monthly Average January - June 1997 and January - June 1998</td>
<td>34-1</td>
</tr>
<tr>
<td>Figure 3.2</td>
<td>Porter’s Five Forces Analysis - Before Recession</td>
<td>36</td>
</tr>
<tr>
<td>Figure 3.3</td>
<td>Porter’s Five Forces Analysis - During Recession</td>
<td>37</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Business Activities of TCM</td>
<td>41</td>
</tr>
<tr>
<td>Figure 5.1</td>
<td>General Basic Value Chain</td>
<td>57</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>Value Chain Analysis - Pre and During Sales</td>
<td>74</td>
</tr>
<tr>
<td>Figure 5.3</td>
<td>Value Chain Analysis - After Sales</td>
<td>75</td>
</tr>
<tr>
<td>Figure 6.1</td>
<td>Total Product Concept</td>
<td>80</td>
</tr>
<tr>
<td>Figure 6.2</td>
<td>Loyal Customer Cycle</td>
<td>87</td>
</tr>
<tr>
<td>Figure 7.1</td>
<td>Service Flow-chart - Before and At-The-Point Service Encounters</td>
<td>110</td>
</tr>
<tr>
<td>Figure 7.2</td>
<td>CSI Survey Scores - Sales 1996</td>
<td>117</td>
</tr>
<tr>
<td>Figure 7.3</td>
<td>CSI (Sales) - Comparison with Industrial Average</td>
<td>118</td>
</tr>
<tr>
<td>Figure 7.4</td>
<td>Fishbone Analysis of Showroom System</td>
<td>119</td>
</tr>
<tr>
<td>Figure 7.5</td>
<td>The Key Skills of Selling</td>
<td>124</td>
</tr>
<tr>
<td>Figure 7.6</td>
<td>Process-Flow Diagram for EAS Repair Process</td>
<td>135</td>
</tr>
<tr>
<td>Figure 7.7</td>
<td>Product and Service Quality</td>
<td>136</td>
</tr>
<tr>
<td>Figure 7.8</td>
<td>CSI Survey Scores - Service 1996</td>
<td>139</td>
</tr>
<tr>
<td>Figure 7.9</td>
<td>CSI Survey 1996 (Service) - Comparison with Industrial Average</td>
<td>140</td>
</tr>
</tbody>
</table>
Figure 7.10  Fishbone Analysis of Workshop System  141
Figure 8.1  Basic and Integrative Elements of Strategic Service Vision  165
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Import Duty on Cars</td>
<td>10</td>
</tr>
<tr>
<td>2.2</td>
<td>Import Duty on 4WD and MPV</td>
<td>10</td>
</tr>
<tr>
<td>2.3</td>
<td>Import Duty on Van</td>
<td>10</td>
</tr>
<tr>
<td>2.4</td>
<td>Vehicle Demand (Units) in 1997 and the Projection for 1998</td>
<td>13</td>
</tr>
<tr>
<td>3.1</td>
<td>Production of Automobiles in Thailand, Indonesia, Philippines and Malaysia, 1990 and 1995 ('000 units)</td>
<td>22</td>
</tr>
<tr>
<td>3.2</td>
<td>Local Content Policy</td>
<td>25-1</td>
</tr>
<tr>
<td>3.3</td>
<td>List of Imported Sub-components in Engine</td>
<td>26</td>
</tr>
<tr>
<td>4.1</td>
<td>Financial Analysis on TCM, UMW and Proton for the Year 1996</td>
<td>46</td>
</tr>
<tr>
<td>5.1</td>
<td>TGW per 100 units of Vehicles (1996)</td>
<td>65</td>
</tr>
<tr>
<td>5.2</td>
<td>Competitive Advertising Expenditure (ADEX) Report 1996 (Top Ten Brands)</td>
<td>66</td>
</tr>
<tr>
<td>5.3</td>
<td>Sales Network of Malaysian Automobile Companies as at 1st July 1998</td>
<td>69</td>
</tr>
<tr>
<td>5.4</td>
<td>Competitive Position of New Vehicle Delivery</td>
<td>71</td>
</tr>
<tr>
<td>5.5</td>
<td>Competitive Position / Scores on After Sales Follow-up Contacts</td>
<td>72</td>
</tr>
</tbody>
</table>
Executive Summary

1. Brief Description of the Organisation

Tan Chong Motor was established in 1957 through the acquisition of the exclusive rights to distribute Nissan in Malaysia. Despite the tough inroad, the company has successfully penetrated the local market and today Nissan is considered one of the top selling brands in Malaysia. In 1974, TCM was listed in KLSE and since then, the group has broadened its business operation to include auto parts manufacturing, heavy vehicles, machinery manufacturing and distributions, property investment as well as non-motor related trading. Despite being such a well diversified corporate, the automotive business is still the main contributor to the overall group profit. The total turnover for the company in 1996 was estimated to be around RM2.831 billion.

In the passenger sector, Nissan is facing stiff competition from Toyota and Honda in terms of pricing, differentiated technology and advancement as well as brand equity. In the automobiles commercial sector, Nissan is strongly established at the number one position in the category of van vehicles. Nissan Vanette currently is the most popular and well accepted van in the Malaysian market.

Despite the fact that Nissan is the current leader in the van segment, in the overall automobiles market (non-Proton sector) they are still trailing the leader, Toyota. Nissan’s market share is of 5.5% as compared to Toyota’s of 7.2%. With the national car status and accorded the protection by the government, Proton enjoyed unprecedented tax protection and therefore is not considered a direct competitor to Nissan.
2. A Brief Description of Problems and Issues Identified

The current economic crisis has affected the automotive industry severely. Sales after budget has declined tremendously by 70% with monthly sales volume for the whole industry plunged to a record low of only 10,000 units. TCM is facing a shrinking market demand, high inventory level due to over-capacity, continuous credit squeeze, declining purchasing power of consumers and thus a future that is full of uncertainty.

In fact, the problems in the automotive industry are not confined to how they should face this economic crisis but rather the need for the industry to realize the greater problems ahead of the players at this juncture of time. From the macro point of view, the players in the industry should realize that with the imminent changes of technology, advanced communication, globalisation, intensifying competition, constantly changing consumers tastes and preferences, they have to brave themselves for more challenges ahead. Undeniably, the players should be aware that they should adopt more innovative strategies and focus on creating their own core competencies to sustain their competitive advantage especially in this economic situation and particularly when the economy starts to recover.

TCM, as one of the players in this automotive industry has to realize that it is not being spared from all these problems. This research project later focuses and tries to identify the various problems faced by TCM in its attempt to create a sustainable competitive advantage through establishment of superior and excellence customer service and care.
3. A Snapshot of the Analysis, Findings and Recommendations

This research project attempts to explore various strategies which could be adopted by TCM to improve its customer service and consequently gain sustainable competitive advantage in the long run. From a broader perspective, this research project also looks into the needs of the whole automotive industry to gain strategic competitiveness. A thorough SWOT analysis on TCM is presented, accompanied by further analysis of the industry using the Porter’s model. The various challenges faced by the industry are also identified in this research project. Special attention is given to the strategy of building a culture of Customer Focus, Care and Excellence as the source of sustainable advantage in TCM. A thorough and comprehensive analysis and presentation of various methods of customer service which are currently being implemented in TCM are discussed. Problems associated with customer service implementation in TCM are also presented using various models and concepts. Different strategies of customer service and care are also suggested in relation to all the problems identified in TCM.

Customer Focus has been identified since 1989 as the long-term strategy that enabled TCM to survive not only in the domestic market but also to take advantage of the potential market when liberalization takes place. Despite the strategic value of securing sustainable competitive advantage for the company and its efforts in the past in this area, a truly Customer Focus culture is still very much to be desired in this company due to various factors. Through our analysis, one of the keys contributing factors is the general lacking of strategic managerial skills among the managers to appreciate the strategic value of customer service in creating a competitive advantage. The situation is further compounded when the management failed to realize the importance of screening, recruitment and compensation. Another dimension that requires attention is the need to upgrade the physical facilities and information system to enable an effective implementation of Customer Care strategy.
A strategy to create its core competency through customer service, care and excellence will not only help to establish sustainable competitive advantage for the player (TCM) in this automotive industry during this economic situation but also for the continuous survival and growth after this crisis.