Chapter One

Introduction

1.1 Objectives of Study

After years of impressive growth, the Malaysian automotive industry has now been forced to take a breather as it has not been spared in the current economic slowdown. The days when the industry’s sales per month effortlessly touched five figures is over as compared to now, where monthly sales have dwindled to below 10,000 units. Automobile companies have adopted various marketing strategies to push sales in adverse economic conditions. An analysis on one of the automobile companies in Malaysia will be carried out in this research project. The objectives of this research project are listed as follows:

1.1.1 To study the impact of the current economic crisis on the nation automotive industry with special emphasis placed on Tan Chong Motors Sdn Bhd (TCM), a Nissan distributor in Malaysia.

1.1.2 To identify challenges faced by the industry during this economic slowdown and possibly the era after the economic slowdown.

1.1.3 To recommend a superior customer service, care and excellence as a strategic competitiveness for TCM to weather the economic slowdown and after the slowdown.

1.1.4 To suggest to TCM the needs for the company to build its own sustainable and inimitable core competency and competitive advantage in customer service.
1.1.5 To identify the current service strategies implemented in TCM.

1.1.6 To identify the problems and weaknesses of the customer service strategies and programmes in TCM.

1.1.7 To recommend and suggest alternative courses of actions and strategies to rectify the problems and weaknesses in the implementation of customer service in TCM.

1.2 The Significance of this Study

Overall, almost all the industries in Malaysia have been affected by the economic crisis that is plaguing the whole region at the moment. Most of them were caught by surprise and were unprepared for it. One of the most affected industries is none other than the automotive industry. As the result of this crisis, most of the automobile companies have been trying to maintain their survival by implementing various short-term strategies to gain sales and enhance their cash flow.

Generally, what the companies are doing currently is basically short-term measures to keep them afloat. Although this is important for them at this juncture of time, this research project does try to emphasize that long-term strategy like building ones' own core competency and competitive advantage should not be neglected. The ability to sustain this competitive advantage at the current moment will be helpful partially for the company to tide over this economic slowdown but most importantly useful when the economy recovers.

For many decades, the automobile companies in Malaysia particularly TCM have been operating without real development of core competency and
competitive advantage. They have depended on their sales and marketing strategies to gain market share and survive. Although for company like TCM which has been implementing customer service strategies all the while, it has not been effective. This is partly due to the fact that service was never built as a core competency or used as a competitive advantage. It was merely used as supporting activities to sales and marketing strategies. Therefore, the implementation of service strategies in TCM were plagued with various problems and weaknesses and most importantly lack of vision and enthusiasm.

This research project highlights the importance and the need for TCM to adopt the customer service care and excellence as its competitive advantage. The identification of weaknesses and problems together with recommendation of alternative strategies will certainly help TCM to move in the right direction of building its own core competency.

The benefits, suggestions and recommendations discussed in this research project are not only confined to TCM. In fact, most of them are applicable across the industry if the automobile companies have the will, enthusiasm and vision to adopt the service as their core competency.
1.3 Reasons for Choosing TCM in this Research Project

There are various reasons why TCM is chosen as the company for analysis. First, being 40 years in the automotive industry, TCM is one of the few automobile companies which survived past economic cycles and went through many challenges. The experiences gained are invaluable and provide good insight as to how companies could possibly be managed during economic turbulence. These lessons learned can provide a guide in the formation of strategies aimed at building core competencies for long term survival and sustainable competitive advantage.

The main focus of this research project is to study the problems faced by TCM in adopting customer service as competitive strategy. TCM is considered to be one of the pioneers who has invested tremendous effort and made commendable progress in building Customer Service as reflected in the annual Customer Satisfaction Index (CSI). The survey index ranked TCM as one of the top five companies in terms of customer service. (CSI is a survey that measures customer' service satisfaction level in the automotive industry. Further details of the survey can be found in Chapter 7).

The company has gained substantial experience and expertise that are valuable not only to other firms in the automotive industry but also to the industry as a whole. Despite this, TCM and other companies in the industry failed to realize and recognize that customer service could be used as a core competency to create sustainable competitive advantage. This core competency will be useful not only for them to tide over this economic difficulties but also to gain long term competitive edge. This research paper attempts to identify all the existing services that have already been implemented by TCM and problems involved in the implementation, and to recommend alternative strategies for further improvement.
In addition to the above, what happen to TCM has its social impact. Currently, the company is employing 3,000 employees and TCM's management decision will inevitably affect the income and the social life of these employees. Initial measures taken by TCM in meeting the challenges posed by the current crisis include tightening of budget and control, reducing expenses, freezing new employment, stopping renewal of workers contracts once expired, negotiating with suppliers, etc.

As the situation deteriorates without any sign of immediate business recovery, the management has resolved to the temporary closure of the assembly plant in order to balance supply with demand. The workers are paid 75% of their last drawn salary and are allowed to engage themselves in other employment activities. Subsequent to the plant closure, the company has implemented the initial round of pay cut company-wide and at the same time has offered voluntarily retrenchment or early retirement benefits to those who might consider to stop work. This measure affects the 3000 work force of Tan Chong financially, emotionally and socially.

A quick study on TCM's market share from 1990 to 1998 reveals a serious challenge that is facing TCM. Despite the growing profit and sales volume in the past few years, TCM's market share was in fact sliding downwards, from 7% market share in 1993 to 5% in 1996. This deterioration suggests the lack of a superior core competency that could integrate TCM's resources to make possible the strategic positioning and thus sustainable competitive advantage. Analysis in the following sections will point out that TCM has resources which are superior to its competitors, however, these resources were not fully exploited to propel TCM to the leading position in the market.

Another reason for choosing TCM as our focus of analysis is the high likelihood of TCM in surviving the current crisis. From the SWOT analysis performed in the subsequent chapters we realized that TCM has the financial
capability and management experience to benefit from the recommendations proposed in this research paper.

1.4 Organization of this Research Project

The introduction in Chapter One presents the objectives and significance of this research project. This research project is divided into two sections. The first section which comprises Chapters Two to Three analyses and discusses the automotive industry in general. The second section comprising Chapters Four to Eight provides a detailed and comprehensive analysis of TCM in its implementation of customer service.

Chapter Two presents an analysis on the background of the industry which includes the history of the industry and description of the effects the current economic slowdown has on the automotive industry.

Chapter Three outlines the major challenges facing the industry today and in the future. This is followed by an in-depth analysis of the structure of the industry using Porter’s Framework of Competitive Analysis.

Chapter Four gives a brief description on TCM. In Chapter Five, the Value Chain Analysis is used to identify and suggest value creating activities in TCM with special focus on the customer service.

Chapter Six identifies the various customer service strategies that are currently being implemented by TCM. Chapter Seven explains and identifies the multiple problems and weaknesses faced by TCM in this implementation.

Chapter Eight of this research project recommends various alternative strategies which may be suitable for TCM in its effort to improve on its current
implementation. It also suggests recommendation of future service strategies which are deemed necessary for TCM to adopt in order to build service as its main core competency and competitive advantage. Lastly, Chapter Nine is the conclusion to this research project.