

CHAPTER 7

CONCLUSION

The core business of TNB which is the sale of electricity is a very highly regulated industry where the tariff is strictly controlled by the Malaysian Cabinet. Any revision in tariff is always a controversy with many parties lobbying against a tariff hike. With the present scenario of excess capacity and tariff structure, TNB should proceed with the concept of venturing into the sales of electrical appliances to help TNB increase the revenue through the sales of electricity and electrical appliances.

If TNB can control a major sales of the appliances market, then Demand Side Management (DSM) is easier to be practiced. The products which is carried by its appliances outlets will reflect the scenario that TNB would favor e.g. energy efficient products during tight capacity situation like the one seen in 1990-1993 and again foreseen to be the situation in the year 2000-2003, before Bakun Hydro Power starts to generate power.

From the analysis the following strategic actions are recommended:

1. Price Strategy

- ET Shoppe must adopt a competitive pricing strategy. More ET outlets and franchise stores should be set up. This is mainly because electrical appliances market is a competitive market with only a small margin of profit. Product development is very rapid. The product range that is sold can be purchased in volume so that the price offered is

more attractive. One way of ensuring better sales is by having multiple outlets or through the initial idea of franchising.

- ET Shoppe should form strategic alliance with wholesalers to get competitive prices for the electrical products that is purchased in bulk.

2. Product Strategy

- In the early 1990's, power demand exceeds supply. This drives TNB to promote energy saving equipment to be used by consumers. In the present scenario of electricity excess capacity, TNB should promote more usage of electricity . ET Shoppe should change the strategy of marketing efficient technology products only but to market electrical appliances instead.
- TNB can synergise with established product manufacturers. TNB can negotiate with established product manufacturers in order for ET Shoppe to market their products. This manufacturers can manufacture products using TNB brandname and ensures standardised product brand.
- Develop entrepreneurs to manufacture consumer products. TNB have appointed Bumiputera vendors to manufacture products such as transformers, switchgears, cable accessories, etc. These vendors can be developed to manufacture consumer products.
- TNB should form strategic alliances with local manufacturer , for example, Malaysia Electrical Corporation (MEC) , Pensonic, to develop, manufacture, and market domestic electrical appliances. TNB should influence the product development. Apart from manufacturing the product, the supporting industry like components manufacturing will spur economic growth and result in an increase electricity usage.

3. Promotion Strategy

The promotion campaign exercise must be aggressively carried out.

- Suggested marketing tactics includes advertising on the bills or to get the meter readers to enclose pamphlets and promotion news together with the bill. This is the cheapest form of advertising and it is effective since it can reach all the customers nationwide. Apart from that, other promotion tactics can include sponsoring TV programs, offering rebates for appliances purchased from ET Shoppe, free installation of appliance e.g. air conditioning units, dish washer, water heater etc.

- Customers segmentation based on their present electrical usage should be carried out. Strategies are then formulated to target each niche group. For example:

Group 1: bills below RM 20 which makes up a big bulk of customers (67%). The profile for this group is probably customers living in urban areas and from a lower to middle income group. This group basically uses a few lighting points which is probably dim and has limited electrical appliances. Their usage of electrical appliances may be limited due to the accustomed lifestyle rather than lack of purchasing power. It is known that rural folks, women, for example, tends to acquire more jewelry than professional women who can also afford it. This is because they view jewelry as an investment.

Products that can be marketed for this target group would be fans, electric rice cooker, iron and lamps for a more brightly lighted houses.

Indirect marketing such as associating brightly lit houses with better children's performance in school and improved eye sight rather than directly marketing for electricity usage or equipment sales may be more effective for this group of people since Malays especially, view their children as an investment or asset.

A possible option is also to give free trial of fluorescent lamps for every house in the village that really lacks electricity consumption. Should they agree to continue using the lamp say after one month then the customers will be billed the cost of light fittings installed. This tactic probably could be extended to other product range.

Group 2: In a sample district of Temerloh, the customers that uses electricity more than 200 units and less than 1000 units is only 10% whereas customers using more than 1000 units per month are only 2%. In a survey conducted by the Distribution Department of TNB in 1995 , only 14% of total domestic customers have air conditioners installed in their home but 40% say that they would like to buy it. The potential customers are probably living in urban areas and are made up of middle income dual career family. Products like air conditioners, water heater, refrigerator, dish washer , entertainment centers and microwave should be the target products for this group.

Possible tactics to attract more usage from this niche group are rebates for electricity use, promotion by giving prizes during festive season for using more electricity and flexible financial package.

4. Place Strategy

- Shops must be strategically located. Shopping malls are a good place since it attracts crowds with many other attractions in the mall. The following alternatives should be considered.

Set up more ET Shoppe franchise outlets in other locations nation wide.

Set up more ET Shoppe franchise in TNB premises.

As a short term measure and to ensure minimum investment cost, it is suggested that TNB should consider setting up more ET Shoppe franchise in TNB premises first. This will reduce the overhead expenses especially rental charges.

- TNB can synergise with ET Shoppe or any other electrical appliances retailers or dealers in terms of space and network establishment. The cost to set up showrooms nationwide may be too high. TNB, on the other hand, have established offices even in the remotest part of the country. Capitalizing on these, TNB could synergise with ET Shoppe or any other electrical appliances retailers or dealers to work as strategic partners. TNB could charge reasonable rates or commission for their products to displayed at TNB's premises. .Increased sales of appliances no matter from which electrical appliance company would mean more usage for electricity and would translate into extra revenue in terms of electricity sales for TNB.

Other strategies that TNB could adopt are:

1. TNB should support and share in the vision of setting up ET Shoppe.

Through the interviews that was conducted with ET Shoppe director, Dr. Zamzam, TNRD accountant and ET Shoppe manager, the main grievance was that TNB do not share and support the vision of ET Shoppe. For example when marketing strategies were formulated and approved by TNRD board of directors, implementing it was difficult since TNB as a parent company do not share their vision and goals.

2. TNB should review both their role and the role of their present partner, Ibex .

The roles of the shareholders must be clearly spelt out. It is recommended that TNB take a more active role for example in formulating price and product strategy rather than leaving things for Ibex's decision.

3. TNB should capitalize on the RM 1 million rotating fund for Radas Elektrik loan that is allocated to its 24,000 staff, interest free with 10 monthly installment for electrical equipment purchase. Presently , there is a long waiting list for application of this loan. TNB can give priority for purchases from ET Shoppe provided their pricing is competitive. This is a good start for this promotion especially if TNB could increase the rotating fund amount to say RM 2 million.
4. ET Shoppe should give attractive credit terms :TNB should synergise with financiers, for example, finance companies , banks, credit card companies where purchases through ET Shoppe will enjoy privileges like electricity rebate or coupon discount on electricity bill.
5. ET Shoppe should consider forming strategic alliance with Koperasi Tenaga Nasional Berhad (KOOP). Presently TNB KOOP is also selling electrical appliances to staff through monthly pay deductions. The functions of ET Shoppe and KOOP can be streamlined so that both can function as business units.

There are general consensus among TNB executives that the ET Shoppe should be closed down for good since it is not the core business of TNB and has not given any return. Should TNB management be serious about revitalizing ET Shoppe then concrete strategic measures as suggested should be seriously considered. Otherwise, it is only best that TNB management forgo this business rather than suffer more losses.