

## **CHAPTER 6**

### **STRATEGIC ANALYSIS OF ET SHOPPE**

Apart from the financial analysis, Strategic analysis of the company is carried out to suggest a more integrated proposal to improve the company. In order to carry out the strategic analysis of ET Shoppe, a SWOT analysis, the internal factor evaluation, external factor evaluation, TOWS matrix and the Porters Five Forces are used for analysis. (David (1987))

#### **6.1 SWOT analysis**

The Strengths(S), Weaknesses(W), Opportunities(O) and Threats(T) or SWOT were analysed. The summary is in table 8.

#### **6.2 Internal Factor Evaluation**

The internal factor evaluation outlines the strengths and weaknesses of ET Shoppe which is within its control. (David (1987)).

##### **6.2.1 Strengths**

The Strengths of ET Shoppe are as follows:

- TNB has an established nation wide network of offices and collection centers in Peninsular Malaysia.
- TNB is synonymous with electricity and extending its product range from electricity supplier to electrical appliances supplier is not too different from its current core business.

**TABLE 8:  
SWOT ANALYSIS FOR ET SHOPPE SDN. BHD**

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>• TNB has an established nation wide network of offices and collection centers in Peninsular Malaysia</li> <li>• The company TNB is synonymous with electricity and extending its product range from electricity supplier to electrical appliances supplier is not too different from its current core business.</li> <li>• TNB excessibility to at least 16 million users</li> <li>• LLN/TNB had already carried out similar program of "Sewaan Radas" in the past.</li> <li>• TNB has been giving out the soft loan for Radas Elektrik for staffs with a revolving fund of RM 1 million.</li> <li>• TNB is a reputable company and has been a good paymaster to its suppliers/vendors.</li> </ul> <p>TNB has a entrepreneurs manufacturing electrical equipment for its own use.</p>	<ul style="list-style-type: none"> <li>• TNRD do not get the necessary support from TNB.</li> <li>• There is no clear distinction between the role of TNRD/TNB and its partner : Ibex..</li> <li>• The choice of Ibex</li> <li>• All the 4 P's of marketing is lacking i.e.</li> </ul> <p>PRICE: The prices is about 10% - 15% higher.</p> <p>PLACE: . The area is very congested and difficult to find parking space.</p> <p>PROMOTION: promotion is really lacking..</p> <p>PRODUCT: customer do not perceive energy efficient devices as a primary criteria for their choice. ET Shoppe carry limited product range.</p>	<ul style="list-style-type: none"> <li>• The appliances market is a big market</li> <li>• Malaysia is a developing country and the appliances market is also a growing market.</li> <li>• Malaysian's have good purchasing power with a relatively high standard of living..</li> <li>• Opportunity for TNB to develop its own appliances manufacturing as a diversification to its present core business.</li> </ul>	<ul style="list-style-type: none"> <li>• There are many established competitors with established network.)</li> <li>• The prices offered by competitors are lower.</li> <li>• customers are generally not exposed to efficient Technology or energy saving equipment.</li> <li>• Customers are more concern with the product features and price of equipment.</li> </ul> <p>customer behaviour. Other factors may influence choice e.g.. friends or family members</p>

- TNB is currently servicing over 4 million customers and has accessibility to at least 16 million users ( with an estimate of 4 people per household) .
- LLN/TNB had already carried out similar program of “Sewaan Radas” in the past. In this program, equipment like decorative lamps, welding sets etc. are rented out to the public and other government agencies, for example the Municipal Council. A similar program which rents out electrical appliances could be done with TNB customers.
- TNB has been giving out the soft loan for purchases of electrical appliances for staffs with a revolving fund of RM 1 million. This program is very popular and the demand exceeds the budget allocated with a long queue of applicants.
- TNB is a reputable company and has been a good paymaster to its suppliers/vendors. Other corporation would have confident to do business with TNB.
- TNB has developed entrepreneurs in the manufacturing sector for electrical equipment that is more complicated and with stringent requirements for its own use. These vendors could be developed to manufacture domestic electrical appliances.

### **6.2.2 Weaknesses**

The weaknesses can be summarized as follows:

- TNRD do not get the necessary support from TNB. TNRD is regarded as another business unit and its activities or visions are not shared by the organization. TNRD finds that it is quite problematic to market ET Shoppe products using the present TNB Districts set up or to use TNB’s billing facilities for its appliances market.
- Ibex Marketing and TNRD’s role was not adhered to. The business was left mainly to Ibex for its day to day operations. TNB is new in the business of marketing energy

efficient appliances but the role of Ibex Marketing is also not clearly defined. The alliance should be a strategic alliance with an experienced and capable partner.

- The choice of Ibex Group of Companies was mainly because they were a Bumiputera conglomerate with trading in electrical equipment Rakan Muda products, Harley Davidson and a few manufacturing concern. Ibex 's strength is not capitalized in this venture.
- All the 4 P's of marketing is lacking i.e.
  - a) PRICE: The prices are comparable to departmental store pricing ( for example Jaya Jusco) and the prices are approximately 10% -15% higher when compared to places like established electrical appliances shop (e.g. Seng Heng) or the up coming trend in warehouse shopping (e.g. Makro). ET Shoppe do not have an advantage in its price. When the prices of products are compared as in Appendix 1 and 2 during the launching of ET Shoppe and now , the price list is still very much the same.

ET Shoppe management stick to the same price list since customers like to bargain , and some further discounts could be given. For old stock, the products are sold at 10% below cost to reduce the stock obsolescent.

b) PLACE: The ET Shoppe is located at a shoplot in Taman Tun Dr. Ismail. The area is very congested and it is difficult to find parking space. It is next to Singer electrical franchise shop and with Singer's brightly colored banners for decoration, ET Shoppe seems to be 'missed' by passers by. There is a bill collection center located at the rear of ET Shoppe, and the customer paying bills will have to walk through the display of ET Shoppe.

It was found that the target market of housewives do not pay the bills , instead office boys pay bills on behalf of their superior or employers.

c) PROMOTION: Many people, even staff of TNB is not aware of ET Shoppe and its concept of efficient technology is still new to the public. The expenses for promotion has increased 14 times , from RM 727 in 1995 to RM 10,956 in 1996. This represents 5% of sales. The bulk of the budget was spent for ET Shoppe roadshow at various TNB offices where ET Shoppe's products were displayed for a period of a few days. Although it is a reasonable percentage, ET Shoppe is still new in the market and more aggressive promotion campaign should be planned.

d) PRODUCT: The products that ET Shoppe carries are not energy efficient products. The product range that it carries are carried by the normal electrical appliances retailer. Customers do not perceive energy efficient devices as a primary criteria for their choice. Customers are inclined to decide based on product features and a rich choice of brands that the shop carries. ET Shoppe carry mainly Goldstar and SONY products and not some brand names like Panasonic source. Panasonic is more stringent than Sony in terms of credit facilities etc.

### **6.3 External Factor Evaluation**

The External Factor Evaluation outlines the Opportunities and Threat which is not within the company's control. ( David (1987))

### 6.3.1 Opportunities

The Opportunities are as follows:

- The appliances market is estimated to be RM 3 billion a year. This is a very big market and capturing 1% of the market would mean a turnover of RM 3 million a year.
- Malaysia is a developing country and the appliances market is also a growing market. Low cost housing construction alone is estimated to be 8 million units in the next 5 years, this would create a lot of demand especially on items like fans, iron, rice cooker, television set etc. (Md Nor, Ong Fon Sim (1994))
- Malaysians have good purchasing power with a relatively high standard of living. At the present economic growth, Malaysians will be able to earn more and enhance their standard of living through the usage of more electrical appliances.
- The appliances market is dominated by foreign major players or multinational corporation (MNC's) like National, Sony, Phillips, etc. There is a good opportunity for TNB to develop its own appliances manufacturing as a diversification to its present core business. TNB can form strategic alliances with local product manufacturer for this purpose. Examples are Pensonic and Malaysian Electrical Corporation Sdn. Bhd. (MEC). The Prime Minister of Malaysia manufacturers has suggested several times that Malaysian should venture into home appliances equipment and tap the local market.

### 6.3.2 Threats

The external threats that the company faces are:

- There are many established competitors with established network, (e.g., Singer franchising, Seng Heng) and new competitors may emerge aggressively at any time (eg. Arastu, Courts Mammoth).

- The prices offered by the competitors are lower. This is due to the bulk purchasing, high turnover of sales, etc. In order to be competitive, ET Shoppe must use competitive pricing for their product, this would result in a small profit margin and thus sales target must be increased to ensure better profitability.
- customers are generally not exposed to efficient technology or energy saving equipment. Customers are more concerned with the product features and the price of equipment.
- customer behavior also plays a role in which the customers buying electrical equipment compare prices, features and takes time to decide before buying. Other criteria may also influence their choice e.g. influence of friends or family members.

#### **6.4 Porters Five Forces Competitive Analysis**

Within every industry there exists five primary forces which affect the company:

1. The threat of new entrants.
2. The bargaining power of customers.
3. The bargaining power of suppliers.
4. The threat of substitute products.
5. Industry competition and Rivalry. (David (1987))

##### **I. The Threat of New Entrants**

The large potential growth in the Malaysian economy and the high spending power of Malaysians would entice more companies to capture the market for electrical appliances. New entrants may emerge overnight. Different marketing tactics e.g. catalog and tv shopping may be prominent in the future and would erode the market share of retailers. Thus there is a high threat of potential entrants to the industry.

## II The bargaining power of customers.

Buyers for electrical appliances consist of mainly individuals and companies . These buyers are exposed to a wide range of choice and their behavior pattern will influence their choice of appliances. It would be difficult for TNB to establish brand loyalty or shop loyalty to start with. Thus, there is significant bargaining power for the customers for this industry

## III The bargaining power of suppliers.

The suppliers are mainly established local and foreign product manufacturers, wholesalers that buys appliances in bulk , sales agents , retailers for the electrical appliances products etc. Other suppliers involved are the transporters, financiers that gives financing facilities after sales service etc. ET finds that established product agents do not give them priority in terms of delivery or orders since established brands are sought for in the Malaysian market, Other bulk buyers or retailers are instead, given preference compared to ET Shoppe. Faced with stiff competition, ET Shoppe must make sure that the suppliers can support them by giving good credit facilities, good after sales service etc.

## IV The threat of substitute products.

Electricity is a convenient form of energy and Malaysians have accustomed their lifestyle to use electrical appliances. Since electric power industry is on a large scale basis, any substitute such as domestic solar power, gas energy , and manual means, for example, using the grinding stone (lesong) instead of electric blender will not be a threat to the electrical appliances industry.

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## V. Industry competition and Rivalry

There are many rivals in the electrical appliances retailing industry. Many established competitors existed, i.e. retailers with a number of branches and franchise for example Seng Heng, Singer, National. Apart from normal retailers, COOPs, Pernama etc. are also organizations that sell electrical appliances to their members. New trends like the discount stores and hypermarket like Makro are emerging to capitalize on this growing industry.

## VI Government's Role

The government department that is involved in this industry is the Jabatan Bekalan Elektrik (JBE) which regulates the products that are imported to Malaysia and SIRIM which does testing and certification of products. The government's role is neutral and will not affect ET Shoppe. The stability of the government and the peaceful climate of the country provide excellent settings for the industrial growth.

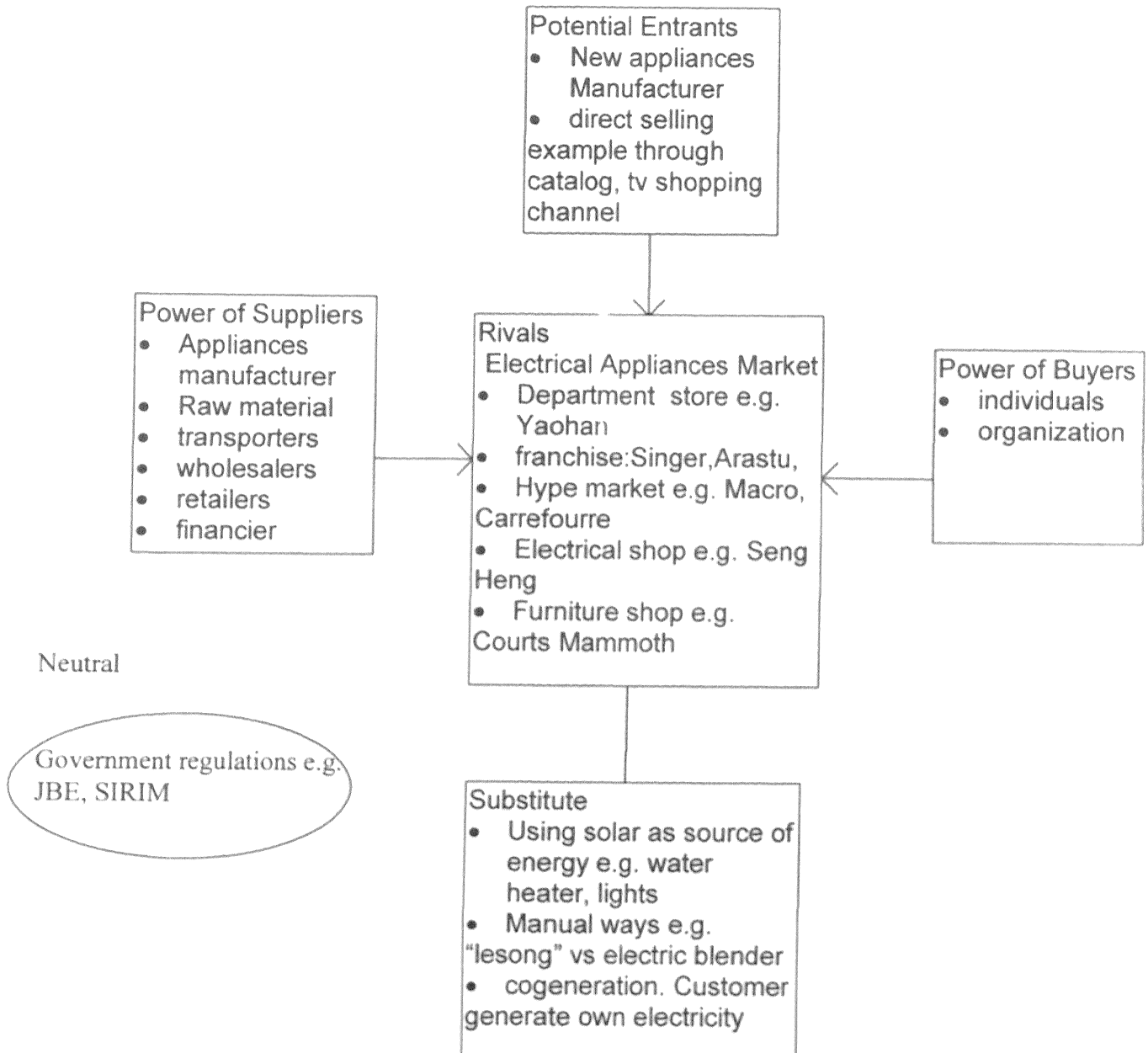
Figure 2 shows the Porter's Five Forces competitive analysis.

## 6.5 TOWS ANALYSIS FOR ET SHOPPE.

The TOWS analysis carried out for ET Shoppe capitalizes on the Strengths to overcome the threat, optimize the opportunity to overcome the weaknesses, by capitalizing on the external threat and opportunities. The TOWS analysis for ET Shoppe is illustrated in table 10.

FIGURE 2

PORTERS 5 FORCES COMPETITIVE ANALYSIS



**TABLE 9:**  
**TOWS ANALYSIS FOR ET SHOPPE SDN. BHD.**

	<p><i>Threats</i></p> <ul style="list-style-type: none"> <li>• Many established competitors with good network</li> <li>• The prices offered by competitors are lower.</li> <li>• customers not exposed to efficient Technology or energy saving equipment.</li> <li>• Customers more concern with the product features and price.</li> <li>• customer behaviour. Other factors may influence choice .</li> </ul>	<p><i>Opportunities</i></p> <ul style="list-style-type: none"> <li>• The appliances market is a big market</li> <li>• Malaysia is a developing country and the appliances market is also a growing market.</li> <li>• Malaysian's have good purchasing power with a relatively high standard of living..</li> </ul> <p>Opportunity for TNB to develop its own appliances manufacturing as a diversification to its present core business.</p>
<p><i>Strengths</i></p> <ul style="list-style-type: none"> <li>• TNB has established nation wide network of offices and collection centers in Peninsular Malaysia</li> <li>• The company TNB is synonymous with electricity and extending its product range from electricity supplier to electrical appliances supplier is not too different from its current core business.</li> <li>• TNB excessibility to at least 16 million users</li> <li>• LLN/TNB had already carried out similar program of "Sewaan Radas" in the past.</li> <li>• TNB revolving fund of RM 1 million for electrical appliances.</li> <li>• TNB is a reputable company good paymaster to its suppliers/vendors.</li> <li>• TNB has a entrepreneurs for manufacturing.</li> </ul>	<ul style="list-style-type: none"> <li>• TNB can synergise with established product manufacturers</li> <li>• Synergise with present competitors in terms of space and network establishment</li> <li>• develop entrepreneurs to manufacture consumer products</li> <li>• capitalize on sewaan radas program for ET Shoppe</li> <li>• market a wide range of products not confined to Efficient Technology concept</li> </ul>	<ul style="list-style-type: none"> <li>• Set up more ET Shoppe franchise outlets in other locations nation wide</li> <li>• Set up more ET Shoppe franchise in TNB premises</li> <li>• develop entrepreneurs to manufacture consumer products</li> <li>• market a wide range of products not confined to Efficient Technology concept</li> <li>• give attractive credit terms : synnergise with financiers</li> </ul>
<p><i>Weaknesses</i></p> <ul style="list-style-type: none"> <li>• TNRD do not get the necessary support from TNB.</li> <li>• There is no clear role of shareholders:TNB/Ibex</li> <li>• The choice of Ibex</li> <li>• All the 4 P's of marketing is lacking i.e.</li> </ul> <p>PRICE: The prices is approximately 10% -15% higher.</p> <p>PLACE: . The area is very congested.</p> <p>PROMOTION:The promotion is really lacking..</p> <p>PRODUCT:The customer do not perceive energy efficient devices as a primary choice. ET Shoppe carry limited product range.</p>	<ul style="list-style-type: none"> <li>• The roles of the empowered body must be clearly spelt out.</li> <li>• TNB should review the role of their present partner, Ibex and the commitment shown.</li> <li>• The prices must be competitive by opening more outlets thus increasing sales, synergise with bulk buyers</li> <li>• The shops must be strategically located. Shopping malls are a good place since it attracts crowds with many attractions</li> <li>• The promotion must be aggressively carried out. Suggested marketing tactics includes advertising on the bills , sponsoring tv programs, rebates tactics etc.</li> </ul>	<ul style="list-style-type: none"> <li>• TNB should share vision of ET Shoppe</li> <li>• the function of marketing the ET Shoppe is undertaken by TNB or anyone that is appointed is empowered to manage it .</li> <li>• The roles of the shareholders clearly spelt out.</li> <li>• market a wide range of products not confined to Efficient Technology concept</li> <li>• The prices must be competitive by opening more outlets thus increasing sales, synergise with bulk buyers</li> <li>• The shops must be strategically located.</li> <li>• The promotion must be aggressively carried out.</li> <li>• TNB should synergise with vendors to develop consumer products</li> </ul>