

## 5. RECOMMENDATION

Based on the competitive analysis carried out in last chapter , it is important to consider what strategic actions the firms could adopt to either exploit the opportunities or safeguard own territories.

- o BUYER POWER . Strategically , the competitor in the industry should focus on ;
  - (i) Local Buyers Groups . This is to cover the high fixed cost of their firms. They have to foster good working relationship with this group of buyers to enjoy the economies of scale and reduce the production unit cost. In view of the low marginal profit of the products sold to this group , firms should target to what extent of their plant capacity allocated for this group of buyer for not forgoing the opportunities of tapping more lucrative buyers group.
  - (ii) Multinational Corporations (European/American). Competitors should apportion some of their efforts and resources to tap this group of buyers. The efforts can be very rewarding as price is not the only determinant of purchase. Firms however must first establish themselves as professional and reliable quality supplier.
  - (iii) Multinational Corporations (Japanese). Similar to the

second group , adequate endeavors shall be allocated to tap this group of buyers. Besides the quality competitiveness , firms should look into association with Japanese related firms as to create the "close-rank" feeling which is believed to be one of the most important per-requisite to win this group of buyers.

(iv) Specialty Products Group . The firms that capable of penetrating into this market are limited by the lack of technical expertise , know-how , and experience. The high reward of good marginal profit come with high risk of product liability. It is advised to prepare oneself with adequate and competitive know-how or possibly through strategic alliances before decided to penetrate into this market. Entering without proper preparation could be fatal.

o Supplier Power . The power of supplier has one way or another shape the purchasing policy of firms in the industry. Firms shall focus the purchasing efforts in ensuring reliable supply , on-time delivery , good quality and reasonable price. Forgoing alliances that addresses the issue of fixed cost should be a right move , getting mutual commitment through partnership in development will foster long term relationship. The preferred suppliers shall be the one whose business mission in line with the firm concern so as to achieve the desired "Synergist" that

benefit both parties. The demand for cheapest price by shopping around is over but cordial business partnership will prevail.

- o BARRIERS TO ENTRY . What specific steps can be taken to strengthen the entry barriers in this industry ? Build the switching costs into the industry via "System Sales". System sales is defined as integrated sales in which includes sales / recommendation of packaging machineries right up to clients' finished goods packing requirement. By incorporating proprietary knowledge and technology into the services , firms can enhance the entry barriers especially intellectual properties that not readily available. Differentiation strategy could be another effective way of deterring entry. The seven differentiation strategies by Henry Mintzberg can be quite pragmatic.
- o THREAT OF SUBSTITUTION . Recent development in packaging technology has resulted in the availability of a wide range of packaging materials. Great emphasis should be given to the development of plastic film that are environmentally friendly i.e. recycle-able , biodegradable and easily combustible. Packaging materials which are reasonably inexpensive and provide adequate protection to the foodstuff are highly desirable.

- o COMPETITIVE RIVALRY . The result of the analysis is ; the flexible packaging industry is very competitive ! The following actions , if taken by an individual firm in the industry , may stimulate vigorous retaliation from other firms but it is a "battle of fittest" , should the firm able to execute it through its optimum resources , it may just reap the lucrative profits.
- i) Michael Porter's Generic Strategies Of Cost Leadership , differentiation and focus. The author believed that blending the first two may yield the most desirable result in the long run.
  - ii) Emphasis on Human Resources. The scarce supply of skilled labour may cause the downfall of firm. Invest on them , build loyalty and ownership through some kind of profit-sharing scheme and skill-based pay system.
  - iii) Build strategies around core competences. Do what you do better , protect it and expand from there. Just like Honda's success by building its business strategies around its "engine"

Given the current strategy recommended above , we can summarize and tabulate the position vis-a-vis the five competitive forces : (REFER NEXT PAGE)

	<u>Overall</u>	<u>Strategy</u>
Buyers Power	+	<ol style="list-style-type: none"> <li>1. Capture required market share in Local Buyers</li> <li>2. Niche Marketing on MNC both (European/American) and (Japanese) Buyers as well as Specialty Products Buyers.</li> </ol>
Supplier Power	+	<ol style="list-style-type: none"> <li>1. Strategic alliance with major suppliers.</li> </ol>
Barriers To Entry	+	<ol style="list-style-type: none"> <li>1. Build switching cost.</li> <li>2. Differentiation.</li> </ol>
Threat Of Substitution	-	<ol style="list-style-type: none"> <li>1. Research and development on Environmental Friendly and cost-effective packaging materials.</li> </ol>
Competitive rivalry	+	<ol style="list-style-type: none"> <li>1. Differentiation and Cost Leadership</li> <li>2. Human Resource Development.</li> <li>3. Core Competences</li> </ol>