



A STUDY OF CUSTOMER RELATIONSHIP
MANAGEMENT IN THE AUTOMOBILE
INDUSTRY IN MALAYSIA

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A Study of Customer Relationship Management in the
Automobile Industry in Malaysia

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EXECUTIVE SUMMARY

Customer relationship, especially the way a company builds relationship with its customer becomes important when there are many companies also trying to satisfy their customer and to create customer loyalty, especially for companies that decide to utilize technology such as Internet in their operation. Internet, which is an electronic world of communication appeared in three decades ago, is now readily available and is challenging the very notion of distant horizon in time or space. With its rapid growth, e-business is bringing the world into faster operations of companies.

Amongst many business models in managing customer relationship to build customer loyalty, Customer Relationship Management (CRM) is one of them. It is the process of acquiring, retaining and growing profitable customer. Basically, it is the same with the old way of doing business by establishing a communication with the customers to understand and anticipate their evolving and to build a good relationship with them. The new thing about this model is that business companies now can do those activities on an "industrialized" basis for tens of thousands, even million of customers through Internet.

The implementation of CRM requires a clear focus on the service attributes that represent value to the customer to create loyalty. The only way company can distinguish itself in the eyes of the customer is through customer service and customer relationship management, and what makes winner is not only emphasis on products but on how a company get out of there and create lasting relationship with its customer. The availability of technology (e-CRM) will allow a company to establish relationship with many customers like never before. That is what counts, and that means CRM, a strategic imperative in the world of e-business (Brown, 2000).

CRM is still at its infancy stage in the operations of the Malaysian business. In view of this, this study is set out to provide an insight on CRM study,

which can be used as a guide by those interested in implementing CRM in their organisation.

For those who have implemented CRM in their businesses, they could use this research for further improvement to their programme.

By incorporating the demand and needs of the industry into the company product and services, potential customers may be attracted to switch their preference to that of the company's while the existing customer loyalty may be strengthened. Customer loyalty precedes customer retention.

This study finding also reveals that there is a correlation between CRM factors and the organisation's profitability. Included in these factors are "individual customer satisfaction" and "individual customer loyalty". The "elimination of costs from unprofitable customers" also increases company profitability.

Knowing the customer retention rate would enable appropriate CRM strategies to be formulated to improve the company profitability and CR rates. This is CRM which is strategy driven.

Since 1.1.2004, Malaysian government has reduced the tariff rate for the imports of passenger cars into Malaysia from 42% to 80% (depending upon engine capacity) to a flat rate of 25% as a 'pre-exercise' for AFTA introduction in 2005. This move would have led to a reduction in passenger car prices had not been for the government's simultaneous imposition of higher excise duty to compensate for the loss in revenue due to tariff reduction.

By 1.1.2005 under Asean Free Trade Area (AFTA), tariff rate at 20% will be enforced on the imports of passenger cars into Malaysia. Following the gradual deregulation of the motor industry under AFTA, Malaysia is expected to

fix the tariff rate with effect from 1.1.2008 for both completely knocked down (CKD) and completely built up (CBU) vehicle imports at only 5%. The impact is not immediately known but it is speculated that Malaysian government would levy a high excise duty again on the passenger cars to compensate for a loss in revenue as in the year of 2004.

Therefore the deregulation of the motor industry does not benefit automobile companies in cost savings but only lead to intensifying competition with the presence of more players in the market place. On the other hand, the increased availability of information through internet, the better consumer education and the greater availability of car models for choice from the market place would only increase the customers' expectation and demand. This situation may lead to lower consumer satisfaction and customer loyalty for the brand. The resultant changing business environment may make CRM even more valid and compelling to be adopted by the automobile companies to bring about a better customer retention rate in the near future.