

The effectiveness of marketing strategies adopted by proton



The importance in receiving customer feedbacks are often neglected, although there are feedback forms lying around where no one seems to attend to it. Receiving feedbacks will be a great tool for organizations to improve the service as the exact problem is pointed out, thus it will be much easier to close in on the problem rather than spending huge amount of money in improving on something that is not vital in building customer loyalty.

Customer loyalty is very important in building patronage toward a brand. As the economic status of Malaysia is yet to reach its peak, the automobile industry players in the country, are also yet to prioritize in the importance of customer satisfaction. The organizations should identify the most important performance cues, such as providing good customer service, which will indirectly affect the customer loyalty through customer satisfaction (Johnson and Sirikit (2002)).

Company Background

The rationale for setting up a national carmaker was to move Malaysia up the economic value chain in the early 1980s. Consequently, Perusahaan Automobil Nasional Berhad (Proton) was launched in 1983, with the first car being manufactured in 1985. This model, named the Proton Saga, has become the most iconic model of the company and has been periodically revamped to suit market needs. At the first start, the parts of Proton are manufactured by Mitsubishi and later on parts are transferred and knowledge was absorbed.

In 1996, Proton acquired Lotus technology from ACBN Holdings, which was controlled by the owner of Bugatti. As a result, Proton has obtained an extra source of engineering and automotive expertise. This contributed to the production of Proton Gen-2 which was intended to replace the Wira model. Proton opened its new manufacturing plant in Tanjung Malim in 2004, which is part of a much larger development project called Proton City. It was here that the new Gen-2 was manufactured. Tanjung Malim is also the manufacturing plant for Proton's answer to Perodua, the Proton Savvy. These models seemed promising to the extent that MG Rover was contemplating revamping them when the British firm began collaboration talks with Proton. Later on, those attempted joint-venture failed and MG Rover collapsed.

Research Problems

Initially, Proton had a rocky start. However, by 1988, it had commanded an impressive 73% of the car market because Proton cars were 20% cheaper than foreign ones. This was due to the fact that the government heavily taxed and imposed import duties on foreign cars, not because the cars were excellent and of good quality.

Since the Malaysian market is small, Proton decided to enter the international market. It made its first foray in 1986 when the company exported cars to Bangladesh. Currently, the company exports cars to the United Kingdom, Australia and South Africa and Proton is strong in promoting themselves towards many countries. Else than promotion, the company does exporting to countries like Singapore, Indonesia, Brunei, Nepal, Pakistan, Sri Lanka, Bangladesh, Taiwan and Mauritius.

Almost from its inception, Proton established itself as the national carmaker and as such, captured a huge share of the Malaysian car market and reported many years of growth in terms of sales. Even the emergence of Perodua in 1993 did not upset the preeminence Proton enjoyed. However, this was not to last.

Proton blamed this decline in sales and profit on many factors. External factors such as higher petrol prices and increased cost of raw materials were blamed for resulting in lower profit margins; a more open operating environment and trying market conditions which saw fiercely competitive marketing endeavours by almost all car manufacturers and distributors with the rapid introduction of new vehicles and very competitive promotional campaigns. The company apportioned blame to tighter credit policies that led to fewer loans being approved as well as the fall in used car values which affected trade-ins. The company also faulted the shift in the domestic market which favoured smaller engine capacity with lower fuel consumption (Proton 2007 Annual Report).

While automobile manufacturers are powerless against the rise of petrol prices, Proton must realize that it is both an exercise in futility and counterproductive to blame its competitors for promoting their products more aggressively or the company's failure to identify new trends in the market as the cause for their decline in sales and loss in market share.

Hence, the management of the company needs to do a great deal of soul searching to articulate its *raison d'être* and devise a proper turnaround strategy. Rivalry is very high when there are a large number of firms in a

saturated market, high fixed costs, high storage costs and low switching
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costs (Barney, 2007). Hence, companies will be forced to resort to all sorts of tactics in order to survive and grow. Proton is a small car maker in a fiercely competitive international car market. Every possible niche has been explored from high end luxury cars to mini cars for the impoverished. Therefore, Proton needs to become big or it will fail. To attain a competitive advantage, Proton needs to achieve cost leadership or differentiation (Barney, 2007). It cannot survive alone and it needs to form a strategic alliance or partnership with a major car maker. However, this has not been easy. Many potential alliances talks have collapsed as both parties fail to reach a consensus.

Research Objectives

In this research have two main objectives:

To identify the effectiveness of marketing strategies adopted by PROTON.

To examine consumer's towards the brand satisfaction and views of PROTON.

Research Approach

One of the approaches that was used in this research is the case study approach. Such an approach relates a deep conduct in study of a company to know its success, failures and operation. Provided this case study can be good, other company with similar characteristics can apply the results as well. Therefore, whatever which is true for Proton can be the same as other organizations as well.

Importance Of Study

In targeting the consumer market, competitors such as Perodua, Honda and Proton was emphasizing on setting a perceived value by customers on different attributes such as Perodua being the most economical choice, Proton as the national car maker, and Honda being the mixture of both economical and good quality to target different markets. These strategies are implemented to attract customers who value the importance of a particular characteristic to purchase the different package offered by the different organization respectively.

Due to many stupendous strategies used by the automobile organizations, issues have surfaced whether customers are being loyal to these companies. Since service providers are varying in terms of product differentiation and actively expanding their range of services to increase market share in the industry, customers may tend to opt for a change whenever the organization is endowed with the latest technology or innovative services. Consumers' perception on the service quality of these new services and technologies offered are vital towards the service provider in gaining patronage.

Price war among industry players has been the hype to convince customers to change organizations choices. The price war among the players such as Proton, Perodua and Honda is based on different prices set for all their products and services. For instance, Perodua may have lower prices for cars, Proton having better loan packages and Honda have good fuel economical choices of cars.

Although the price war may appear to be great news to the customers as they are spoilt with a variety of choices, this price war causes unstable

conditions for automobile organizations as customer can easily change over to another company. This may cause Proton to lose out on new customers but also existing customers will leave for better grounds hence it should act as a wakeup call to stop their price war.

Chapter 2: Literature Review

According to Cooper (1988) “ a literature review uses as its database reports of primary or original scholarship, and does not report new primary scholarship itself. The primary reports used in the literature may be verbal, but in the vast majority of cases reports are written documents. The types of scholarship may be empirical, theoretical, critical/analytic, or methodological in nature. Second a literature review seeks to describe, summarize, evaluate, clarify and/or integrate the content of primary reports”.

Customer Perception

Customer perception has several definitions. It is considered as different from quality of goods where it is intangible and it has a challenge to marketers whereby service given is not easily communicated.

“ Service quality differs from quality of goods, in that service are intangible. This presents a challenge to marketers; service cannot easily be communicated to customers, and hence quality maybe difficult for customers to assess. Service are characterized as being intangible, perishable, produced and consumed simultaneously, and heterogeneous” (Zeithaml and Bitner, 2000; cited by van der Wal et al., 2002).

The perception of customer towards the service quality offered by Proton is a competitive advantage among its rivals and it is often a major challenge for companies to deliver the service process with quality consistently. A service with high-quality has a competitive advantage in attracting new customers which contributes to the market share. So perceived high service quality will incline and increase buying quantity, frequency, as well as spreading positive word of mouth (Venetis and Ghauri, 2000; Cited in Aydin and Ozer, 2005).

A common definition of service quality is that the service should correspond to the customers' expectations and satisfy their needs and requirements. The definition is customer-oriented, but should not be interpreted as meaning that the Proton should always comply with the customer and his wishes. It also seems that the customer who decides what is good or bad quality does not mean that the customer is always right or that the customer can always fully articulate or verbalize his needs and wishes. In order to also detect and understand non-verbalized customer needs, a sense of insight, functional dialog with the customer and an understanding of his situation are required.

It is often appropriate to distinguish three groups of people whose expectations, needs and demands should be taken into account. Apart from customers, these people consist of employees and management. We do not want to play down the importance of customers' perception of quality – on the contrary – but to be able to offer customers the right quality; the other two groups must also be satisfied. The definition of quality is that it satisfies needs and meets expectations; those of the customers, employees and management. It is essential to fully understand the various needs and
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expectations of these groups, how they are formed and how they change. When developing services, it is crucial to build in the right quality by balancing these partly contradictory demands on the service. Satisfied customers spread the good news quickly, something which is satisfying for the employees and most likely also for the owners. Quality improvement can be regarded as a game where all participants are winners. This should be the point of departure for all quality development.

Customer Satisfaction

Customer Satisfaction is defined as:

“ The overall attitude consumers have toward a good or service after they have acquired and used it. It is a post-choice evaluative judgment resulting from a specific purchase selection and the experience from using it” (Mowen and Minor, 1998).

Customer satisfaction brings many advantages as satisfied customers are not really price sensitive, buy additional products, are less influenced by competitors and stay as loyal customers. Customer satisfaction is stated where it has been deemed directly to affect customer retention and companies' market share. In banks, service quality, service features, and customer-complaint handling determine customer satisfaction. Few factors that affect satisfaction are prolonged hours of operation and competitive interest rates as researched by the study of Levesque and McDougall (1996). In addition, there are analysts who talks about the links between satisfaction, loyalty, and profitability (Heskett et al, 1994).

According to Athanassopoulos and Iliakopoulos (2003), the focus on customer satisfaction has matured from being a simple measurement to an imperative measurement that affects a firm's competitiveness. In showing the association between variables, there is considerable evidence that perception on service quality act as an antecedent to customer satisfaction, which eventually leads to customer loyalty (Johnson and Sirikit, 2002). In the same way, Leisen and Vance (2001) affirmed the association.

In assessing literatures on customer satisfaction, contact points between the service provider and the customer were used as a reference point in the research done by Athanassopoulos and Iliakopoulos (2003).

Satisfaction with the service provider is defined as the customer's overall evaluation of his/her experience with the firm. Customers also make assessments of their satisfaction with the contact person that they interact with. Satisfaction with the contact person, along with interpersonal trust, is suggested as a key component of relationship quality.

Customer satisfaction also can be seen as a critical component of profitability. Exceptional customer service results can bring out in greater customer retention, which in turn results in higher profitability. Since customer loyalty is a major contributor to sustainable profit growth, for achieving success, organization must commit superior service. However, mature companies often forget what made them successful in the past, when company starts to lost focus on the customer and focusing on the bottom line and quarterly results. Companies seem like forgetting that

satisfying customer needs and continuous value innovation is the only path to sustainable growth.

Customer Loyalty

Customer loyalty is about creating and retaining a relationship with your customers. A crucial area to this mutually beneficial relationship is the awareness of customer preference or the present and potential needs and wants of a customer about any aspect of the business. Loyal customers can be easily convinced to test new products or services hence allowing companies' to charge higher prices and use them as a willing referral.

Customer loyalty is one of the foremost objectives in a business. Aside from having such an objective, gaining customer loyalty is also a crucial problem today especially in this increasingly competitive and crowded marketplace because of the eventual profitability it will give especially in terms of international marketing.

Countless marketing academicians, statisticians and marketing professionals have beaten the truth that it is more costly to acquire a new customer than to retain an existing one. Companies require programs to obtain and retain loyalty of customers in the face of increasing product parity and intensifying competition. However, the issues do not only stop to loyalty programs but also it is about the form and objectives of such programs (Munnukka, 2005)

Customer loyalty is defined as the tendency of a client to choose one business or product over another for his or her particular needs or demand.

As an example, in the packaged goods industry, clients may be described as

being “ brand loyal” since they tend to choose a specific brand more often
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than others. Remember that the use of the word “choose” in the context of customer loyalty becomes more evident when choices are being made and actions were taken by any customers. It can be said that loyalty is shown by the actions of the customer.

It is also mentioned that customer loyalty has become a catch-all term for the outcome of different marketing methods in which customer data is used. Customer loyalty is the result of well-handled customer retention programs; customers who are given attention by a retention program demonstrate higher loyalty to a business.

Consequently, there is an interaction between the desired results and customer satisfaction, customer loyalty and customer retention. They may go by other definitions such as customers, clients, buyers, etc. Without the customer it is not possible for any business to survive especially those who are competing in the international arena. Achieving the desired results is often a result of customer actions. Any business which neglects customer satisfaction is at the mercy of the market. Without loyal customers, the competitors could gradually pinch away at our customers hence lowering customer retention rates.

Loyal customers normally do not leave even for an appealing offer elsewhere. At the very least they will provide you the chance to match the opposing sides offer. Maintaining loyal customers is an important part of any business. One of the ways to get or maintain loyal clients is through possessing quality products and services which meets customer demands. However one of the main problems is finding out the exact need of each

customer. Even if we knew their exact needs a customer can and will switch them without notice or excuse. Having a good recovery process for a dissatisfied customer is a must in this society.

Customer loyalty studies have been able to measure both the characters and experiences which directs to desirable behaviours. It is a study that is extremely actionable whereby it checks areas for improvement, prioritizes them, identifies remedies, and then provides feedback on their effectiveness. On the other hand, market researchers prefer to debate whether the scope of such research is really “customer satisfaction” or “customer loyalty.” Most will debate whether loyalty is an attitude or a behavior. It is not difficult to get caught up in the semantics, but the bottom-line is clear.

Such theory applies to each and everyone in the business market. In market environments that are experiencing slow growth, the existence of customer base company is a precious asset. High tech markets have a nasty way of shifting. Contemporary and direct business organisation, or firms offering substitute services and products, can develop sudden and unpleasant changes in the competitive business environment. In this regard, a company that has a clear comprehension of its perceived strengths and weaknesses are those organizations that will be well-prepared to enhance and market effective competitive strategies. Industries with small customer bases are in need of objective feedback as soon as they are able to have paying customers and loyal customers.

According to Dekimpe et al (1997; cited in Aydin and Ozer, 2005), a firm’s successfulness depends on the capability to retain and making customers

patronize the brand. There have been a number of definitions of customer loyalty given by different book authors and researches.

In customer loyalty, the process that a customer goes through before patronising a brand is when they previously purchased a high quality product and are satisfied with their purchase.

It is identified from few different empirical studies; customer perceived service quality (perception) and customer satisfaction are the main variables correlated in building customer loyalty. The perceived service quality is important in measuring the loyalty of customers towards a service provider as it would show the exact reason why or why not the customers patronize the brand. Value of perceptions may also differ according to the usage situation (Anckar and D’Incau, 2002; cited by Pura, 2005).

In the literature review, contradiction among researchers has been found. In Aydin and Ozer (2005) research, perceived service quality has been found necessary but insufficient to condition customer loyalty while in Johnson and Sirikit (2002) affirmed by providing high quality service, customer satisfaction will occur resulting in customer loyalty. Most of these literatures are based in western countries, where the actual effects cannot be assumed in Malaysia. Therefore, this research topic on customer loyalty in telecommunication industry as their service has been chosen to further contribute to the knowledge on this topic in Malaysia.

Businesses around the world including telecommunication service providers are constantly seeking unique ways of differentiating their offerings (Johnson and Sirikit, 2002) in terms of innovativeness and quality to gain and sustain
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a competitive advantage (van der Wal, 2002). Based on the literature review from Athanassopoulos and Iliakopoulos research (2003), it is found that four distinct contact points between the customer and the telecommunications operator are significant, which projects customer satisfaction has a positive influence towards the telecommunication service provider.

Chapter 3: Research Methodology

3. 1 Location and Time of study

In this research, the survey will be conducted in Kuala Lumpur, the capital of Malaysia. This location is chosen because all three service providers, namely Maxis, Digi, and Celcom are relatively strong in terms of market share in this area. The demographic variables of respondents in this area are the most suitable as busy lifestyles of respondents are attributable to the intense working environment as well as the exhilarating nightlife. In a chain effect, the needs and wants of respondents towards the service provider are more particular and demanding.

Another reason Kuala Lumpur was chosen for the study is because the English literacy of respondents are higher compared to other states in this Islamic country. With proper understanding of the survey questions, respondents are able to provide more accurate and truthful data.. Moreover, metropolitans are chosen as the location of study in previous research done by Aydin and Ozer (2005) and Leisen and Vance (2001). The survey will be conducted in two locations, namely KLCC (Kuala Lumpur Convention Centre) Park and Titiwangsa Park in Kuala Lumpur. These locations were chosen as the range of demographic variables of respondents is large. Moreover, the

respondents in these parks are more willing and usually have leisure time to entertain questionnaire survey compared to other areas in this busy city. The survey will be carried out on Saturday on 31st of July 2010. The distribution of the questionnaire will be separated into two sessions. The first session begins at 9. 00am in the morning at Titiwangsa Park whilst the second session takes place in KLCC later in the day. This time was chosen as the frequency of people visiting these parks are significantly higher during those periods.

3. 2 The Sample

The targeted population of this research is on mobile phone user based in Kuala Lumpur. The sample comprised of 100 respondents who have used any of the three service providers, namely Maxis, Digi, and Celcom. In previous studies, the difference in sample size of other empirical studies ranges from 200 respondents (Leisen and Vance, 2001) to 1950 respondents (Aydin and Ozer, 2005). A non-probability quota sampling approach was also applied on demographic variables such as age and gender. This sampling method was done to ensure that these demographic variables of the target population are well represented and the test results would be unbiased.

In my study I would also adopt the non-probability quota sampling approach in order to obtain data that is well represented. For me to collect unbiased data, I had to use two different locations so that I could get a larger variance in my sample group.

3. 3 Source of Data

The primary data collection method used in collecting the samples in this cross-sectional study will be the questionnaire survey method. This data collection method was adopted from other empirical research as the response rate was found to be relatively high. A response rate of 88% (Johnson and Sirikit, 2002), and 85. 2% (Aydin and Ozer, 2005) were recorded in their respective research. . Another reason for using the questionnaire method is the ability to collect large amounts of data within a short time frame and it is also less costly. Posting questionnaires through the mail is not viable due to low response rates (Munnukka, 2005) and the time constraints in completing this study.

A detailed questionnaire will serve as the primary data collected to investigate the variables needed in this study, namely the demographics, customer loyalty, customer perception, and customer satisfaction towards telecommunication service providers among mobile phone users in Kuala Lumpur. 100 questionnaires will be distributed to the public in the parks in order to satisfy the sample frame.

3. 4 Research Instrument

As stated above that the only source of data are from questionnaire, the designed questionnaire are adopted from three few empirical studies. The questionnaire was summarized into five major sections, which was further divided into more parts to show neatness and ease respondents in answering. The first part (part A) consist questions regarding respondents' demographic variables such as age, gender, level of education, race and income scale. Ordinal scales was used in measuring the age (question one)
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instead of ratio scale is mainly due to sensitivity of the question. Nominal scale was used in identifying gender, level of education, race and income (question two, three, four and five).

The second part (part B) of the questionnaire consist a summarized overall perception and satisfaction of company, which consists five questions. This practice of summarizing the instrument were adopted from van der Wal et al. (2002), which Aydin and Ozer's (2005) research. The five questions measure the customer's overall perception and satisfaction towards the company.

The third part (part C) consists of the service quality of the company. This is divided into 5 sections consisting of attentiveness and mannerism, trustworthiness, sensitivity, professionalism and pricing. Twenty one questions were asked concerning the service quality of the company. A five-point Likert scale was utilized in measuring these variables.

The fourth part (part D) consist eight questions which the objective of the question is to find out the satisfaction level of the respondents towards the telecommunication service providers. Again, the five-point Likert scale was utilized in measuring these variables.

The last part (part E) consists of six questions regarding customer loyalty of the company. The questions are divided into two sections which are self-loyalty and recommendation to others. The five-point Likert scale was utilized in measuring these variables.

3. 5 Data Analysis

In analyzing the data collected, SPSS version 12. 0 software will be used. Descriptive analysis methods will be used in analyzing the pattern of the data, such as the utilization of frequency table which shows the distributions of age, gender, level of education, and choice of service provider of respondents. Bar charts and pie charts will be used to percentages on respondents' loyalty towards their service provider. These descriptive analyses will be shown in the following chapter.

Mean comparisons are also done on the demographic variables with the respondents loyalty toward the telecommunication service providers. From this, the means of each category of a demographic variable is shown and comparisons can be made. In addition, a cross-tabulation between the demographic variables of the respondents and the respondents' loyalty towards their current service provider will be completed. This is to find out the exact percentage of respondents in a particular category for each demographic variable on whether the respondents are loyal or disloyal to their current service provider.

Limitations of the Study

There are a few limitations that have surfaced in the process of doing this research. Firstly, the scope of the study is limited as there are additional evaluating variables for all three factors namely customer satisfaction, perceived quality, and price sensitivity. The additional evaluating elements are not included due to the existing hefty theoretical framework as well as the short time frame in completing this research. Secondly, sources of data are limited as postal and face-to-face interviews cannot be exercised as <https://assignbuster.com/the-effectiveness-of-marketing-strategies-adopted-by-proton/>

these methods require a long time span for the process to be completed. Lastly, the sample size does not significantly represent the population as a large sample size cannot be obtained through a study done by only one researcher with budget and time constraints. In a chained reaction, a more accurate seven-point scale (Likert scale) cannot be utilized as it is unsuitable for small sample size of 100. When we use a sample size of 100, the Likert scale of 5 point is normally used. Due to our sample size of 100, a 5 point Likert scale will be used to form the questionnaire.

The format of a typical five-level Likert scale is:

1. Strongly disagree
2. Disagree
3. Neither Agree nor Disagree
4. Agree
5. Strongly agree

In future research, researchers can take these limitations into consideration in improving the quality of research on telecommunication services.

Conclusion

Descriptive statistics have been provided to explain about the respondents in terms of their demographics variables such as age, gender, levels of education. Researching on topics like customer loyalty has to contain a bigger sample size instead of the 100 sample size used to obtain a clearer

result. Here are some recommendations on how the telecommunication service providers should improve for the better future.

Recommendation 1

The telecommunication service providers should advertise more advertisements in magazines and newspapers. They should not put the advertised period in the same time that is because continuity advertisement will keep informed and persuade customer about the company. Then, advertisement should be throughout the year to attract more customers' attention. Marketing department will responsible for this.

Recommendation 2

The telecommunication service providers should always have IT engineers to monitor and maintain their website which is always down. Website maintenance is another way for customer convenient and easily reaches them. IT department with responsibility for this and they will keep updating the information about the company information.

Recommendation 3

The telecommunication service providers should give reward to the employees whom are performance in good such as bonus and travel. Incentive will motivate employee to performance well and continue stay with them, the aim is to decrease the training cost. Moreover a low turnover rate will help to save money and time for training. Travel plan is set and in-charge by human resource department. This will increase the service provided by the employees and able to increase customer loyalty.

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Recommendation 4

Furthermore, the telecommunication service providers should provide more training on service quality and customer loyalty retention. Training will keep employees improve their skill and knowledge, for example technical, especially for sale person. Training is including seminar or discussion among small group. This training is in charge by human resource departm