

A comparative study of strategic management utilized by European and Japanese car dealerships in Thailand

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Abstract

The objectives of qualitative study are: 1) to study strategic management in any levels affecting to the performance of car dealerships; 2) to compare strategic management utilization between European and Japanese car dealerships; and 3) to arrange the most frequent strategic utilized by European and Japanese car dealerships in Thailand. Population and samplings were divided into two groups: management officers in European car dealerships and Japanese car dealerships. Both groups need to occupy their positions at least three years of experience in car dealership. There were 100 samplings (70 from Japanese car dealers and 30 from European car dealers) from 50 car dealer companies selected by purposive sampling method. They were interviewed with semi-structured questionnaire consisting of personal information and content questionnaire. Then, the interview conversation had been recorded and

transcribed word by word in order to analyze the information given. It is found that both car dealers had applied different corporate level strategic management affecting their sales performance. European car dealers had frequently utilized stability strategy (70%) whereas Japanese car dealers had frequently utilized growth strategy (75%). In terms of business level strategy, differentiation strategy had been mostly applied by European car dealers (50%) while cost leadership strategy had been mostly applied by Japanese car dealers (78.33%). Regarding to functional strategy, most frequently used strategy to excel their sales revenue was marketing strategy used by European car dealers (87.5%) and Japanese car dealers (66.67%).

Keywords: Strategic Management: Stability Strategy, Growth Strategy, Marketing Strategy

Introduction

Nowadays, there is a large number of car dealerships established in every province in Thailand because of the business policy from the parent companies. This results in the fierce competition among dealerships with similar brands and target groups of customers. Owing to the chaos in the business environment all the time, some businesses who can adapt themselves could survive and increase their market share successfully while some have to terminate their business and alter themselves to do another field of business.

In order to keep businesses floating on the sea of uncertainty, most businesses need to apply strategic management properly because the business environment has been changed regularly. Therefore, it is believed that strategic management can be the only tool to help company maintain its competitive advantage. However, there have been various forms and levels of strategic managements: corporate strategy, business level strategy and functional strategy. By employing right strategic management at the right time, the company will be able to utilize its own resource efficiency and successfully achieve high sales revenue. Unless the company deploys the suitable strategic management, it is impossible to accomplish its target revenue as if the ship without helm and waiting to get sank down in the sea of turbulence.

It is worthwhile to learn what successful strategic managements car dealerships apply in order to improve company performance.

Research Objectives

1. To study strategic management in any levels affecting to the performance of car dealerships.
2. To compare strategic management utilized between European and Japanese car dealerships.
3. To arrange the most frequent strategic utilizations by European and Japanese car dealerships in Thailand.

Literature Review

Strategic management has been generated into three levels: corporate strategy, business level strategy or competitive strategy, and functional strategy.

Corporate Strategy

Corporate strategy can assist the management of the company to determine their proper future plan by utilizing 4 sub-strategies: stability strategy, growth strategy, retrenchment strategy and combination strategy. In order to achieve its goal, the company may not apply only one strategy but it can combine all strategy with deliberate method (Lawrence and William, 1988).

Business Level Strategy

Business level strategy can help company maintain its competitive advantage in its industry. Michael (1980) has sub-categorized business level strategy into three generic strategies: Low-cost leadership strategy which helps company to generate its products with the lower cost than its competitor. Differentiation strategy is the capability of the company to deliver product and service distinctively including special quality products or unbeatable after-sales service. Focus strategy helps company maintain strong bond of relationship with the customers through customer-oriented interaction.

Functional Strategy

This strategy has been generated its function to each company unit to produce an optimum result from its own resource through efficient activities or management. This functional strategy is the result of the collaborative work from each department, such as, research and development (R&D), production line, marketing, customer service, sales, financial, human resource and etc. Those departments need to work towards short term goals and long term accomplishment as targeted by the company management. This strategy can be sub-divided into 6 strategies: raw-material subsidizing strategy, technological strategy, production strategy, marketing strategy, financial strategy, and human resource strategy. Those strategies

have to be compiled and worked out harmoniously in order to excel the company performance and sales revenue (Wheelen and Hunger, 2002).

Research Methodology

This research has been conducted as qualitative research.

Population and Samplings

The samplings have been selected through purposive sampling method from the officers in management levels working in 50 car dealerships: European and Japanese. The total number of samplings was 100 officers who were willing to give information in details in the form of interview.

Research tools

There were two sets of questionnaires: for the management officers and for the customers.

Reliability test

The interview has been conducted upon 100 management officers, in European and Japanese car dealerships, who have related experience in strategic management and objectives and target setting, and they had to perform their managerial tasks in the organizations with more than three years of working.

Data collection process

This information had been collected from 1st February to June 2016 with five months in total. An appointment was made with the targeted groups by telephone calls. After appointment confirmation had been finalized, the interview conversations began and were recorded until all information needed was achieved. The interview lasted from 10-30 minutes for each interviewee. There were 100 interviewees involving in the interview. All information related to interviewees

was treated confidentially. The data were presented as a whole picture of the industry and could be discontinued under the condition that the interviewees refuse to answer the questionnaires. This would not affect to the research due to the refusal.

Research tool validity test

The set of questionnaires (research tool) has been proved by advisers and specialists.

Research findings

Objective 1: To study strategic management in any levels affecting to the performance of car dealerships.

Table 4.1: Corporate Strategy utilized by European Car Dealership

Corporate Strategy	Frequency	Percentage %
Stability Strategy	28	70
Growth Strategy	10	25
Retrenchment Strategy	2	5
Total	40	100

Table 4.2: Corporate Strategy utilized by Japanese Car Dealership

Corporate Strategy	Frequency	Percentage %
Growth Strategy	45	75
Stability Strategy	10	16.66
Retrenchment Strategy	5	8.33
Total	60	100

Table 4.3: Business level Strategy utilized by European Car Dealership

Business Level Strategy	Frequency	Percentage %
Differentiation Strategy	20	50
Cost Leadership Strategy	16	40
Focus Strategy	4	10
Total	40	100

Table 4.4: Business level Strategy utilized by Japanese Car Dealership

Business Level Strategy	Frequency	Percentage %
Cost Leadership Strategy	47	78.33
Differentiation Strategy	10	16.66
Focus Strategy	3	5
Total	60	100

Table 4.5: Functional Strategy utilized by European Car Dealership

Functional Strategy	Frequency	Percentage %
Marketing Strategy	35	87.5
HR Strategy	5	12.5
Total	40	100

Table 4.6: Functional Strategy utilized by Japanese Car Dealership

Functional Strategy	Frequency	Percentage %
Marketing Strategy	40	66.67
HR Strategy	20	33.33
Total	60	100

Objective 2: To compare the strategic utilization between European and Japanese Car Dealerships

Table 4.7: Comparative Study of Corporate Strategic utilization between European and Japanese Car Dealerships

Corporate Strategy	European %	Japanese %
Stability Strategy	60	16.66
Growth Strategy	36.76	75
Retrenchment Strategy	3.33	8.33
Total	100	100

Table 4.8: Comparative Study of Business Level Strategic utilization between European and Japanese Car Dealerships

Business Level Strategy	European %	Japanese %
Cost Leadership Strategy	76.67	80
Differentiation Strategy	16.67	20
Focus Strategy	6.67	
Total	60	100

Table 4.9: Comparative Study of Functional Strategic utilization between European and Japanese Car Dealerships

Functional Strategy	European %	Japanese %
Marketing Strategy	70	66.67
HR Strategy	30	33.33
Total	100	100

Objective 3: To arrange the most frequent strategic utilizations by European and Japanese car dealerships in Thailand.

Table 4.10: The most frequent strategic utilization between European and Japanese Car Dealerships.

European %	Japanese %
Corporate Strategy	Corporate Strategy
Stability Strategy (70%)	Growth Strategy (75%)
Growth Strategy (25%)	Stability Strategy (16.66%)
Retrenchment Strategy (5%)	Retrenchment Strategy (8.33%)

European %	Japanese %
Business Level Strategy	Business Level Strategy
Differentiation Strategy (50%)	Cost Leadership Strategy (78.33%)
Cost Leadership Strategy (40%)	Differentiation Strategy (20%)
Focus Strategy (10%)	Focus Strategy (5%)

European %	Japanese %
Functional Strategy	Functional Strategy
Marketing Strategy (87.5%)	Marketing Strategy (66.67%)
HR Strategy (12.5%)	HR Strategy (33.33%)

Discussion

It was found that both European and Japanese car dealers have applied different strategies in order to yield their performance. European car dealers have commented that stability strategy has played a great impact to their sales performance because of the political concerns in a long period of time in Thailand affecting to the economical environment and society. Therefore, the companies have to be careful on their new investment and business extension without any risks. Dhiravegin (2014) had named the current society as 'flatted world' because the interaction among economic, political, and legal aspects had played a powerful impact to the foreign affair, security and military policy, and terrorism war. Such interaction had substantially influenced to the business and economic activities. It is impossible to analyze and synthesize the data from some of social situational part but it is crucial to examine the current situation holistically in order to produce the accurate outcome. Hence, it is important for the management to gain an insightful understanding from the complicated situation. On the other hand, the Japanese car dealers admitted that growth strategy had played an important role to increase their sales revenue. This strategy had determined by the company stakeholders who would like to raise their company profit during the course of time. This

was agreed with Chandarasorn (2014) who claimed that company policy and targets were determined by its stakeholders. Regarding to business level strategy, European car dealers had posed their positions on differentiate strategy as their customers needing superb quality of service and product which could attract the prospected customers. Meanwhile, Japanese car dealers had mainly applied the cost leadership strategy because, apparently, the customers could purchase the same products with competitive quality from various choices of car dealers. Thus, the price of the product could be an effective element to the customers' decision. Porter (2008) also reasoned this phenomenon that the number of purchasers or buyers outnumbered subsidizers (the car dealers), so the purchasers could compare the products, services and prices and could choose the satisfied deal later on, especially for the price-sensitive ones. According to functional strategy, marketing strategy has been mostly used by both European and Japanese car dealers because they assumed that series of marketing activities could activate their sales revenue. This was corresponded with Kotler (1999, 237) who had standardized the marketing plan as AIDA: 'A' stands for Prospect's Attention; 'I' stands for Create Interest; 'D' stands for Develop his Desire; and 'A' stands for Move him to Action.

Recommendation

In regard to research finding, it is recommended that

1. In terms of corporate strategy, the management should take the internal and external changes into their account. Without deep understanding the situation, business could fail to operate and could terminate themselves from the market.

2. In terms of business level strategy, it is inevitable for the company to utilize Porter's five force model so as to maintain their position in the markets and competitive advantages.

2.1 It is necessary for the business to prevent the new-comers entering to the same markets since they will segment the prior customers and narrow the market shares of the predecessors. The new entering would affect to the profit of the existent businesses.

2.2 It is unavoidable for the business to differentiate itself in the market by adding value to its products and service to increase its customer loyalty. It is because most customers could discontinue purchasing products from their existing sales representative and switch their decision independently to the new ones.

2.3 Obviously, purchasing power could outweigh the price setting by the company in case of bulk purchase, value imperceptibility, and indifferent perception on product or service.

2.4 The cost of product switching is lower than it used to be in the past. This might be because there have been greater number of choices for the customers than before.

Therefore, it is vital for the business to apply 'Strategic Group Mapping' by positioning the business in the market. The business, then, should constantly elevate quality of their products and services in order to deliver high satisfaction to its customers.

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