

CASE STUDY

Beta Automotive

Beta Automotive is an owner-managed firm dealing with the import, export and wholesale of genuine Japanese automotive parts in Singapore.

The managing director, Mr Sing, is a Chinese Singaporean. The firm has eight employees, four of whom have at least eight years of experience in handling Japanese automotive parts. Most of the employees are able to speak and understand Malay as well as Chinese and the managing director also speaks English.

Beta competes by selling genuine automotive parts at a much lower price than the authorised distributor. They also offer technical expertise and ensure all customers are given all the technical information required to make an accurate and informed buying decision. The integrity of the technical

information is also personally guaranteed by Beta and all products are sold with a full warranty. Mr Sing believes that even when competing on the grey market a firm must not only be competitive in pricing but should also be able to solve customers' automotive parts problems satisfactorily.

The firm sources the automotive parts from within Singapore and Japan and is able to supply a wide-ranging assortment of genuine automotive parts to car models from a number of manufacturers such as Toyota, Nissan and Isuzu. Besides being a parallel importer, the firm is also the authorised genuine parts dealer of two franchised companies in Singapore.

Sales turnover of the firm is approximately US\$3 million. 60 per cent of the sales are generated by exports to South East Asia, principally Malaysia, Indonesia, the Philippines and Pakistan, although since the crisis in Indonesia very little

business has been transacted. Beta's export customers can purchase on an (Ident) order basis (delivery time is about 90 to 120 days) or through ex-stock sales (for fast-moving items only). There is a minimum transaction value for any sea shipment and Beta price Free On Board (FOB). The main transaction costs to Beta are local transportation charges, documentation fees, port charges etc. However, to date all the export sales have been indirect export transactions, through agents in Singapore acting on the behalf of buyers in the export market. These agents acted as guarantors and so ensured Beta were paid for the parts and for the services rendered.

Mr Sing is now developing his international marketing strategy and wishes to expand his business further in South East Asia by directly exporting into the markets himself. His main priorities are to spread the firm's existing business and financial risks and to maximise on sales opportunities identified in other South East Asian markets. However, he is concerned that by directly exporting to the country he will need to become involved in many activities previously not undertaken, such as negotiating and liaising with freight forwarders and banks and insurance companies on terms of engagement. This is all besides the complexities of the processing of export documentation to facilitate the transactions. Furthermore, the firm will need to consider how to mitigate its foreign business and financial risks exposures since payment will no longer be guaranteed by an agent.

The main strengths of the firm have been assessed by a consultant as being:

- Access to multiple supply sources which enable Beta to compete effectively on price and give them the flexibility to meet changing parts requirements and demand patterns in both domestic and overseas markets.

- Order fulfilment flexibility. Depending on the nature of the required item, Beta's customers have the options to purchase ex-stock supplies or (Ident) order.
- The range of genuine Japanese automotive parts handled by the firm (e.g. Nissan, Toyota and Isuzu) matches with the major brands of vehicles in circulation in South East Asia.
- Staff at Beta are all highly self-motivated and technically knowledgeable.
- Strong customer-orientation and the commitment and a determination to be successful in overseas markets.
- Little internal bureaucracy compared to authorised distributors.
- Flexible and adaptive staff.
- Short lead-time.
- Language skills.

Their key weaknesses were viewed as being:

- The firm has limited knowledge and exposure to direct export marketing.
- Lack of strategy and marketing planning in the firm.
- No current relationships with direct automotive parts importers or other useful contacts in export markets that can be exploited.
- Limited company resources.
- Inadequate and poor management information.
- The firm does not effectively make use of available external resources to support its foreign market development efforts.
- Contacts with relevant logistical (e.g. freight forwarders) and trade services providers (e.g. banks, insurance companies) are still not well developed.
- Choice of target market segment is limited to those foreign buyers who are able to import more than the minimum transaction value.

QUESTIONS

- 1 What are the financial risks that Beta will have to face as a direct exporter that they have not had to deal with to date?
- 2 Fully evaluate the viability of achieving a long-term competitive advantage in international markets as a grey marketer.
- 3 What advice would you give to Beta?

