



FACTORS INFLUENCING MAZDA' MARKETING ACTIVITIES AND  
STRATEGY DURING THAILAND'S ECONOMIC CRISIS 1997-2001

By

SRAYUT TANGSURAKIT

A Thesis Submitted in Partial Fulfillment  
of the Requirements for the Degree of

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Graduate School of Business  
Assumption University  
Bangkok Thailand

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## ABSTRACT

1997-2001 is the period that Thailand met economic crisis. Many companies in Thailand had to re-organize in order to make companies survive through the crisis. The researcher would like to study Marketing activities and strategy of Mazda Sales (Thailand) company as a case study. Thus this study has been on the researcher's main interest.

This research is based on "What are the changes in Mazda Company in Thailand during the economic crisis, 1997-2001 as the statement of the problem? How did Sukosol Mazda Sales company cope with the economic crisis? And What was the action of Mazda Motor Corp(Japan) for Thailand automobile market between period of economic downturn 1997-2001?" The research objective is "to study and analyze in the period of Mazda Company in Thailand(between) 1997-2001, the period of economic downturn and Thailand's automotive industry is transforming itself from a domestically focussed assembly business into a internationally competitive vehicle manufacturing industry. And to propose the recommended framework for the factors which affect Mazda Company's marketing strategies development under economic downturn."

For this research, the researcher set five factors which are influencing Mazda's marketing activities and strategies as hypothesis which includes government policy and Asian Free Trade Agreement, changing of consumer behavior, market competition, changing of Automobile market, the number of Dealers. Then, the researcher gathered the dissertation's literature showing the relationship between these factors and company's marketing activities and strategies in order to confirm the researcher's hypothesis. In order to study factors which influencing Mazda's marketing activities and strategies, the researcher has gathered the information through interview marketing manager and service center managers who have been working with Mazda company for at least 10 years.

After analysis the information, the researcher found that not only five factors which were set as hypothesis influence Mazda's marketing activities and strategies.

In addition, this study can be used as a case study by marketing manager to set their effective and flexible marketing strategy to meet unexpectedly change in automobile market especially in Thailand. However, the researcher discovered additional three factors; exchange rate, variety of product and non-differentiated product with Ford (one-ton pickup truck) that influenced Mazda's marketing activities and strategies during Thailand economic crisis.





## ACKNOWLEDGEMENT

The author would like to acknowledge the enormous help given to me in creating this dissertation. For his guidance the authors though to obstacles in completing this study, his useful knowledge, his patience and teach me a wisdom thinking, sacrifice, and giving, I wish to thank Dr. Jakarin Srimoon.

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Moreover, this study cannot be completed without the knowledge that I have chance to learn from lecturers in Assumption University in both Undergraduate and Graduate Studies. The knowledge accumulated is not only benefited for this study but also for future applications.

I would particularly like to thank Ms. Nutanun Thangsurakit , my wife who often believes in me more than I do myself and has helped in finding a lot of useful information and encouraged me to complete this thesis.

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# Chapter1

## Introduction

### 1.1 Background of the study

Since 1986, Thailand has been one of the world's fastest-growing economic. Thailand's boom came as a surprise. The boom has changed the economy and society with a speed and impact that few foresaw. Thailand's growth of this kind has been led by private enterprise with full support from the government.

In 1989, foreign money had been flooding into Thailand. From 1992, the export economy was weakening but the money inflows were getting bigger. More funds went into inefficient investments, into luxury consumption, and into gambles on the future of property and stocks.

Government denied there was a problem. But in 1996, the export slump and a spectacular bank crash set confidence on a downward slide. The floodtide of money went into rapid reverse. The gambles turned very bad indeed.

The stock- market dived. The finance sector collapsed. Speculators hammered the baht. The government fled into the icy arms of the IMF. Shock waves battered other economies in the region.

Rather, this was a cyclical trade downturn, overlain with a finance-stock-property bubble pumped up by huge foreign inflows. Many had seen it coming for some time. But little had been done. Economic policy-making and financial controls had lagged behind the changes in the nature and pace of the economy. T.Thammavit<sup>1</sup>(1997)

Thailand is one of the world's most dynamic countries that attained more than 10% growth in economy in 1988-1990. The growth got moderate afterwards. Economic fundamentals have been relatively stable since then up to the year 1996 as follows:

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<sup>1</sup> Thammavit Terdudomtham 1997, "The Automobile Industry in Thailand", ASP-5 Sub-Programme on Liberalization of Trade and Investment, Thailand Development Research Institute.

**Table 1-1: Macro economic indicator in 1997-2001.**

	1996	1997	1998	1999	2000	2001
Growth rate of Real GDP(%)	5.9	-1.4	-10.5	4.4	4.6	1.8
Growth rate of consumer price index	5.9	5.6	8.1	0.3	1.6	1.6
Unemployment rate(%)	--	1.5	4.4	4.2	3.6	3.3
Trade balance(Import & Export)	-417.60	-84.67	503.10	349.9	217.4	110.1

Source: National Economic & Social Development Board

Owing to the short-term foreign capital flow-in causing the increase in financial and real estate investment together with bubbling extravagance, however, Thai economy suddenly plunged into bewildering confusion. The capital overflow invited speculation in real estate and stock market, and brought about increasing wage and inflation. The change of managed float system lowered the value of baht. Baht rate against US\$ changed around ฿25 per US\$ in June 30<sup>th</sup>, 1997 to over ฿50 per US\$ in January, 1998, which was devalued by 100 percent in the past six months year 1997. The sudden devaluation of baht spoiled business plan of manufacturing, construction and retail field a lot.

For automotive market, Thailand embarked on an export drive in the late 1980s since a troop of Japanese auto part manufacturers came to Thailand. However, the economic crisis in mid – 1997 has caused a major impact on Thailand's automotive sector. The crisis depressed automotive sector as domestic market plummeted from 589,000 in 1996 to only 144,000 units in 1998 which is the lowest sales, and then it recovered to be 218,000 units, 262,000 units and 297,000 in 1999, 2000 and 2001 respectively. However, the total sales volume still could not climb up as the same level as 1992 which approximately sales are 360,000 units which show on Table 1-2 and Figure 1-1.

Many automotive assemblers and auto-part plants suspended their operations and lay off their workers due to insufficient demand and huge inventory.

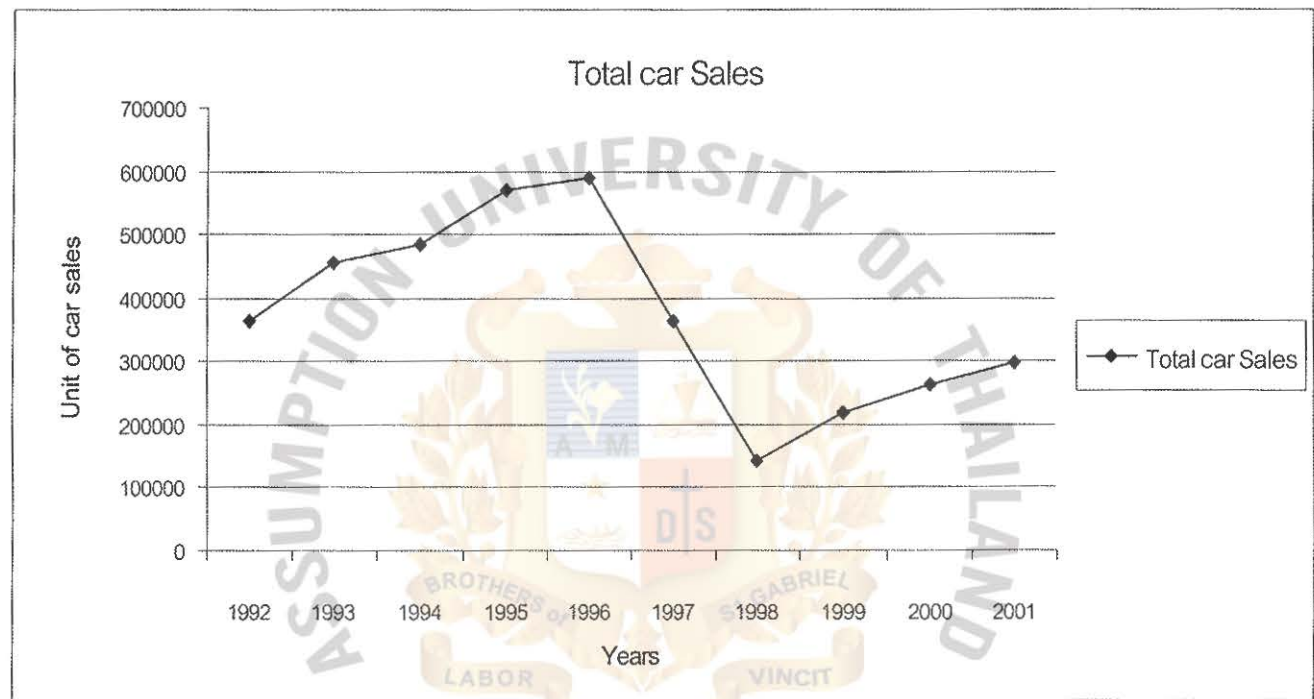


Table 1-2: Total Vehicles Sales in Thailand (1996-2001)

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Car Sales	362,987	456,461	485,678	571,580	589,126	363,156	144,065	218,330	262,189	297,052

Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

Figure 1-1: Total Vehicles Sales in Thailand (1996-2001)



Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

Thailand witnessed rapid restructuring after many companies boost their capital, financed primarily by their foreign parent companies. In the case of joint ventures, the Japanese partners were responsible for most of the capital injection. Many companies have redirected their target to export market for survival. With rapid expansion of export from 14,000 units in 1996 to 140,000 in 2000. Thailand then became the third largest automotive exporter in Asia.

In crisis, of course, there was opportunity. There was a new phenomenon that transformed Thai automotive sector from import substituting to export industry. As many world-class auto makers, rather than move out of Thailand, they began using their factories as their production base for export market, not just for Southeast Asia, but for Asia Pacific.

For Instance, Mitsubishi decided to relocate its factory from Japan for its pick-up trucks to Thailand. US auto makers also decided to re-enter Thai market to make Thailand their main production bases for Asia and Pacific, led by Ford and followed by GM and BMW. GM and Isuzu, will also collaborate to produce all new pick-up model in 2003, after Isuzu relocates its pick-up production line from Japan to Thailand. The project will add as much as 50,000 units annually to Thailand's export. H.Imai(1999)<sup>2</sup>

Mazda also was the effected from economic downturn, in those period (1996-2001) Kijkomonsukosol, the authorize dealer of Mazda Motor Corporation, could not achieve the target sales volume and market share.

### **Establishment of Mazda Company in Thailand<sup>3</sup>**

- A Kijkamonsukosol group was established by TOYO KORIAL Company and begins import Mazda Cars from Japan in year 1961.
- Becoming a Authorize dealer in year 1979.
- Sukoson Mazda Industry (SMMI) was established by Kijkamonsukosol group, Mazda Motor Company and Koman Company in January,1974, which is Mazda vehicle production factory.
- Sukoson Mazda Cars Company(SMC) was established by Kijkamonsukosol group holding 60 percent of stocks, Mazda Motor Company holding 20 percent of stocks and Koman Company holding 20 percent of stocks in year 1990, which is importer and exclusive Thailand authorize dealer.

Sukoson Mazda Engineering Company was established by Kijkamonsukosol group, Mazda Motor Company and Koman Company in year 1990, which produce Mazda's gear set.

### **When Mazda Motor Corporation completely enter to Thailand<sup>4</sup>**

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<sup>2</sup> Imai Hiroshi (1999), "New role of Japanese enterprise in Thailand ,One case study at Toyota Motor Thailand,pp.11-12.

<sup>3</sup> Pu-Judkarn-Raiwan Newspapaer, November 28,2001, p17-18.

<sup>4</sup> Pu-Judkarn-Raiwan Newspapaer, November 28,2001, p17-18.



Mazda Motor Corp completely enter to Thailand on July 1,1999 by investment more of 19,000 million baht which made a company have 23,000 million baht of registered capital, and become a mage stock holder who holding 93 percent of common stock from 20 percent by Kijkamolsukosol group have 4 percent of common stock and Koman company have 3 percent of common stock. Mazda Motor Corp changed the name of company from Sukosol Mazda Sale Company to be Mazda Sales (Thailand) Comapny. They also close Sukosol Mazda Industry Company and joint venture with Ford Motor Corp to established Auto Alliance (Thailand) which is One-ton pickup production factory of Mazda and Ford.

In 1997 Mr. Toshinori Mori<sup>5</sup> stated that "in 1982-1987 Mazda's market share is around 15 percent, but in 1997 the market share was only 3.2 percent, the company can not survive unless it can hold 5-6 percent market share. Mazda Company has a plan to increase authorize dealer about 15-16 places and service center about 25-26 places and also increase out let to be 200 places within year 1999 in order to provide customer for better service, he set plan for next 4 year(1997-2000) to got sale volume more than 40,000 units/year which was 5 percent of market share. According from economic decline company might not expand more market in year 1997. The company also have a plan to import new sedan car "Demio Model" from Japan by consulted the dealer for possibility. Company also have a good relation with Ford Motor by hold 50 percent share of Auto Alliance factory at Rayong province." However, the sales volume of Mazda's passenger and One-ton pick up car sale continue decline to 414 units of passenger car and 3,365 units of One-ton pickup in year 1999 then recovered in year 2000(Table 1-3 or Figure 1-2).

From Table 1-3 the researcher found that Mazda Company can sell One-ton pick up truck more than passenger car during 1995-2001. And sale volume of One-ton pick up truck in year between 1999-2001 not higher, which some effect got from new entrance of competitor as Ford Company who quiet starting well of One-ton pick up's sale volume in the first enter year (1999) and got higher 201.45% in year 2000 and continue increase 107.2

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<sup>5</sup> Mr.Toshinori Mori,Managing director of Sukosol and Mazda Co.,Ltd. in 1997



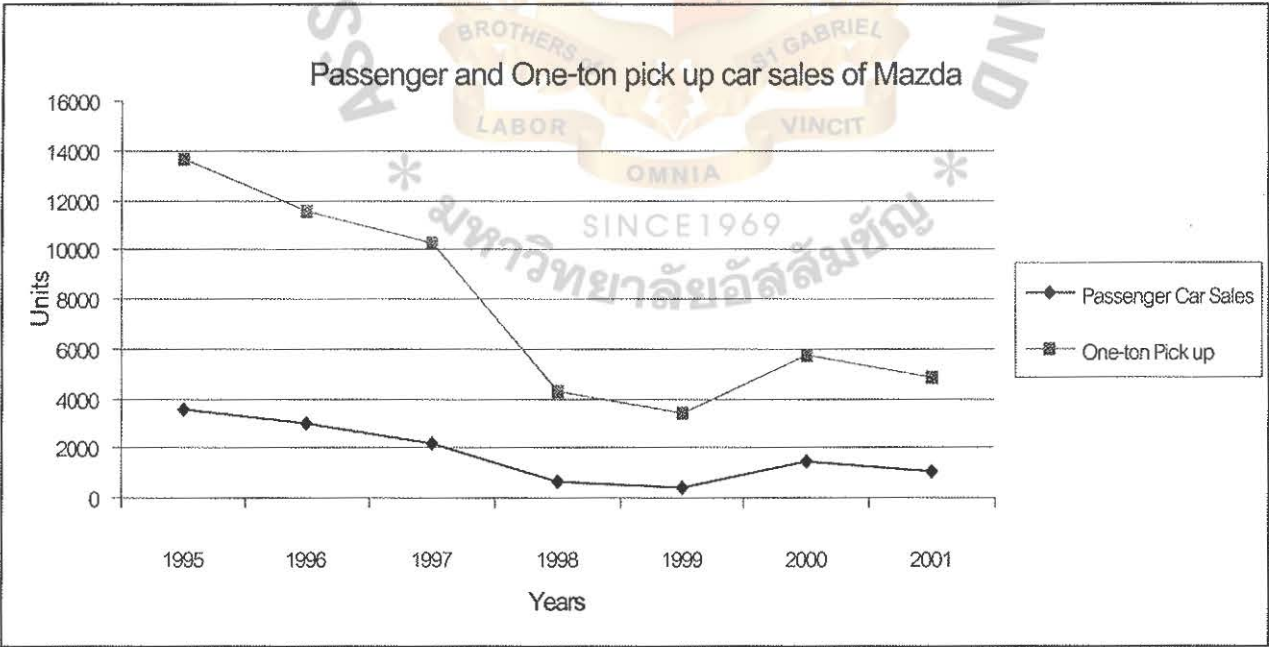
percent in year 2001 while Mazda get sale volume higher 171.08 percent in year 2000 and 84.4 percent in year 2001(Table 1-4 or Figure 1-3).

Table 1-3 : Passenger and One-Ton Pickup car sale of Mazda

	1995	1996	1997	1998	1999	2000	2001
Passenger Car Sales	3,521	2,973	2,189	633	414	1,486	1,062
One-ton Pick up	13,631	11,571	10,237	4,307	3,365	5,757	4,858

Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

Figure 1-2: Graph of Mazda's Passenger and One-Ton Pick up car sales



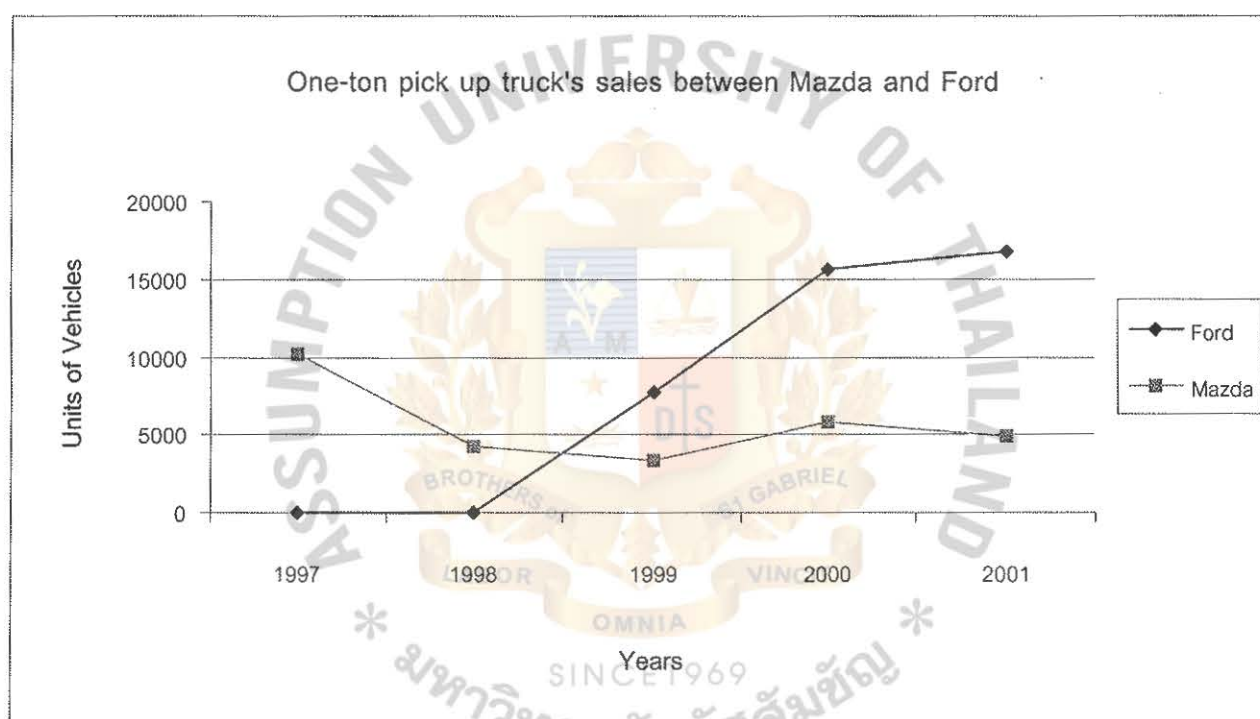
Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

Table 1-4: One-ton pick up truck's sales between Mazda and Ford

	1997	1998	1999	2000	2001
Ford	0	0	7,748	15,609	16,735
Mazda	10,237	4,307	3,365	5,757	4,858

Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

Figure 1-3: Graph of Mazda and Ford's One-ton pick up truck's sale volume



Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

All of these are the essential factors driving the Thai automotive industry to be more export-oriented. In order to increase a global competitiveness of the industry, the government puts a great attempt to implement any possible strategies to support the local entrepreneurs to work well in an international market. It becomes clear that the export trend in the Thai auto sector will undoubtedly increase. The followings are the export promotion policies for the Thai automotive industry.

There would be no easy solutions. The ending of the boom was a reality check, signaling the need for change.

## 1.2 Statement of the problem

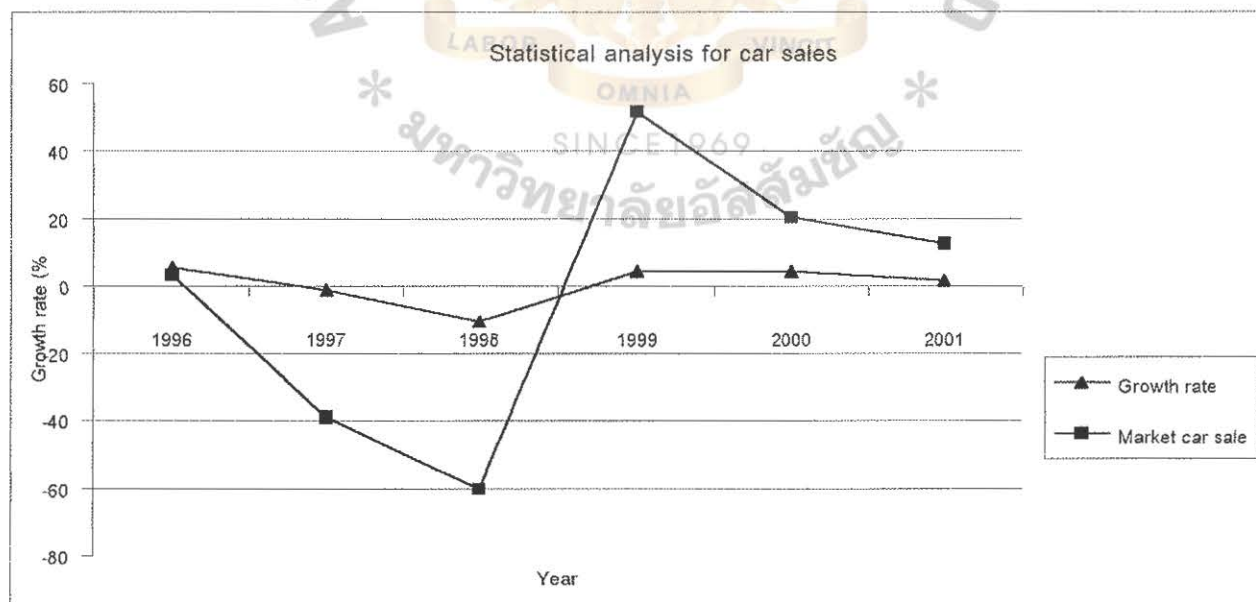
This thesis tries to answer the following questions:

1. What were the factors that influence Mazda's marketing strategy development in 1997-2001?
2. How the factors effect Mazda's marketing strategy development in 1997-2001?
3. What was the action of Mazda Company running their business in 1997-2001?

Almost all Japanese enterprise doing business in Thailand also were involved in loss by exchange rate in the same way as Siam Cement and Thai Petrochemical industry got into the red which lost competitiveness by huge investment and high wage without productivity. They faced problems of employment of workers and cut their wages that would damage the mutually good labor relation between employer and employee to much extent.

For instance, total motor vehicle sales figures all over Thailand relate with Thailand's GDP(Gross Domestic Product) as show in Figure 1-4 , GDP has totally effected on Domestic vehicle sales when GDP decreased, the volume of vehicle sales decreased and increased when GDP increased.

**Figure 1-4 : Statistical analysis for Thailand's vehicle sales**



Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)

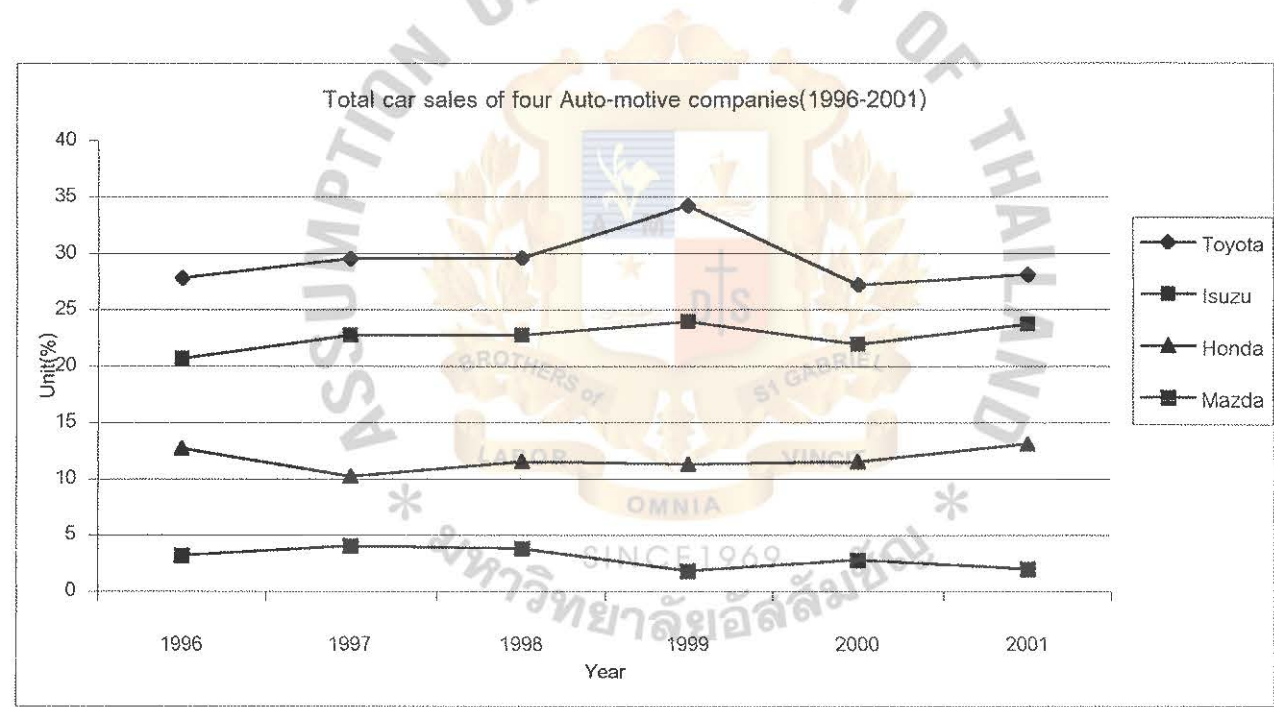


**Table 1-5: Total Vehicle sales of four Auto-motive companies**

	1996	1997	1998	1999	2000	2001
Toyota	27.8	29.5	29.6	34.2	27.2	28.1
Isuzu	20.7	22.7	22.7	23.9	21.9	23.7
Honda	12.7	10.2	11.5	11.3	11.5	13.1
Mazda	3.2	4.1	3.8	1.8	2.8	2.0

**Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)**

**Figure 1-5 : Graph of Market share of four auto-motive companies**



**Source: Sales Planning Department/Mr.Sirkul Y.,Toyota Motor (Thailand)**

### 1.3 Objective of Study

This thesis attempts to study marketing strategy of the Mazda Sales(Thailand)Co.,Ltd cope with the problem in year 1997-2001. Mazda holding the sixth level market share of total

automobile's market in Thailand and holding the fifth level of both passenger car and one-top pick-up truck of the Japanese carmakers since 1997-2001. As the Thai government (The General Chaovarit Yongjaiyud is a prime minister) devalued Thai currency exchange on July 2, 1997 and closed 56 financial companies which had highest Non-performing Loan (NPL). It is believed that the devaluation of Baht would bring a good opportunity for Thailand to expand export business.

Thailand automobile industry is one of the industries that require organization change. Marketing has become an important tool to bind target group's heart and running right strategy to match with the change in consumer behavior.

Main objectives of this research are as the following:

1. To investigate and analyze the changes of Mazda Company in Thailand (between year 1997-2001) due to economic downturn and Thailand's automotive industry is transforming itself from a domestically focussed assembly business into a internationally competitive vehicle manufacturing industry.
2. To propose the recommended framework for Mazda Company in marketing strategies to cope with the challenge under economic crisis.

#### 1.4 Significance of the study

Researcher hopes that this thesis will be useful for both Mazda Sales Company and those who are interested in Thailand's automobile industry in the period of economic crisis.

For Mazda Sales Company, this thesis is a mirror showing what they did in the past and future. This thesis also shows some important points, which may fail to conceptualize.

The research findings may provide a guideline for automobile companies operating in Thailand to successfully cope with unexpected situations like economic crisis.

## 1.5 Scope and Limitation

### Scope of study

Faced with economic crisis, most of companies in Thailand were forced to change organization structure and set marketing plan in relation with macro and micro environments, Mazda Sale company is another company in Thailand's automobile market that require for major change of organization structure between these period (1997-2001). This thesis will study Mazda's marketing strategy in detail and factors that influence its marketing actions.

### Limitation of study

In spite of the in-depth analysis of the marketing developing of Thailand's automobile, the researcher found that this industry is a very dynamic one. Due to limitation of time, in-depth of analysis the whole structure of Mazda company is difficult to conduct factors influencing marketing strategy and activities during the period of economic downturn are investigated in this research.

During 1997-2001, Mazda Sales company was administrated by different companies and there were various changes occurred, therefore, some important information was difficult to obtain.

## 1.6 Definition of Terms

**A market specialization patterns** as target market selection, which are the firm concentrates on serving many needs of a particular customer group (Philip kotler).

**Behavior** refers to the overt acts or actions of consumers that can be directly observed (Peter J Paul and Olson Jerry C.1996)<sup>6</sup>.

**Brand Name** a strong brand name can provide name familiarity that will help in the tasks of acquiring awareness, generating trial purchases, and gaining distribution for new products—

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<sup>6</sup> J.Paul Peter and Jerry C.Olson 1996, "Consumer behavior and Marketing Strategy", fourth edition, R.R. Donnelley & Sons Company.



tasks that can cost hundreds of millions of dollar in some consumer contexts(David A.AAKer 1998)<sup>7</sup>.

**Brand equity** is a set of assets and liabilities linked to a brand's name and symbol that add to or subtract from the value provided by a product or service to a firm and/or that firm's customers(David A.AAKer 1998)<sup>8</sup>.

**Brand Awareness** is often taken for granted, but it can be a key strategic asset. In some industries that have product parity, awareness provides a sustainable competitive difference. It serves to differentiate the brands along a recall/familiarity dimension(David A.AAKer 1998) .

**Brand personality** uses the brand-as-person metaphor to help communicate a brand and its relationships to customers. Like a person, a brand can be perceived as professional and competent, upscale and sophisticated, trustworthy and genuine, exciting and daring , or active and tough. A brand with a personality tends to be more memorable and interesting than one that is bland and nothing more than a set of attributes(David A.AAKer 1998)<sup>9</sup>.

**Competition** includes all the actual and potential rival offerings and substitutes that a buyer might consider (Philip Kotler).

**Communication adaptation** is run the same advertising and promotion campaign by so not change product (Philip Kotler).

**Defining a marketing strategy**<sup>10</sup> will typically be split into three phases that are carried out in close collaboration with the client's key personnel (Carnac International Marketing Services):

1. Review of the current marketing strategy, ongoing projects and programs.
2. Establishment of marketing objectives and how they will be measured and assessed.
3. Elaboration of a detailed marketing plan describing each marketing activity required to achieve the set objectives and how each should be implemented.

---

<sup>7</sup> David A.AAKER1998, "Strategic Market Management", fifth edition, p224

<sup>8</sup> ibid., p173

<sup>9</sup> Ibid., p.176

<sup>10</sup> Carnac International Marketing Services([www.carnacsv.com](http://www.carnacsv.com))

**Guerrilla Marketing:** The strategy of targeting small and specialized customer groups in such a way that bigger companies will not find it worthwhile to retaliate (www.marketingterms.com)<sup>11</sup>.

**Guerilla marketing:** Unconventional marketing intended to get maximum results from minimal resources(www.marketingterms.com).

**Marketing Management** is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individual and organizational goals(Philip Kotler).

**Marketing Concept** holds that the keys to achieving its organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target markets(Philip Kotler).

**Market-oriented strategic planning** is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities(Philip Kotler).

**Marketing Channels** is used to display or deliver the physical product or services to the buyer or user (Philip Kotler).

**Marketing Channel Definition** is a business structure, reaching from the point of product origin to the consumer, through which a manufacturer or marketer motivates, communicates, sells, ships, stores, delivers, and services the customer's expectations and the product's needs (Russell W. McCalley 1996)<sup>12</sup>.

**Marketing Strategy** - the determination of a firm's objectives, the selection of its target markets, the development of an appropriate marketing mix for each, and the allocation of the resources necessary to achieve its goals www.buseco.manash.edu.au).

---

<sup>11</sup> www.marketingterms.com

<sup>12</sup> Russell W. McCalley foreword by Ray Goldberg, 1996, "Marketing Channel Management: people, products, programs and markets", p4.

**Marketing Strategy** The set of objectives which an organization allocates to its marketing function in order to support the overall corporate strategy, together with the broad methods chosen to achieve these objectives [www.buseco.manash.edu.au](http://www.buseco.manash.edu.au)).

**Niche Marketing** which the concepts is a more narrowly defined group, typically a small market whose needs are not well served( Philip Kotler).

**Product- quality leader** as price objective which the concept is high price high quality(Philip Kotler).

**Product adaptation** involves altering the product to meet environment condition or preferences but did not change promotion anymore(Philip Kotler).

**The product concept** which holds that consumers will favor those products that offer the most quality, performance, or innovative features (Philip Kotler).





## Chapter2

### Automobile Industry Background

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For this chapter, the researcher shows the information of Thailand's automobile market in 1997-2001 that consists of Government policy, Asian free trade agreement's issues and Mazda (Thailand) company's history and background.

#### 2.1 Thailand's Automotive Market

In 1990, vehicle sales in more developed countries slow as those markets reach saturation while sales in Asia accelerate, attracting further investment by the world's major vehicle manufacturers in relocating production to Asia.

Within Asia, ASEAN, an economic bloc comprising ten South East Asia nations and a population of over 500 million, has become an important area for investment by the world's major vehicle manufacturers.

Although the vehicle market in ASEAN is still small in global terms, accounting for under 2 percent of world vehicle sales in 2001, the growth potential offered by what was until 1997's Asian crisis, the world's most dynamic economic region is compelling. S&P expect ASEAN's share of the global automotive market to increase to 4.4 percent by the end of the decade – implying annual sales of 2.5 million vehicles in 2010 as compared with sales of just over 1 million vehicles in 2001.

Vehicle sales across ASEAN's four major markets, Indonesia, Malaysia, Philippines and Thailand, are forecast to double over the next several years to over 2 million vehicles per year while production is forecast to reach 2 million vehicles by 2006, as intra-regional tariffs are lowered to create a single, free trade area. A more unified regional market allow the industry to achieve increased economies of scale, lower product prices and improved competitiveness in global markets.

Thailand has South East Asia's largest vehicle industry and accounted for 28 percent of sales and 40 percent of regional production in 2001. After the US, it is the world's largest producer of 1 ton pick-ups of ASEAN's four major countries, Thailand is the best positioned to benefit from a unified regional market and has the region's highest concentration of multi-national OEM manufacturers.

Of the world's major automotive groups, all but Renault and Hyundai have either established production plants in Thailand or have production arrangements with Thai-owned assemblers.

In addition to being well positioned geographically, Thailand's strengths include a sizeable local market, a relatively strong and broadly based parts industry and a regulatory environment that has proved attractive to multi-nationals.

In common with Indonesia, Malaysia and the Philippines, Thailand adopted a policy of import substitution for many years. Local assemblers – in partnership with predominantly Japanese manufacturers – were encouraged and protected through the imposition of high tariffs and restrictions on imports while stringent local content requirements promoted the development of a broadly based local parts manufacturing industry.

But whereas Indonesia and Malaysia adopted policies favoring their respective national car companies, Thailand took steps towards liberalizing its automotive industry in the early 1990's. Welcoming all comers with a generous incentive package of fiscal and other privileges, Thailand successfully promoted itself as the region's premier automotive production base.

In 1994, both Toyota and Honda selected Thailand to build their 'Asian Cars', the Toyota Soluna and the Honda City. In 1996, Mitsubishi relocated export production of 1 ton pick-ups from Japan to Thailand while Honda completed construction of its largest plant in Asia outside Japan and established its ASEAN headquarters in Bangkok. In the last five years, Ford (in partnership with Mazda), General Motors and BMW have all invested in regional production plants on Thailand's Eastern Seaboard.



Between 1991 and 1996, local vehicle sales grew by 120% to reach 589,000 vehicles before contracting to 144,000 vehicles in 1998. Over the same period, local production climbed from 283,000 vehicles to 560,000 vehicles before falling to a low of 158,000 vehicles in 1998.

Although 1997's Asian crisis took a heavy toll on Thailand's automotive industry, it also induce important structural change that will enable the industry to become more internationally competitive over the longer term.

The crisis provided foreign vehicle manufacturers with the opportunity to acquire majority control of their Thai assembly operations and of local distribution which in most cases, had been handled by their local partners. With majority control, the foreign manufacturers are more willing to integrate their Thai operations into their global strategies and invest in bringing standards of both production and local sales and service into line with their international operations.

Thailand's automotive industry is now coming of age and is transforming itself from a domestically focussed assembly business into a internationally competitive vehicle manufacturing industry.

Over the last three years, sales have made a reasonably strong recovery, to 297,000 vehicles in 2001. Sales growth of 10 percent is forecast for the current year although local sales are not currently expected to re-achieve their 1996 level before 2007.

Production however, is growing at a faster pace, reaching 470,000 (including 180,000 vehicles for export) in 2001 and is forecast to exceed 800,000 vehicles 2006. Supported by strong growth in exports as more manufacturers (including Isuzu, GM, Toyota and Honda) relocate production to their Thai plants. On table 2-1 showing the location of Automotive manufacture which investment by Joint Venture Company, most of them have a plan to select Thailand as one of their headquarters production their specific vehicle parts and exportation.<sup>15</sup>

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<sup>15</sup> For more details on "Thailand's automobile institute" see Limpaporn Supat (2002), Board of investment at the 2002 Kenan Conference, "Driving the Thai Auto Industry : Strategies for Exports".



Table 2-1 : Automotive Manufacturer Location

<u>Ayudhaya:</u>	Honda Automobile(Thailand)
<u>Pathumthani:</u>	Thai Suzuki Motor
<u>Chachoengsao:</u>	Toyota Motor Thailand
	Isuzu Motors (Thailand)
<u>Bangkok:</u>	Bangchan General Assembly
	Y.M.C. Assembly
	Thai Honda Manufacturing
<u>Samutprakarn:</u>	Toyota Motor Thailand
	Isuzu Motors (Thailand)
	Siam Nissan Automobile
	Siam V.M.C. Automobile
	Thai Auto Work
	International Vehicles
	Thai Yamaha Motor
	Thai Swedish Assembly
	Hino Motors(Thailand)
	Thonburi Automotive Assembly
<u>Rayong:</u>	Auto Alliance(Thailand)
	General Motors (Thailand)
	BMW Manufacturing(Thailand)
	Kawasaki Motors Enterprise(Thailand)
	MMC Sittipol
<u>Samutsakorn:</u>	Thai Rung Union Car

Source : Thailand Automotive Institute

## 2.2 Thailand's Government Policy

The addition or removal of legislative or regulatory constraints can pose major strategic threats and opportunities. The automobiles industry is affected by fuel-economy standards and by the luxury tax on automobiles.

### - Government Role – Past

#### **the history of major automobile industry policies**

1960	The 1960 Industrial Promotion Act, which provided incentives for the automotive assembly plants.
1962	The 1962 Industrial Promotion Act which granted privileges, especially 50 percent reduction in tariffs and business taxes on CKD kits.
1970	Tariffs were increased. Tariffs on CBU passenger cars 80 percent, CBU pickups 60 percent, CBU trucks 40 percent, CKD passenger cars 50 percent, CKD pickups 40 percent, and CKD trucks 20 percent.
1974	The local content requirements became effective.
1975	1) Import ban on small CBU cars (below 2300 cc.). 2) Tariffs were increased. Tariffs on CBU passenger cars 150 percent, CKD passenger car 80 percent.
1984	Limited 42 series for passenger car assembly. Assembly must use Exhaust Pipe as TISI regulation.
1987	The local content requirements were set at 54 percent for passenger cars, 45 percent for large and medium trucks, and 60 percent for petrol pickups, and 72 percent for diesel pickups.
1990	Repealing limitation of passenger car assembly 42 series. Diesel engine was compulsory parts of pick-up.
1991	1) The import ban of small cars was abandoned.

2) Tariffs were decreased. Tariffs on large CBU passenger cars(over 2300 cc.)100 percent, small CBU passenger cars and CBU pickups 60 percent, CBU large and medium trucks 40 percent, CBU chassis with engine 30 percent, CKD kits of all cars 20 percent.

3) The restriction of the number of car models was abandoned.

1992 Announce Excise Tax replaced and announce value added tax.

1994 Repealing prohibit of establishing vehicle assembly factory.

Supporting automobile industry's investment.

Reducing export tariff of automobile part.

1995 The Ministry of Industry announced "The Automobile Industry Export Promotion Project" for the period of 1996-2000.

2000 Abolished Local Content and Tax Restructuring.

#### **- Government Role – Present and future**

Adjusting the legal from protection automobile industry become launch the new legal which relate World Trade's agreement and seeking development methods in order to be compete in the world market.

1) Preparing input process for automobile industry in order to increase competitive capacity and following world's standard and changing of advance technology as follow.

- Human Resource management.
- Testing Instrument, testing devices.
- Product development and product engineering.
- Technology knowledge transferring.
- Basic facilities systems(including communication and transportation systems).
- Information Technology systems.

2) Review the legal policy and bureaucratic discipline in order to get rid of obstacles and to get some benefits form it . eg taxation policy.

3) Seeking for the method of trading negotiation in order to avoid disadvantage.

4) Supporting commercial capacity and expanding new market.



Seeking for supporting policy in order to increase value added industry<sup>16</sup>.

## 2.3 Asean Free Trade Agreement (AFTA)

The addition or removal of legislative or regulatory constraints can pose major strategic threats and opportunities. The automobiles industry is affected by fuel-economy standards and by the luxury tax on automobiles.

### **ASEAN Free Trade Agreement(AFTA)**

The ASEAN Free Trade Agreement ("AFTA"), which was launched in 1993, sets out a free trade area involving all ASEAN countries: Brunei Darussalam, Laos, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, and eventually, Cambodia. AFTA is a comprehensive and substantial program aimed at reducing intra-ASEAN trade barriers.

AFTA aims to make ASEAN a competitive manufacturing and investment base by: integrating the region's economies into a unified market; rationalizing production and distribution processes; increasing prospects for economies of scale; promoting complementarities in the ASEAN countries; and, reinforcing the economic dynamism and growth of the ASEAN economies.

The Agreement governs AFTA on the Common Effective Preferential Tariff ("CEPT") scheme. The scheme is substantive, comprehensive, rules-based and transparent in its objectives to reduce trade barriers in intra-ASEAN trade. The CEPT scheme aims to: reduce import and export tariffs of manufacturing and non-manufacturing products; remove quantitative restrictions for CEPT goods; remove non-tariff barriers within five years of tariff reductions; and, expedite clearance of imported goods at customs checkpoints through a special mechanism, the Green Lane System for CEPT products.

The "ASEAN CEPT Product List" is a complete listing of the AFTA CEPT rates. The list is published by the ASEAN Secretariat to provide comprehensive and current

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<sup>16</sup> Vanichseni Sutham (Chulalongkorn University) & Tiasiri Vallop (Executive Director, Thailand Automotive Institution) 2002, January. "Development of National Strategic Plan".

information on the tariffs of member countries. The scheme commits ASEAN member countries to reduce tariffs to 0 - 5 percent by the year 2003, or earlier, in order to encourage intra - ASEAN trade. Vietnam, Laos and Myanmar are exceptions, with Vietnam needing to reach this level by 2006, and Laos and Myanmar needing to reach this level by 2008.

The "ASEAN CEPT Product List" is copyrighted and cannot be reproduced in the AAF Directory. Interested parties can obtain the complete document, including all products included in the scheme, for US\$500.00 for a soft copy and US\$700.00 for a hard copy. A partial listing, showing the duty rates for the automobile industry, can be purchased for US\$75.00 by requesting Chapter 87 of the document. These documents can be obtained from the AFTA Bureau of the ASEAN Secretariat.

#### **How does an automotive company qualify for CEPT concessions?**

To enjoy the reduced tariffs under the CEPT scheme, companies must satisfy the following conditions:

- The product must satisfy the ASEAN 40 percent local content requirement. The 40 percent ASEAN content refers to both single country and cumulative origin. Products that satisfy this requirement will be issued a Certificate of Origin, often referred to as the "Form D". For more information about this certification procedure, you may contact the AFTA Bureau at the ASEAN Secretariat, or the respective AFTA Units in each member country.
- The product must be on the "Inclusion List" of both the importing and exporting countries.
- To enjoy a CEPT of 20 percent or below, the import tariff of the same product must also be at 20 percent or below in the exporting country. This relates to the "reciprocity rule" under the CEPT Scheme. If the rate in the exporting country is above 20 percent, the import tariff applied under the CEPT Scheme will be the previous CEPT rate that is above 20 percent. This is not necessarily the same as the MFN rate. For example, the MFN rate may be 35 percent while the previous CEPT



rate for that product is only 25 percent; in this case, a CEPT concession can still be enjoyed.

Administratively, the reduced CEPT tariff rates must have been legally enacted in the importing country. If any of the above conditions are not met, MFN tariff rates will be applied<sup>17</sup>.

## 2.4 The Overview of Mazda in Thailand

### 2.4.1 Mazda History and Background<sup>18</sup>

Mazda Motor corporation established in 1920 with headquartered in Hiroshima, is one of the leading automobile manufacturers in Japan. Manufacturing operation encompassed two production plants in Japan and 16 oversea production facilities. Mazda vehicles, acclaimed for their innovation design, outstanding, value and fun driving appeal, are available in over 150 countries and territories.

In Thailand, the name "Mazda" has been know for more than 50 years, 1952, by Sukosols Mazda Company. They set up Sukosol Mazda Company as authorize distributor, who import Mazda car from Japan. The first model launched in Thailand was 3 wheeled pickup truck from Hiroshima.

Nine years later(1961), Mazda coupe R360 came into Thailand market and received well accepted among Thai people which resulting Mazda become an auto maker's leader. in 1961, Kamol Sukosols had been appointed to be the sole distributor in Thailand. in 1967, the first Mazda's car assembly plant had been established under the name "Sukosol Mazda Car Manufacturing".

During economic crisis and devaluation of Thai baht, auto's sales plunged to record low, and as the result, local automobile business, Sukosol, lost their majority control. On July,1999, Mazda Motor Corporation decided to injected Bt 1.9 billion into local Mazda

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<sup>17</sup>More detail on "Thailand's automobile Institue" see Svetarundra Pongpanu 2002, January 23, senior Expert for Finance, Fiscal Policy Office, Ministry of Finance"Diving the Thai Auto Industry: Strategies for Export".

<sup>18</sup>Ratanachaiganon Papon marketing director Mazda Sales(Thailand) Co.,Ltd.



unit, Sukosol and Mazda company, raising its ownership to 93 percent from 20 percent and renaming to Mazda Sales (Thailand) – MST – in a corporate revamp that also features a business reorganization. The massive capital injection has effectively diluted the holding of Sukosol from 60 percent to 4 percent. Decades of the Sukosol of the Mazda brand in the Thailand automobile market thus came to an end. Sukosol, however, still remains as a retailing unit of Mazda.

In 1995, Ford Motor increased its share in Mazda Motor Corporation to 33.4 percent and started to handle back-office work such as accounting, logistics, administration and spare parts.

Earlier, Mazda and Ford have co-invested in Auto Alliance Company in building a \$500 million auto assembly plant in Rayong for pickup trucks. Despite significant cooperation in manufacturing, Mazda and Ford brands will remain independent. Mazda will continue to focus on one-ton pickup trucks, which is the country's largest market accounting for more than 50 percent of total sales and the second priority for Mazda is the small passenger car market.

MST, currently, aimed to raise the market share to 10 percent from less than 5 percent in 2001. By revamping the local Mazda unit, Mazda has 72 dealers in Thailand.

1920 : Mazda Motor Corporation established in Hiroshima, Japan.

1952 : Mazda was introduced in Thailand as the partner of Kamol Sukosol the first model is 3-wheeled pickup truck which imported from Japan.

1961 : Kamol Sukosol has been appointed to be the sole distributor in Thailand.

1967 : The first Mazda assembly factory had been established under the name "Sukosol Mazda Car Manufacturing"

1989 – 1995 : Growth rate in Thailand increased dramatically and during Chatchai who was a former Thailand Prime Minister inflated land price. Therefore people could afford more cars.

1995 : Ford Motor increase its share in Mazda to 33.4 percent, Auto-Alliance has been set up.

1999: Mazda Motor took over Sukosol by increase it share from 20 percent to 93 percent and changed its name to Mazda Sales (Thailand).



## Chapter 3

### Literature Review

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#### 3.1 Literature to support framework

This part is aimed to review related studies and concepts from various authors which serve as a framework for analysis of automobile industry in Thailand and recommended the factor which affect marketing strategy development.

##### 3.1.1 Competitive Forces

In Thailand, the buyer of an automobile faces a multitude of choices among body styles, transmissions, upholstery, front or rear drive, number of cylinders, and countless other features over and above the basic questions of the size, the price, and indeed the nationality of the car. Before reaching conclusions about the destiny of this industry, we must understand who the competitors are and what they want to achieve. The commercial competitor in the auto industry is a contest among vast social organizations offering finished automobiles to consumers. Each "producer" is in fact a group of organization, including a final assembler who organizes the production process, hundreds or thousands of suppliers of components, designs, and production machinery, a distribution network, and a financial network.

##### *The strategy of Commercial Competition*

First, the producer's products must be competitive in styling, price, image, performance, and reliability.

Second, the producer's production system must be competitive in cost, accuracy, and flexibility.

Third, a producer must be competitive in the range and image of its product line and in the geographic range of markets served.

It is important to understand that it is not necessary to be the leader in every area, or even in any area. Rather, it is the combination of products, production



systems, and market placement that counts at any point in time, along with not lagging too far behind in any of the three dimensions.

- *Products* : The art of designing automobiles consists of combining technical alternatives with styling elements to yield a distinctive product within a given market class. Careful attention must be paid to the "producibility" of the design: how much labor it requires and how difficult it is to manufacture accurately. The complete design process is a very subtle art in which a producer only gradually accumulates experience and skills.
- *Production systems* : The parts must be manufactured and assembled at a competitive cost and in such a manner as to provide high reliability. The complexity of the automobile requires intricate production systems with thousands of suppliers of components, manufacturing machinery, and technical services.
- *Market placement* : is a matter of choosing which target markets and segments of those markets to serve. **Full-line producers** were to compete on low prices for standard products and the presence of their badge across the whole auto market. The great scale of the full-line producer, with cost savings extending to general corporate overheads and the distribution network, would permit low production costs. **Specialists**, were to compete on the basis of unique product attributes, sometimes in niches not fiercely contested, and thus were obliged to worry less about production costs and high volume.

The key for developing strategy is to delve below the surface and analyze the sources of each. One of the frequently applied strategic management tools is "Five Forces" model expressed by Michael E. Porter<sup>19</sup>. The model identifies forces of an industry. Five forces analysis are concerned with identifying the key structural features of industries that determine the strength of the competitive

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<sup>19</sup> Michale E. Porter is an instructor at the Harvard Business School and advisor to leading companies all over the world, and served on the President's Commission on Industrial Competitiveness.

forces and hence industry profitability. From five competitive forces analysis the tremendous threat in car industry is the rival among competitors whereas other forces don't play an important role as describe below.

### *I. Threat of Entry*

Threat of entry have not shown the significant affected in car industry due to the following reasons:

- New entrant in car business is forced to come in at large scale to meet the economies of scale. Also in order to operate at a lower unit cost than existing firm it is required large amount of investment.
- New entrant will find it hard to make a name for themselves because the existing firm has been in the market for a long period of time and have built up customer loyalty and brand identification.
- Customers are hesitating to change or to switch for new car brand name even though customer got offer much better product or lower price. New entrants have to pay expensive advertising to gain trust from customer.
- Capital costs post another barrier to entry, as potential entrants must invest heavily in production, research and development or advertising in order to compete with existing firm.
- High setting cost of distribution channels because in car business each brand invests for their own.

### *II. Threat of substitute products or services*

Substitute products for personal car industries are public bus, mini bus, sky train, train, subway and taxi etc. this threat is not concerned as a big threat in car industry. Even though these substitute products can satisfy the same basic need as personal car product. However, personal car responses the need of a group of people who is be able to afford for his or her own car and rarely use other substitute products. Also Thailand public transportation has no reliable but can also be threat in the future.

### *III. Bargaining power of buyers*

Bargaining power of buyer is consider as a small threat. Car buyer doesn't have ability to force down the price, bargain for higher quality or more services because each buyer purchase at very small amount of the seller's products.

### *IV. Bargaining power of suppliers*

Auto makers invested for their own auto manufacturers to produce auto assembly and automotive part which increase the potential of buyers against suppliers since supplies needed are basic raw material that are substitutable and easy to find from many suppliers. The car industry competing in an industry with many suppliers are at advantage to negotiate prices, demand qualities. More over they are free to source assemblies globally. Assembles in Thailand are now free to buy parts and components from any manufacturers in the world instead of having to have a minimum Thai-sources. Suppliers are subsidiary of automaker, which cause low threat.

### *V. Rivalry among existing competitors*

Intense segment rivalry considered as a threat in car industry. Industry contains numerous, strong, and aggressive competitors. Competitive pressures among existing firms depend on the rate of industry growth. Car industry is considered as a stable growth rate, competition is more heated for any possible gains in market share. High fix costs also create competitive pressure for firms to fill production capacity. These conditions will lead to frequent price war, advertising battles, and new model introductions and will make it expensive for the company to compete.

#### **3.1.2 A New Competitive Dynamic : Cooperation in the Context of Competition**

Final assemblers cooperating on individual projects and product lines seem certain to remain strong competitors in other areas. This is because all companies will have competitive strengths, provided in some instances by their nationalities and production



locations. They will also have competitive weaknesses. No competitor will be uniquely strong along every dimension, including products, production systems, and market placement and access. Therefore, there will be many new opportunities for competitors to bargain strengths and weaknesses.

New models, technologies, and core components will be developed jointly when such activities are marginal for several companies but make sense collectively, when no single company has the financial resources to undertake the project alone, and when no producer can gain sufficient scale in solo manufacture to make the project profitable.

### **3.1.3 New Approaches to Organizing the Production Chain**

Auto production involves much more than the final assembler. Each product delivered to the consumer is a joint effort by thousands of suppliers, distributors, and financing sources whose actions must be tightly coordinated. This aspect of the industry's structure is also set for dramatic reorganization in the coming years. It will lead to less formal vertical integration but closer operational coordination among members of the production chain, with greater geographic concentration of production at the point of final assembly. This process will have several aspects.

### **3.1.4 Asian Free Trade Agreement & Thailand Government Policy**

According to the Asian Free Trade Agreement, the agreement will provide the international trade opportunity among the member country. And these agreements also have an effect directly with government to issue the law. International companies can take opportunity from these agreements and laws by expanding markets into other Asian member countries and also have new sources of raw materials. And the Thailand government has to set the policy to relate with the Asian Free Trade Agreement and support local companies to do international trade. Mazda company uses Thailand as a production base to export vehicles to foreign countries but they don't expect opportunity from the Asian Free Trade Agreement.

Joseph P. Guiltinan and Gordon W. Paul (1982)<sup>20</sup> said there are a variety of environment factors that can change, thereby creating either problems or opportunities for the firm. Among the most important of these is government policy. Government regulation and policies can influence either a firm's product mix or the capital available to it for productive purposes.

In Thailand, automobile industry is the one which government concerns and issues a law both support and obstruct automobile's entrepreneur. The automobile industry is affected by fuel-economy standards and by the luxury tax on automobiles.

#### Changes in the government policy.

- Increased value-added tax from 7 to 10 percent on August 16, 1997, led to a 2.8 percent increase in total car price.
- Increase surcharge 10 percent more from the previous rates for imported parts and components on October 14, 1997, led to a 0.8 percent increase in total car price.
- Increase in import tax for passenger cars from 42-62.5 percent to 80 percent on October 14, 1997, led to a 13.5 percent increase in total car price.
- Increase excise tax from 45 to 50 percent on November 5, 1997, led to a 10.7 percent increase in total car price.
- Annual interest rate is low (4-3 percent) which is not attractive for people to save money in the Bank.

### **3.1.5 Competitor Change**

Philip Kotler J.L. and Hermaan Kartajaya<sup>13</sup> identify Changes--- triggered by technological, economic, political/legal, sociocultural, and market forces---serve as "value

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<sup>20</sup> Joseph P. Guiltinan (Professor of Business Administration University of Kentucky) and Gordon W. Paul (Professor of Marketing University of Central Florida), 1982, "Marketing Management strategies and programs" R.R. Donnelley & Sons Company was printer and binder, p2.

<sup>13</sup> PHILIP KOTLER J.L. Kellogg Graduate school of management Northwestern University and Hermaan Kartajaya working at Mark Plus Strategy Consulting)

migrators”<sup>21</sup> These changes influence all the players within the industry. They alter the competitive landscape. It is therefore imperative for a company to closely monitor competitors’ activities in the hope of creating the right strategy. A company must be able to identify competitors who strategy. A company must be able to identify competitors who are likely to be stronger or weaker, or even to drop out of the competition, as a result of the “value-migration.” It should also pay attention to potential new entrants. By considering the competitive landscape, a company will know how tough the competition is likely to be.

David A. Aaker<sup>22</sup> identify competitor analysis starts with identifying current and potential competitors. There are two very different ways of identifying current competitors. The first examines the perspective of the customer who must make choices among competitors. This approach groups competitors according to the degree they compete for a buyer’s choice. The second approach attempts to place competitors in strategic groups on the basis of their competitive strategy. After competitors are identified, the focus shifts to attempting to understand them and their strategies. Of particular interest is an analysis of the strengths and weaknesses of each competitor or strategic group of competitors.

### 3.1.6 Customer Change

Philip Kotler identify that in a period of recession, consumers generally go through several stages in adjusting their purchasing patterns<sup>23</sup>:

- At first they maintain their old spending pattern, refusing to take their real-income loss seriously.
- As things get worse, they cut certain items from their budget and search for less expensive goods.

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<sup>21</sup> Value migrators are change drivers that cause value shifts within industry. See Adrian J.Slywotzky1996, Value Migration: How to Think Several Moves Ahead of the Competition (Boston: HBS Press).

<sup>22</sup> David A.Aaker ,University of California, Berkeley, Strategic Market Management”, John Wiley & Sons, Inc,fifth edition,pp.58-76.

<sup>23</sup> Philip Kotler1980, Marketing Management, 4<sup>th</sup> edition (Englewood Cliffs, N.J.:Pretice Hall),p.434.



- At a further point, they get angry and blame certain forces for the economic downturn—big businesses, unions, and the government.
- Later still, they start despairing of the situation and resign themselves to their lower standard of living.

The economic crisis that befell Thailand has changed Thailand consumers' buying behavior. As their purchasing power significantly eroded, consumers became more value-oriented in selecting products and services<sup>24</sup>. Consumers based their purchasing decisions not just on quality, but also on price. In the pre-crisis era, Thailand tended to be quality-oriented. During the economic crisis, they moved from being quality-driven to value-driven. And the former value-driven consumers moved toward being price-driven.

David A. Aaker<sup>25</sup> identifies that in most strategic market-planing contexts, the first logical step is to analyze the customers. Customer analysis can be usefully partitioned into an understanding of how the market segments, and analysis of customer motivations, and an exploration of unmet needs. Figure 3-1 present a basic set of questions for each area of inquiry.

Figure 3-1 Customer Analyses

## SEGMENTATION

- Who are the biggest customers? The most profitable? The most attractive potential customers? Do the customers fall into any logical groups based on needs, motivations, or characteristics?
- How could the market be segmented into groups that would require a unique business strategy? Consider variables such as

<sup>24</sup> See Hermawan Kartajave, I. Putu Mandau wijayanto, and Yuswohady1998, "Customer behavior in the economic crisis and its implication for marketing strategy, "Kelola: Gajah Mada University Business Review, No. 18/VII, pp. 104-136

<sup>25</sup> David A. Aaker University of California, Berkeley, "Strategic Market Management", John Wiley & Sons, Inc, fifth edition, pp39-53.

1. Benefits sought
2. Usage level
3. Application
4. Organization type
5. Geographic location
6. Customer loyalty
7. Price sensitivity

### **CUSTOMER**

- What elements of the product/service do customers value most?
- What are the customers' objectives? What are they really buying/
- How do segments differ in their motivation priorities?
- What changes are occurring in customer motivation? In customer priorities?

### **UNMET NEEDS**

- Why are some customers dissatisfied?
- Why are some changing brands or suppliers?
- What are the severity and incidence of consumer problems?
- What are unmet needs that customers can identify? Are there some of which consumer are unaware?
- Do these unmet needs represent leverage points for competitors?

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### **SEGMENTATION**

In a strategic context, segmentation means the identification of customer groups that respond differently than do other customer groups to competitive strategies. A segmentation strategy couples the identified segments with a program to deliver a competitive offering to those segments.

### **CUSTOMER MOTIVATIONS**

Consumer motivation analysis starts with the task of identifying motivations for a given segments. For a motivation such as car safety, respondents might be asked why safety

is important. Then the number of motivations can be in the hundreds, so the next task is to cluster them into groups and subgroups. Another task of customer motivation analysis is to determine the relative importance of the motivations, the customers can be asked to assess the importance of the motivations directly or perhaps through trade-off questions. The trade-off question asks customers to make difficult judgments about attributes. A fourth task is to identify the motivations that will play a role defining the strategy of the business.

## UNMET NEEDS

Unmet needs are strategically important because they represent opportunities for firms to increase their market share, break into a market, or create and own new markets. They can also represent threats to established firms in that they can be a lever that enables competitors to disrupt an established position.

In a period of recession, consumers generally go through several stages in adjusting their purchasing patterns<sup>26</sup>:

- At first they maintain their old spending pattern, refusing to take their real-income loss seriously.
- As things get worse, they cut certain items from their budget and search for less expensive goods.
- At a further point, they get angry and blame certain forces for the economic downturn—big businesses, unions, and the government.
- Later still, they start despairing of the situation and resign themselves to their lower standard of living.

The economic crisis that befell Thailand has changed Thailand consumer's buying behavior. As their purchasing power significantly eroded, consumers became more value-oriented in selecting products and services<sup>27</sup>. Consumers based their purchasing decisions

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<sup>26</sup> Philip Kotler 1980, Marketing Management, 4<sup>th</sup> edition (Englewood Cliffs, N.J.: Prentice Hall), p. 434.

<sup>27</sup> See Hermawan Kartajaya, I. Putu Mandau Wijayanto, and Yuswihady 1998, "Customer behavior in the economic crisis and its implication for marketing strategy," Kelola: Gajah Mada University Business Review, No. 18/VII, pp. 104-136



not just on quality, but also on price. In the pre-crisis era, Thailand tended to be quality-oriented. During the economic crisis, they moved from being quality-driven to value-driven. And the former value-driven consumers moved toward being price-driven.

### **3.1.7 Market Change**

Thailand had its own problems in applying both western and Asian values. It began to lose steam in applying Asian values, such as frugality and industry, because of its high macroeconomic performance over a long period.

Unfortunately, something was forgotten in viewing Thailand's impressive macroeconomic performance: Thailand had yet to manufacture products that could compete in the global market. True, its agricultural products had successfully gained access into the global market. But because Thailand is not endowed with abundant natural resources, it needed to maintain a frugal attitude, but forgot to do so.

Both the Thai government and the Thai people were inconsistent in applying Asian values. Economic success over a long period of time and high optimism led many Thais to adopt a consumptive attitude. They began spending beyond their means. They borrowed from banks to purchase Mercedes automobiles and yachts. This was tantamount to depending heavily on their future income.

Unfortunately, when Thailand began to undergo a decline in exports, which was actually attributable to a drop in their competitiveness, the Thais did not view it as a danger signal. Even when they had become heavy borrowers of both domestic and foreign currencies, the Thais did not consider this a danger.

Only when their export activities continued to decline and many companies missed their sales targets, did they become aware of the looming danger. By then, Thailand had incurred huge loans in foreign exchange and many fell due for repayment. It was too late, however. Thailand then fell into the crisis, which later also dragged down other Asian countries.

Market analysis builds on customer and competitor analysis to make some strategic judgments about a market (and submarket) and its dynamics. One of the primary objectives

of a market analysis is to determine the attractiveness of a market<sup>28</sup> (or submarket) to current and potential participants. A second objective of market analysis is to understand the dynamics of the market. The need is to identify emerging key success factors, trends, threats, opportunities, and strategic uncertainties that can guide information gathering and analysis. The analysis should include an examination of the market size, growth, profitability, cost structure, channels, trends, and key success factors.

- **Size**

A basic characteristic of a market (or a submarket) is its size. In addition to current sales, the analysis should consider the market's potential, that is, the additional sales that could be obtained if new users were attracted, new uses were found, or existing buyers were enticed to use the product or service more frequently.

- **Growth Prospects**

The analysis needs to assess the growth trend and product life-cycle stage for the industry and its submarkets. An investment in a declining industry is not always unwise, but it would be if the strategist held the erroneous impression that it was a growth situation. Conversely, it is important to recognize growth contexts even though they will not always be attractive investments for a given firm.

- **Market Profitability**

The profitability of the market depends on five factors—the number and vigor of existing competitors, the threat of new competitors, the threat of substitute products, the profit impact of powerful suppliers, and the power of customers to force price concessions.

- **Cost Structures**

One issue is what value-added stage represents the most important cost component. In the parcel delivery system, there is local pickup and delivery versus sorting and combining versus between-city transportation versus customer service. Achieving a cost advantage in

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<sup>28</sup> Market attractiveness, the market's profit potential as measured by the long-term return on investment achieved by its participants, will provide important input into the product-market investment decision.



an important value-added stage can be crucial. Another cost issue is whether the industry is appropriate for a low-cost strategy based on the experience curve model.

#### - **Market Trends**

Trends within the market can affect current or future strategies and assessments of market profitability. For example, an important trend in automobile is car engine, which provide the drive of high power and save the gasoline.

#### - **Key Success Factors**

A key success factor is a competitive asset or competency that is needed to win in the marketplace. Successful firm are usually strong in several key success factors and not weak in any. In the automotive business, key success factors might be characteristics that contribute to image, such as ambience or quality of car service center. A automobile company cannot complete successfully in the automobile business without creating a technological development.

The evaluation of some strategies will be affected by judgments made about the economy, particularly about inflation and general economic health as measured by unemployment and economic growth. Heavy investment in a capital-intensive industry might need to be timed to coincide with a strong economy to avoid a damaging period of losses.

The total sales of a passenger car segment declined sharply from 172,730 units sold in 1996 to 46,300 units in 1998 and recovered to 66,858 units in 1999. From 1988 to 1996, Honda recorded the highest rate of sales increase among Japanese makers. Its car sales increase from 6,735 units in 1988 to 40,328 units in 1996, representing almost six-fold increase. During the same period, Toyota's passenger car sales was up from 11,459 units to 51,576 units representing almost five-fold increase and Nissan also recorded more than 190 percent increase while other makers experienced a decline in sales. Mazda recorded biggest declined in sales, 1,339 units in 1988 and only 344 units were sold in 1999 and Mitsubishi recorded more than 20 % decline in sales during the same period. During the economic crisis, which occurred in mid-1997, Honda's sales was naturally declined but its market



share was up from 23.3% in 1996 to 31.7% in 1998.

Factors that contributed to the overall reduction in domestic cars demand are summarized as follows:

1. During the last quarter of 1995, in order to correct the mounted deficits, Bank of Thailand had tightened the lease-purchasing regulations for cars in which the buyers had to make the down payment not less than 25 percent of the total price and the payment period should not exceed 48 months, that led to decrease in sales across the country.
2. Since 70 percent of car sales was based on lease-purchasing type of payment through financial institutions, when the Thai government ordered the closure of 56 financial institutions in 1997, the domestic credits were not easily available as before the crisis.
3. The devaluation of the Thai baht on July 1997 contributed to the higher price for both imported and domestic assembled cars. Domestic assembled cars still rely on imported components and parts from abroad especially from Japan, 45-50 percent for passenger car and 17-20 percent for commercial cars. Srimoon(2002)

### 3.1.8 Dealer

David A.Aaker identify that an analysis of distribution systems should include three types of questions.

- What are the alternative distribution channels?
- What are the trends? What channels are growing in importance? What new channels have emerged or are likely to emerge?
- Who has the power in the channel, and how is that likely to shift?

Access to an effective and efficient distribution channel is often a key success factor. Channel alternatives can vary in several ways. Sometimes the creation of a new channel of distribution can lead to a sustainable competitive advantage.

An analysis of likely or emerging changes within distribution channels can be important in understanding a market and its key success factors. Channel power is related to customer power in market profitability analysis.

An understanding of the alternative distribution channels and trends can be of strategic value. Economic growth of each province in Thailand have strategic significance to mother company of automobile to consider settle the authorize dealer.

Distribution channel is the one of factors that directly affect to Mazda company's Market strategy and sale volume because when consumers purchase a car they will take time to collect information and consider not only the attribute of the car but also the service after sales which provided by dealer. Therefore, Mazda's dealer act like a sale representative branch to do marketing and take care customer on behalf of Mazda Head office in each regions. If the dealers do not follow Mazda Head office's policy, the marketing strategy will not be used with effectiveness.

## 3.2 Literature to support methodology and empirical findings

### 3.2.1 Relationship between Asian free trade agreement, Thailand government policy and Company's marketing strategy

Romalis(2001), showed the effect of preferential tariff liberalization on the direction of trade and suggests that NAFTA has had a substantial impact on North American trade. The study focuses on where the US sources its imports of different commodities from. It identifies the impact of NAFTA by exploiting the substantial cross-commodity variation in the tariff preference given to goods produced in Canada and Mexico. The empirical results suggest that Canada's share of US imports may have declined without NAFTA.

Thamsirisup(1990), showed government and business relations in Thailand. The research found that government and business relations are not homogeneous but varied. The nature of interaction between government agencies and companies depends on, among other things, the types of contact, such as legally compulsory and non-compulsory dealings, and



the characteristics of companies, such as size, origin and the extent of government control in the industry.

Srimoon(2002), When the economic crisis broke out in 1997, domestic demand was contracted. The whole industry was facing severe employee layoff and reducing vehicle output. The Thai government considered the exportation of vehicles would reduced the damage to the Thai automobile industry, it had encouraged auto makers to starting exporting their vehicles from the Thai plants. Japanese makers responded by exporting their vehicles from Thailand to other countries. Before the crisis, most makers concentrated on domestic sales except Mitsubishi who already used Thailand as its export base for its one-ton pickup truck. When the economy is back to its normal condition, most makers will likely, again, to focus on domestic market. Since the Thai government launched the liberalization policy for the automobile industry, imported cars had entered the market and the new investments from the American automakers, namely Ford and GM, has intensified the competition in the Thai car market. So the existing automakers, mostly those from Japan including Toyota, have to come up with the new strategy to be more competitive. Honda and Toyota had launched their new strategic small passenger cars for Asian buyers. Ford has a plan to manufacture a one-ton pick up truck, starting from early 1998, Toyota and Isuzu as market leaders have to create new marketing strategies to deal successfully with the more competitive environment. It is worth to note that government policy towards automobile industry plays an important role in carmakers' marketing development process.

### **3.2.2 Relationship between Competitor change and Company's marketing strategy**

Stephen(1980),the regressions on the direct vs. acquisition entry choice achieved very high overall explanatory power, support the hypothesis that barriers to entry have a systematic impact on this choice. The regressions on the market share gain of entrants suggested that direct and acquisition entrants were not one homogeneous sample in how market structure and their own characteristics affect their share gain.



### **3.2.3 Relationship between Customer change and Company's marketing strategy**

Sirayobhas(2000),suggested that automobile and these groups of product characteristics be affected directly to Thai consumer's attitude when evaluated high involvement product. More important, the results suggest that consumer's attitudes be based mainly through group of product styling and value. Major recommendations regarding to study finding suggest that firms should build product from consumer preferences, improve quality of the product and increase consumer involvement.

Srimoon(2002), The marketing development in automobile industry in Thailand by Japanese makers is gradually becoming more consumer-oriented. Consumer satisfaction in price, product and service have given more intention, partly due to the increasing competition from both within Japanese makers themselves and from Korean, European and American makers. And the Thai consumers are becoming more sophisticated and demanding better product quality and style, and better service. As a result, the marketing development of automobile in Thailand will become more challenging and needs more marketing skills and innovative marketing strategies in order to be competitive in a market that no longer a producer's market but consumer's market.

### **3.2.4 Relationship between Market change and Company's marketing strategy**

Osborn(1992), investigated management support systems as a critical enabler of strategic adaptation through interactive management controls. It examines this question by considering how management support systems influence the characteristics of interactive control systems. It then asks what organizational outcomes those control system changes support. This question is increasingly appropriate in the 1990s, where technological change, industry consolidation, and the globalization of markets increase the likelihood that high-level management teams will encounter new forms of competition and acceleration market change.

Msheliza(1991),showed that although strategic planning is relatively new in Nigerian insurance companies significant differences can be found among companies on the extent on which it is practiced. The next stage of the study is to analyze the environmental

factors affecting the strategy and performance of insurance companies in Nigeria. In particular the political, legal, social, economic factors as well as the structure of the industry are analyzed in order to identify their effect on the development of the industry, competition and performance of individual companies. Management decisions on corporate objectives and the quality of strategic planning are analyzed.

Srimoon(2002), The expansion of the Thai economy and the rising income of the Thai people, Honda, with an idea to capture the target customers who would switch from one ton pickup to a passenger car and those first time car buyers, City was launched in 1996.

### **3.2.5 Relationship between Dealer change and Company's marketing strategy**

Skinner(1983), was to analyze power-dependence relations between a manufacturer and dealers in a marketing channel, and determine the impact of environment linkages on manufacturer control. Results of the hypothesis tests indicated that both control measures were a function of dependence on the manufacturer for resources. Dealers' perceptions of control were inversely related to dependence on other manufacturers and joint programs. Manufacturer perceptions of control were inversely related to number of customers. The independent variables explained over 49 percent of the variance in dealers' perceptions of control, and about 38 percent of the variance in manufacturer perceptions of control.

Omar(1998), showed that whereas the motive for the dealers to offer better service are inversely related to the incentive payments, the motive for the manufacturer to invest in a new car brand is directly related to the incentive payments to the dealers. Another important dimension of the study is the theoretical analysis relating to the use of the mixed equilibrium concept in characterizing the optimal monitoring and service strategies for the manufacturer and the dealers, respectively. The analysis concludes that the level of service offered by the dealers should decrease with the cost of monitoring, and the frequency with which the manufacturer monitors the dealers should increase with the incentive payments. The data again lend support to these conclusions. The study finds a negative and significant relationship between service and monitoring cost, and a positive relationship between monitoring frequency and incentive payments.

Gilbert(1986), the study was that there exists a direct relationship between customer service satisfaction and sales success, as measured by market penetration. Dealer are the most visible link in automobile manufacturers' marketing chain and have the potential to enhance or degrade the corporate image on a local as well as national basis.

### 3.3 Conclusion of the previous study

According to the previous studies, it can be conclusion that main factors influencing company's marketing plan consists of government policy and the agreement between countries, competitor change, customer change, market change and dealership. Therefore, the researcher set the framework, showing factors influencing Mazda's marketing activities and strategies in the following chapter.





## Chapter 4

### Research Methodology and Framework

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This chapter covers the conceptual framework and techniques used in studying Mazda's marketing activities and strategies. The procedures and conceptual framework of the study are presented. Second, the research techniques are explained.

#### 4.1 Research Methodology

The Researcher studied "the factors influencing Mazda's marketing activities and strategies in 1997-2001" by on content analysis<sup>29</sup> as research methodology to study major changes in companies by historical analysis. Historical analysis<sup>30</sup> undertakes several important jobs: first, to understand a company's history in great details; second, to convey this history to present –day managers; and finally to act as agents of change. For these functions, the historian's training as scholar and teacher is essential. By stretching managers' awareness of the company beyond their immediate experiences, the historian enhances their ability to direct and cope with change.

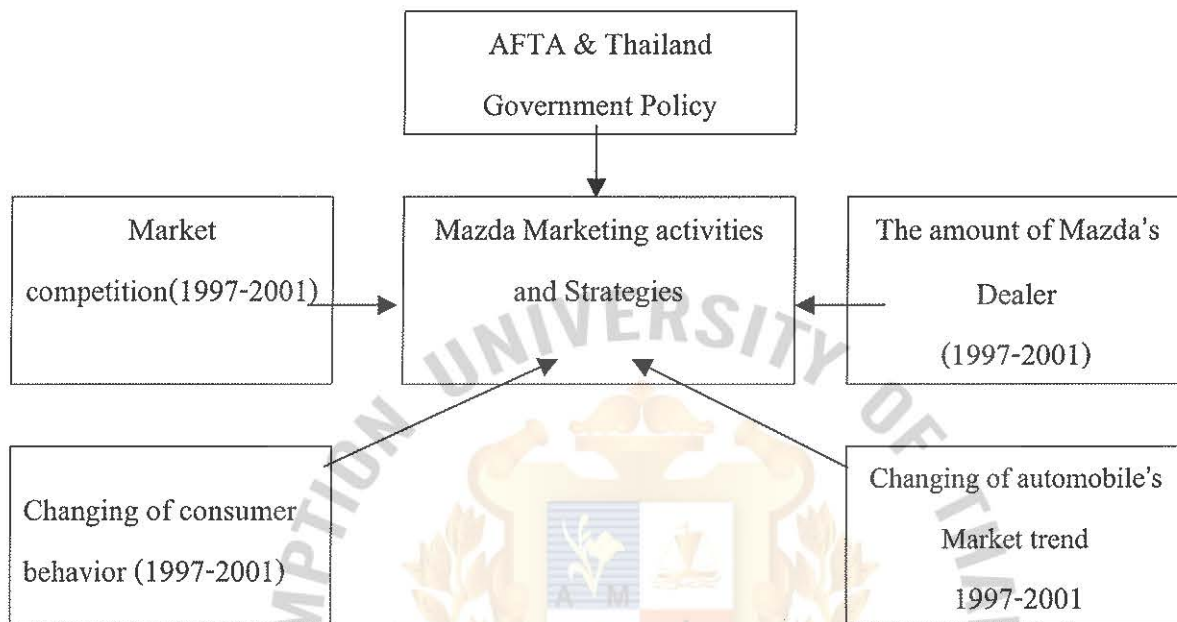
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<sup>29</sup> Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantify and analyze the presence, meanings and relationships of such words and concepts, then make inferences about the messages within the texts. Texts in a single study may also represent a variety of different types of occurrences.

<sup>30</sup> Gummesson Evert, 2000, "Qualitative Methods in management research" pp.83-155.

## 4.2 Diagram of Guiding Framework

**Figure 4-1: The factors influencing Mazda's marketing activities and strategies during Thailand economic crisis (1997-2001).**



## 4.3 Preliminary proposition

1. The government policies and Asian Free Trade Agreement (1997-2001) had an effect on Mazda's marketing management and objective. Romalis(2001), Thamsirisup(1990), Srimoon(2001).
2. Changing of consumer behavior (1997-2001) had an effect on Mazda's marketing management and objective. Sirayobhas(2000), Srimoon(2001).
3. Market competition (1997-2001) had an effect on Mazda's marketing management and objective. Stephen(1980).
4. Changing of Automobile market (1997-2001) had an effect on Mazda's marketing management and objective. Osborn(1992), Msheliza(1991), Srimoon(2001).
5. The amount of Dealer (1997-2001) had an effect on Mazda's marketing management and objective. Skinner(1983), Omar(1998), Gilbert(1986).

## 4.4 Expected outcome

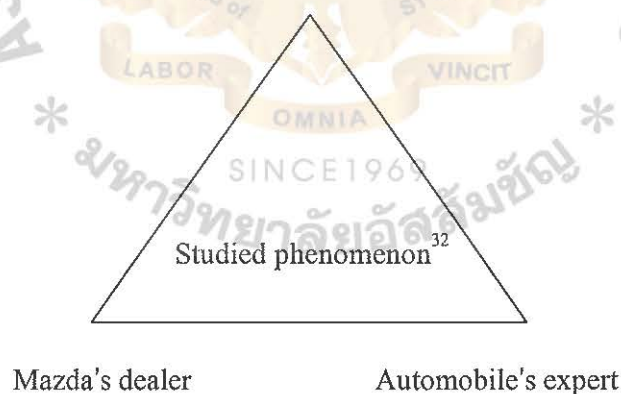
1. To identify factors that influence Mazda's marketing activities and strategies.
2. To investigate marketing activities and strategies used by Mazda to cope with factors that influence during 1997-2001.
3. To be able to draw a description of factors influencing marketing strategy as well as the relevant variables for a particular area of study.

## 4.5 Source of Data

To reduce the likelihood of misinterpretation, the researcher employs various procedures, two of the most common being redundancy of data gathering and procedural challenges to explanations (Denzin, 1989; Goetz & Le Compte, 1984). For qualitative casework, these procedures generally are called triangulation. Triangulation has been generally considered a process of using multiple perceptions to clarify meaning, verifying the repeatability of an observation or interpretation.<sup>31</sup>

Triangulation method is used to crosscheck findings deriving from different sources to assure the reliability and validity of the study.

Mazda's Marketing manager during 1997-2001



<sup>31</sup> Creative use of "member checking," submitting drafts for review by data sources, is one of the most needed forms of validation of qualitative research (Glesne & Peshkin, 1992; Lincoln & Guba, 1985).

<sup>32</sup> Data derived from documentary research on the studied phenomenon is cross-checked by interviews with Mazda's marketing directors.



The study relies on two kinds of data.

### 1. Primary Data

This type of data was collected from in-depth interviews<sup>33</sup> of the key people and experts in area of automobile in Thailand, mostly executives of Toyota, Honda, Mazda and Isuzu, also their dealers in both Bangkok metropolitan area are also interviewed. The researcher also interviewed an editor of Thailand automobile magazine and newspaper who are familiar with the history of Thailand's automobile market e.g. editor of Grandpix Magazine, Yuard-Yan Newspaper, Business-Thai Newspaper and other automobile-related newspaper and magazine.

Researcher conducted an interview with the following people.

1. Mr.PaPon RatanaChaiganon (February 11, 2001) marketing director Mazda Sales(Thailand) Co.,Ltd.
2. Mr.Todsapun Pukkajiam, Service and Spareparts Manager of Mazda City Co.,Ltd.
3. Mr.Tanid, An editor of Yuid-Yan newspaper.

### 2. Secondary Data

Public Data is collected from printed matter as follow :

- Magazine : Grandpix International magazine
- News paper : Pra-Char-Chard Turakij, Bangkok Business newspaper, Manager newspaper.
- Year book : Grand Prix World cars.
- Web-site : Mazda's web-site, Thailand commercial ministry of the government web-site.

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<sup>33</sup> Qualitative research is associated with depth rather than width. Therefore, the researcher conducted interviews with few people but spent longer time with them.

Previous study: Srimoon(2001), "Japanese Auto-makers' marketing development in Thailand", (unpublished) Ph.D. Dissertation, Graduate School of Economics, Kyoto University, Japan.

A Dialogue of Mazda executives and journalists :

1. Mr.Toshinori Mori (1997) managing director Sukosol and Mazda Co.,Ltd.(Do the interview by Paul Ishikawa and Jadesada Vongpanid from GPI magazine. )
2. Mr.Payun Sintuvorasad (September 27,1998) assistance marketing manager Sukosol and Mazda Co.,Ltd (Do the interview by Siam Business).
3. Mr.Tochio Vakiya (August 10,1998) managing director Sukosol and Mazda Co.,Ltd (Do the interview by KuKang Week Newspaper).
4. Mr.PaPon RatanaChaiganon (February 11, 2001) marketing director Mazda Sales(Thailand) Co.,Ltd (Do the interview by Siam Business Newspaper on )
5. Mr.David J.Gracoal (February 3,2002) managing director Mazda Sales(Thailand) Co.,Ltd.(Do the interview by Siam Business Newspaper).
6. Mr.ChurdChai Pounnak (November 12, 2001)president of Ford Operation(Thailand) Co.,Ltd.(Do the interview by Pacharchard-Turakij).

Speeches :

1. Mr. Supat Limpaporn (January 23, 2002), Board of Investment, at the 2002 Kenan Conference, "Driving the Thai Auto Industry : Strategies for Exports".
2. Mr. Anand Panyarachun (January 23, 2002) Chairman of the Board of Trustees, at the 2002 Kenan Conference, "Driving the Thai Automotive Industry : Strategies for Export".

## 4.6 Data Collection/Gathering Procedures

This thesis is the case study in the previous year of Mazda, The researcher choosed to study the journal of Mazda Managing director and Marketing director between 1997-2001 and also interviewed the persons who involve in Thailand

Automobile industry within year 1997-2001. For this interviewing, the researcher was allowed to record into the cassette.

The researcher interviewed Mr.Papon Ratanachaiganon marketing director Mazda Sales(Thailand) Co.,Ltd. The questions were set as follows :

1. What are the factors influencing Mazda's marketing strategy and activities?
2. How these factor influencing Mazda's marketing strategy?
3. What is Mazda's marketing strategy to cope with these factors?

The researcher also interviewed Mr.Thossapun Pukkajiam Service and spare parts Manager of Mazdacity Co.,Ltd. The question for the interviewee, was asked about the opinion, a point of view about product, service and administration of Mazda Sales company (1997-2001) and also collected the information that is not available to the public. The questions for the interviewee were set as follows:

1. What is your opinion about the KAMOL SUKOSOL COMPANY's marketing plan before Mazda Sales company is coming to take over it?
2. What is your opinion about Mazda Sales Company's marketing plan? And Do it
3. what is the main reason that makes the headquarter to take over Thailand's operation?
4. Have you ever felt pressure from the headquarter company's policy?

#### 4.7 Data Presentation

The research finding of factors influencing Mazda's marketing strategy during Thailand's economic crisis 1997-2001 and presented in Chapter five. The factors framework is then developed based upon the findings to draw relevant variables to the phenomenon to serve as past literature for future research of relevant topic. Proposition provability and conclusion made out of the study along with recommendation are finally presented in Chapter six as reference for various parties' applications purpose.



## Chapter 5

### Data Analysis

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This chapter presents by answering the following statement of the problem. What were the factors that influence Mazda's marketing strategy development in 1997-2001? How the factors effect Mazda's marketing strategy development in 1997-2001? And, what was the action of Mazda Company running their business in 1997-2001?

### 5.1 Data Analysis

5.1.1 How government policy and AFTA influencing Mazda's marketing activities and strategy?

#### Thailand Government Strategies to comply with world trade agreement (WTO)

Automotive industry in Thailand has been developed more than 35 years. it has started after revision of industrial Investment Promotion Act in 1962. The Office of the Board of Investment had promoted automobile assembler as special category. The policy revision was very successful in encouraging establishment of many assembly plants in Thailand.

In 1971, the government made a series of announcements to progressively increase localization. There was a boom in auto part production invested primarily by many Japanese and Thai subcontractor. However, the localization policy was not effective enough due to inadequate tariff incentives for CKD assembly to compete with CBU import and too many assembly plants and car models to make economies of scale possible.

In order to increase the economies of scale for local production, the government made a series of announcements. For example, the investment promotion of auto parts, prohibiting establishment of new passenger car assembly plants, banning import on CBU passenger cars, reducing passenger car models, raising import duty on CKD kits from 50 percent to 80 percent and simultaneously revising local content requirement ratios upward

and downward till finally, it is settled at 54 percent for passenger cars and 62 percent for commercial vehicles.

The automotive market in Thailand became unique with a very high proportion of 1-ton pick-up truck sales – roughly 50-60 percent of the local market. This type of vehicles is very popular in regional area outside Bangkok Metropolis. Localization and competitiveness of pick-up truck production were developed rapidly due to far less fragment nature of production and economies of scale.

Thailand embarked on an export drive in the late 1980s since a troop of Japanese auto part manufacturers came to Thailand. However, the economic crisis in mid – 1997 has caused a major impact on Thailand's automotive sector. The crisis depressed automotive sector as domestic market plummeted from 589,000 in 1996 to only 144,000 units in 1998, and then recovered to be 262,000 units in 2000. Many automotive assemblers and auto-part plants suspended their operations and lay off their workers due to insufficient demand and huge inventory. All of these are the essential factors driving the Thai automotive industry to be more export-oriented. In order to increase a global competitiveness of the industry, the government puts a great attempt to implement any possible strategies to support the local entrepreneurs to work well in an international market. It becomes clear that the export trend in the Thai auto sector will undoubtedly increase. The followings are the export promotion policies for the Thai automotive industry.

#### The Government's Policy to drive the Export of Thai Auto Industry

Thailand's automotive exports are a result of necessity rather than planning. The factories now producing for export were originally built to serve the domestic market. They were forced to export when the domestic market collapsed in 1998. Successful growth in exports over the long term, however, needs planning and cooperation. Some of the challenges are worth noting :

- Improving the quality and reliability of local parts suppliers.
- Helping link parts suppliers into the electronic networks that control the supply chains of world's major manufacturers.

- Upgrading training institutions so workers and engineers have the skills that the industry needs.
- Refining management education so that entry level managers have a strong basis for the sophisticated skills needed by the automotive industry – international marketing, operations, environmental management systems, computer-based supply chain management and the management of innovation.
- Participating in the development, design and refinement of new vehicles and parts – establishing Thailand a regional R&D center for vehicles designed to meet the needs of the Asian market.

The Thailand automotive industry has shifted from domestic to global market. In this period, export will be the name of the game. Through 2002, Asian production should grow at a faster rate than sales. Thus the Thai government has brought in various measures to encourage the exportation of auto sector as follow;

- *Production of World Cars*

The main attractiveness of Thailand was the automotive policies that are somewhat different from those implemented by other Southeast Asian countries. While other countries have pursued the production of “national cars” under government leadership and guidance. Thailand has placed emphasis “world cars” with a clear strategy to make Thailand an integrated automotive hub for the region. Foreign ownership of vehicle assemblies facilities has been welcomed and our door is widely opened for free competition among all the major world players. The successful of the policy has proved by the world auto makers’ decision to set up an export-oriented production base in Thailand such as GM and Ford.

- *Promotion of Supporting Industry*

Thailand's government emphasizing on the promotion of supporting industries by granting special privileges, the board has specified the list of “supporting industries”. Projects in ABS brake systems, electronic fuel injection systems, the substrate for catalytic converters and the production of machines and measuring device and equipment are



classified as supporting industries, making them eligible for eight year corporate income tax holiday and exemption from import duty on machinery regardless of zone.

Besides granting extra incentives to promote supporting industries, BOI has set up **BOI Unit for Industrial Linkages Development (BUILD)** to foster the development of subcontracting relationships between Thai parts and components of subcontracting relationships between Thai parts and components manufacturers and end-products assemblers. And, we offer a computerized information system to facilitate subcontracting opportunities for foreign buyers looking to establish a sourcing network in Thailand.

- *Elimination of The Export Requirement*

To further reduce production costs for Thai exports, the BOI announced the elimination of the requirement to export at least 30 percent of total sales in order to be eligible for import duty exemption on raw material.

- *Permit Wholly-Foreign Owned Project*

In a measure designed to help solve liquidity problems of the existing promoted companies, the Board announced that majority foreign ownership would be permitted if agreed to by existing Thai shareholders. This will enable foreign partners to inject needed capital into joint ventures, in the event local partners are unable to do so. With adequate capital, it will enable them to proceed export activities including develop and improve their productions for a new market.

- *Deregulating and Increasing Liberalization*

For far too long the Thai government have adopted policies based on local content, high import duties and putting in place impediments to investment. The result is a fragmented and relatively inefficient auto industry. Liberalizing in other sectors provides an experience that deregulation can create competition, which forced local industry to improve their capabilities, which in turn increased demand for export.

Consequently, the government decided to move from protection to liberalization.

One of this moving is the abolishment of local content requirements since 1 January 2000, Eliminating local content and consistently liberalizing the investment environment, we can attract automotive assemblers, as well as world-class parts and components manufacturers.

By deregulating the auto industry, government can attract world-class manufacturing technology and produce high quality products that are price-competitive with those produced anywhere in the world, thereby creating high export potential for local vehicles and parts. Furthermore, the lift of local content requirement will make auto assemblers more flexible of part sourcing which will result in cost-efficient whilst still keeping high quality products.

In addition, Thailand will further liberalization international trade and services by gradually reducing industrial protection in accordance with rules and regulations imposed by the World Trade Organization (WTO) and ASEAN Free Trade Area (AFTA).

- *Regional Integration*

As many local suppliers still suffer from reputations for substandard quality and cost control. One of the challenges facing us at present is to integrate them into regional and global supply chain of the key auto-makers so that they will be able to acquire the technical assistance and become more competitive by upgrading product development, and research and development.

In addition to the ASEAN Free Trade Agreement, ASEAN members have to work closely to cooperate in the area of investment promotion, both with joint missions to Japan, Europe and the U.S., and developing of the ASEAN Supporting Industry Database(ASID).

For ASID, it is a prime example of promoting local players in each country, it is a free service within ASEAN for supporting industry companies, its extensive database helps market the capabilities of parts and components manufacturers not only in the region but throughout the world.

- *Human Resource Development*

It is necessary to train these human resources not only to repair the automobiles, but also the assemble automobiles, to manufacture auto parts, and to design new models,

especially when the new system of part source is applied, the suppliers have to develop parts themselves not just only produced according to ready made design as in the past. Hence, the government and private sectors must walk side by side on this issue.

All of this, of course, comes down to the government – and the Thailand government

attempts to drive Thailand's automotive industry as an export production not only in the region but also in the worldwide market.

### **Critical Analysis**

According to government's policy to comply with word trade agreement and Asian free trade agreement, Mazda Motor(Japan) decided to directly invest in Thailand and take a full control from Kijkamolsukosol group that managed Mazda in Thailand since 1952. Mazda began a joint venture with Ford to establish Auto Alliance Plant (Thailand) at Rayong province to produce only one-ton pick up truck. This plan also produces Mazda and Ford pickup truck to export worldwide. At present, the exported pickup trucks from Thailand are successful in many markets such as Australia, New Zealand, South American and European, and Asian countries. For other models of Mazda, they have been settled the factory in Philippine which produces Mazda 323 Protégé and are exported to Asian countries.(Interview, Luis Booth)

#### **5.1.2 How competition influencing Mazda's marketing activities and strategies?**

Thailand witnessed rapid restructuring after many companies boost their capital, financed primarily by their foreign parent companies. In the case of joint ventures, the Japanese partners were responsible for most of the capital injection. Many companies have redirected their target to export market for survival.

In crisis, of course, there was opportunity. There was a new phenomenon that transformed Thai automotive sector from import substituting to export industry. As many world-class auto-makers, rather than move out of Thailand, they began using their factories as their production base for export market, not just for Southeast Asia, but for Asia Pacific.



Mitsubishi decided to relocate its factory from Japan for its pick-up trucks. US auto makers also decided to reenter Thai market to make Thailand their main production bases for Asia and Pacific, led by Ford and followed by GM and BMW. GM and Isuzu, will also collaborate to produce all new pick-up model in 2003, after Isuzu relocates its pick-up production line from Japan to Thailand. The project will add as much as 50,000 units annually to Thailand's export.

The competitors such as Toyota, Honda, Mitsubishi and Nissan, each has the economy project car and just already launched the product to the market. In addition, they prepared other levels for more competition at the low market such as Toyota Soluna, it was expected to launch during the year 1997. The car in this economy project car of Nissan company was beyond, Toyota collola and Honda city. The latter was so popular at the beginning of year 1996.

Srimoon J.(2002)Toyota had started to study about how to capture the rising demand of passenger cars of the middle class group and produce a family car that suits the taste of the Thai consumers and the condition of the Thai roads and climate. It came up with its new Affordable Family Car concept, so called " Soluna" which was also called Asia Car by the media. And also due to the increasing competition from other auto-makers especially Honda which also launched its new Asia Car, "CITY".

### **Critical Analysis**

Mazda Motor(Japan) also completely entered to Thailand's automobile market in 1999. Mazda has been struggling to maintain its market share due to lack of attractive products for each market segment. They had only the Fighter pick-up truck and the 323-passenger car offering in the Thai market. In order to strengthen Mazda brand differentiation, they will continue their breakthrough marketing strategy, together with emphasizing their sporty product heritage. Mazda plans to introduce new products to the market every quarter, including special edition model, minor change models and two all-new products to cover the SUV (Sport-Utility-Vehicle) and MPV (Multi-Purpose-Vehicle) in the second half of 2002. Mazda image would be clearly different from other

competitors, by continuously implementing the "Zoom-Zoom", concept. Products that Mazda introduces to the market are set to emphasize their leading-edge design and engineering capability, whether the vehicle be a fighter pick-up truck, 323 protégé, MPV, Tribute and MX-5 sports car.(Interview, Papon Ratanachaiganon)

### 5.1.3 How consumer behavior influencing Mazda's marketing activities and strategies?

The five ranging of important factors that influence customer to making decision purchasing car.

The research result<sup>34</sup> by Brand-Age Research House showing the factor the influence customer to making decision purchasing car by refer overall country was showed as follow:

"For Sedan Car and One-ton Pick-up Truck, audience concern on durability of engine as the first factor, to save gasoline, engine capability, cheaper fee of repair and spare part, warranty as the second, third, forth and fifth respectively."

The research result by Brand-Age Research House showing the factor that influence customer to make a decision to purchase a car by refering gender of overall country. Male customers concern on 5 factors respectively as follows: engine capability , durable of engine, saving gasoline, the cheap price of repair and spare part and long live warranty.

Female customers concern on durable of engine as the first factor, saving gasoline as a second, engine capability as a third, the cheap price of repair and spare part as a fourth, and then long live warranty as a last factor.

### **Critical analysis**

Mazda has a plan to develop the company image by pursuing the following three areas: 1) Developing services 2) Developing dealers and 3) Developing strategies on new

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<sup>34</sup> BrandAge Magazine, the seventh edition, August 2543.

marketing strategies on products, selling prices, which will enhance Mazda image in Thailand more positively.(interview,David Graecole)

The company wants to stress Mazda image in the areas of engineering, design , performance handing by the engineering team and marketing team. They are coordinated regularly in order to produce the cars that could respond directly to the customer's needs. The company also wants to build up brand loyalty by producing the cars that could respond to customer's needs. The company's objective is to present Mazda to the auto market by the three connections of "Brand+Product+Communicate". This has become the origin of Zoom-Zoom concept that was considered to be emotional connection between consumer and product. The company puts efforts to promote and presents their own outstanding area, especially the option that would be its inimitable identity.(Interview, Papon Ratanachaiganon)

#### 5.1.4 How market trend influencing Mazda's marketing activities and strategies?

Factors that contributed to the overall reduction in domestic cars demand are summarized as follows:

1. During the last quarter of 1995, in order to correct the mounted deficits, Bank of Thailand had tightened the lease-purchasing regulations for cars in which the buyers had to make the down payment not less than 25 percent of the total price and the payment period should not exceed 48 months, that led to decrease in sales across the country.
2. Since 70 percent of car sales was based on lease-purchasing type of payment through financial institutions, when the Thai government ordered the closure of 56 financial institutions in 1997, the domestic credits were not easily available as before the crisis.
3. The devaluation of the Thai baht in July 1997 contributed to the higher price for both imported and domestic assembled cars. Domestic assembled cars still rely on imported components and parts from abroad especially from Japan, 45-50 percent for passenger car and 17-20 percent



for commercail cars.

4. Changes in the government policy.

--Increased value-aded tax from 7 to 10 percent on August 16,1997, led to a 2.8 percent in crease in total car price.

--Increase surcharge 10 percent more from the previous rates for imported parts and components on October 14, 1997, led to a 0.8 percent increase in total car price.

--Increase in import tax for passenger cars from 42-62.5 percent to 80 percent on October 14, 1997, led to a 13.5 percent increase in total car price.

--Increase excise tax from 45 to 50 percent on November 5, 1997, led to a 10.7 percent increase in total car price.

**Main Factors which have direct effect to Thailand automobile industry.**<sup>35</sup>

- The higher rate of Non-performing Loan (NPL).
- Continuous decrease of agricultural product's pricing.
- Increasing trader of second hand car.
- Increasing of new car price.
- Decreasing of Consumer's revenue.

**The Factors to stimulate Thailand automobile industry.**<sup>36</sup>

- Reducing of a value added tax from 10 percent to 7 percent on March 30,1999.
- Annual interest rate is low(4-3 percent) which is not attractive people to save money in the Bank.
- Customer rapidly makes decision to purchase new car because of an informed source of increasing car's price.
- People have believed in Government policy, which stimulates Thailand's economic.
- Car traders have a promotion campaign for a whole year such as offer discount for service fees, introduce a new car model and so on.

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<sup>35</sup> "Tharnseadtakit Newspaper" September 19,1999.p27.

<sup>36</sup> Thai Farmer Bank's researching Center.

## Critical analysis

In promotion Mazda also sets push strategy which the company arranged different kinds of sale promotion e.g. low interest rate for car loan. The company did not pursue aggressive sale promotion because this might make Mazda's brand become a cheap brand.

(Interview,Papon Ratanachaiganon)

### 5.1.5 How the amount of Dealer influencing Mazda's marketing activities and strategies?

*Kijkamonsukoson group's era (1997-June 30,1998).*

Sukosol Mazda Sale Company have 75 dealer and 136 places of car showroom, a relationship with their dealer as same as a member in the family, they did not set the strong standard for dealer any more.

*Mazda Sales (Thailand) Company's era.(July 1,1998-2001).*

Mazda Sales (Thailand) have 60 places car showroom as a distributor, a relationship with their dealer as same as a trader, they set the strong standard and also require 3 basic mission for their dealers as follow:1) Provide product and service to satisfy customer needs. 2)Increasing 10% of market share for Mazda car. 3) Creating good image for Mazda's product and organization. Mother company also set standard for sale and marketing strategy, accounting, inventory system, and selling system by advice every step closely.

Some old dealers can not accept the standard of mother company by give the reason as follow:

- Mother company's policy is a cause of higher dealer cost such as invest more 400,000bt – 500,000 bt. for service center's machine.
- The dealer did not get a convenience service from mother company because of Mazda's management still belong to Ford Motor Sales Company.

## Critical analysis

Mazda publicized that the problems related to distributors affected the sales target of Mazda car. After they lost eight showrooms in Bangkok from the dismissal of an authorized dealer, Kijkamonsukosol. In 2000, Mazda reduced its sales target from 7,000 to 6,000 units of cars because sales for the last ten months of the year the company was only 5,000 units. As a result, the cooperation from dealers to move in the same direction is necessary. Sydaby Mazda was promoted to be the sale representative in Bangkok area. The main policy of the company on recruiting the dealers or representatives would focus the previous dealers to add more branches. (Interview, Papon Ratanachaiganon) With this, focuses would be able to cover services all areas. It means the company would not concentrate finding the new dealers to avoid competition among the existing dealers. These dealers would be encouraged to provide the maximum satisfaction to the customers. Mazda would upgrade the dealers and develop more standards for the service centers with four major projects. The first project was the "Service Upgrade", which was expected to create maximum customer satisfaction. The second project, Mazda would install the EPC system (Mazda Electronic Parts Catalogue) at dealers nation wide. The third project was the development of transportation for parts for 24-hour services. The forth project was to bring in the equipment for car deficiency analysis or World wide Diagnostic System(WDS).(Interview, Signami Uotani)

## 5.2 Mazda's Action within the dynamic environment

According to an interview with Mr.PaPon Ratanachaiganon marketing director Mazda Sales(Thailand) Co.,Ltd., he asserted that after the company conducted SWOT(strength, weakness, opportunity, threat) analysis, the company has a plan to repositioning Mazda's brand and present product to serve niche market by setting brand strategy; which consist of concern on product attribute and brand personality, in order to create brand loyalty. The company has a policy and many market activities to follow brand strategy as follows:



1. To dismissal Kijkamon-Sukosol company who is the major Mazda car distributor in Bangkok from authorize dealer. There are many reasons to stop selling Sukosol Mazda car as follows:
  - Different management principle
  - Unable to attain sales targets
  - Unsatisfactory business performance.
2. To produce cars that meet the customer's needs by considering the price and quality as important factors.
3. To manage the areas of sales and operation for customer to exceed customer's expectations.
4. To upgrade the dealers and develop standards for the service centers with 4 major projects. The first project was the "Service Upgrade", which was expected to create maximum customer satisfaction. The second project, Mazda had introduced its EPC(Electronic Part Catalog) system which is a computerized parts ordering and checking system and parts stocking system between MST and its dealers. The third project was the development of transportation for parts for 24-hour services. The forth project was bringing in the equipment for car deficiency analysis or WDS (Worldwild Diagnostic System), which is capable of diagnosing the condition of Mazda cars to improve efficiency and speed of service.
5. Mazda company appointed Sydaby Mazda to be the sale representative in Bangkok area.
6. The company prepares to launch many new models of car to the market such as Primacy Fighter with a new look.
7. Setting the strategies that in line with the competitive environment. The strategies were consisted of reducing sale price, gift distribution, premiums, low install payment, long term install payment, low interests or free of charge for car maintenance.
8. Planning to increase showrooms both in Bangkok and other provinces under the propose of providing service to cover more areas.

9. Recruiting the dealers or representatives, the company would focus the previous dealers to add more branches.
10. According to the surveys and focus groups, the weak point of Mazda company is they could not present information clearly to see the efficiency of its product. Therefore, Mazda company would like to establish special activity team to present product attribute, product knowledge to the target customers.



Figure 5-1 : Data analysis

Factors	Relation between Factors and Mazda's marketing activities and strategies	Mazda's action within the dynamic environment	Mazda car sales volume
Thailand's Government policy and Asian free trade agreement issue.	<ul style="list-style-type: none"> <li>- Government launched the policy to drive the export of Thai Automobile industry(Limpaporn2002).</li> <li>- Thai government adjust the legal from protection automobile industry become launch the new legal which relate world trade's agreement and seeking development methods in order to compete in the world market(Vanichseni 2002).</li> <li>- The scheme commits ASEAN</li> </ul>	<ul style="list-style-type: none"> <li>- Mazda Motor(Japan) decided to directly invest in Thailand and took a full control from Kijkamolsukosol group(Luis Booth2000).</li> <li>- Mazda began to do a joint venture with Ford in order to establish production factory for export worldwide(Luis Booth2000).</li> <li>- Mazda motor(Japan) settled</li> </ul>	<ul style="list-style-type: none"> <li>- 1997 : Mazda sales were 12,426 units of vehicle on 4.1 percent of total market share.</li> <li>- 1998 : Mazda sales were 4,940 units of vehicle on is 4.2 percent of total market share.</li> <li>- 1999 : Mazda sales were 3,779 units of vehicle on 1.8 percent of total market share.</li> <li>- 2000 : Mazda sales were</li> </ul>



	<p>member countries to reduce tariffs to 0-5 percent by the year 2003, in order to encourage intra-ASEAN trade (Terdudomtham 1997).</p> <ul style="list-style-type: none"> <li>- The agreement of AFTA will provide the international trade opportunity among the member country. And these agreements also have a effect directly with government to issue the law (Joseph P. Guiltinana and Gordon W. Paul 1982 )</li> </ul>	<p>the factory in the Philippine which produces Mazda Protégé and exports to Asian countries (Luis Booth 2000).</p>	<p>7,243 units of vehicle on 2.8 percent of total market share.</p> <ul style="list-style-type: none"> <li>- 2001 : Mazda sales were 5,920 units of vehicle on 2.0 percent of total market share.</li> </ul>
Competitor	<ul style="list-style-type: none"> <li>- Most of Auto-maker decided to relocate its factory to make Thailand to be their main production bases for Asia and</li> </ul>	<ul style="list-style-type: none"> <li>- Kijkamonsukosol launch promotion program to attract consumer.</li> <li>- Kijkamolsukosol reduce</li> </ul>	

	<p>Pacific for its pick-up trucks(Srimoon2002).</p> <ul style="list-style-type: none"> <li>- The competitors (Toyota,Honda, Nissan) have the economy project car(Toyota Soluna, Honda City) and launched the product to the market(Srimoon2002).</li> </ul>	<p>selling price of product(Treerattanapitak1997,General manager for Mazda Marketing department).</p> <ul style="list-style-type: none"> <li>- To dismissal Kijkamon-Sukosol company from authorize dealer (Daily Manager Newspaper 2002).</li> <li>- Setting the strategies that applied with competitors by reducing sale price, road show for test drive and so on .</li> </ul>	
Customer	<ul style="list-style-type: none"> <li>- The economic crisis that befell Thailand has changed, consumers became more value oriented in</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasizing the research was called "engineering concept" which focus on</li> </ul>	

	<p>selecting products and services(Philip Kotler 1980).</p> <ul style="list-style-type: none"> <li>- The research(2000) showing that consumer concern on durability to making decision purchasing sedan car and one-ton pickup truck(BrandAge Magazine 2000).</li> </ul>	<p>concept" which focus on customer's needs as mainly (Treerattanapitak1996,General manager for Mazda Marketing department).</p> <ul style="list-style-type: none"> <li>- Setting special activity team for expanding customer group(David Graecole 2001).</li> <li>- Mazda impose each dealer to increase the investment to install 2 piece of equipment for upgrade service center's effective (David Graecole 2001).</li> <li>- Mazda has a plan to</li> </ul>	
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		<p>develop the company image by pursuing the following three areas:1) Developing service 2) developing dealers and 3) Developing strategies (David Graecole 2001).</p> <ul style="list-style-type: none"> <li>- Mazda wants to stress brand image in the areas of engineering, design, performance handling by coordinate of the engineering team and marketing team (Papon 2002).</li> </ul>	
Dynamic of market	<ul style="list-style-type: none"> <li>- Annual interest rate is low(2-3</li> </ul>	<ul style="list-style-type: none"> <li>- Mazda also sets promotion</li> </ul>	

	<p>percent) which is not attractive people to save money in the bank.</p> <ul style="list-style-type: none"> <li>- Value migrators influence all the players within the industry which imperative for a company to closely monitor competitor's activities in the hope of creating the right strategy(Kotler, "Repositioning Asia from Bubble to Sustainable Economy").</li> <li>- The higher rate of Non-performing Laon(Tharnseadtakit Newspaper 1999).</li> <li>- Decreasing of agricultural product's pricing.</li> <li>- Decreasing of consumer's revenue.</li> </ul>	<p>program as push strategy for a whole year, which the company arranged different kinds of sale promotion e.g. low interest rate for car loan.</p> <ul style="list-style-type: none"> <li>- Mazda establish "Mazda leasing" for responsible Mazda car leasing.</li> </ul>	
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	<ul style="list-style-type: none"> <li>- The tax structure on automobile was adjusted.</li> </ul>		
Number of Dealer	<ul style="list-style-type: none"> <li>- In 1997-1999, Mazda have 75 sales representative and 136 car showrooms. After dismissal Sukosol Mazda and other dealer who could not follow Mazda's policy, which reduce number of dealer to be 60 places car showroom as a distributors(Pukkajiam 2002).</li> <li>- Mazda publicized that the problems related to distributors affected the sales target of Mazda car(Prachachard turakij Newspaper 2001).</li> </ul>	<ul style="list-style-type: none"> <li>- Promoting new sale representative who readiness for the capital and business operation(Papon 2001).</li> <li>- Focusing the existing dealers to add more branches(Papon 2001).</li> <li>- The company provide supports on regional and local markets by using the strategy of Guerilla Marketing.</li> </ul>	



	<ul style="list-style-type: none"> <li>- Mazda reduced its sales target from 7000 to 6000 units.</li> <li>-</li> </ul>		
Exchange rate	<ul style="list-style-type: none"> <li>- The continuous depreciation of the baht since May 1997 raised prices of imported automobiles.</li> <li>- Mazda company have more debt from baht devaluation.</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Mazda motor(Japan) decided to injected Bt 1.9 billion into Mazda Sales Thailand which raising its owner-ship to 93 percent stocks holder.</li> <li>- Join venture with Ford Motor to establish Auto-alliance manufacturing.</li> <li>- Having a plan to import car from Philippine who is ASEAN member countries.</li> </ul>	
The variety of product	<ul style="list-style-type: none"> <li>- Mazda company lacks of attractive products for each market segment</li> </ul>	<ul style="list-style-type: none"> <li>- Launching new products and present in five</li> </ul>	

	<p>,they had only Mazda fighter and Mazda Protégé.</p>	<p>segments of the market: pick-up truck, passenger cars, sport-utility vehicle, Multi-purpose vehicle and sports car.</p>	
<p>The product dependency</p>	<ul style="list-style-type: none"> <li>- Mazda was released from committed oneself with limited form of product, which was distributed under the Isuzu Golden power.</li> <li>- Mazda was taken over by Ford Sales company, both companies provide similar kind of products.</li> </ul>	<ul style="list-style-type: none"> <li>- Mazda using brand strategy to differentiate from Ford.</li> <li>- Mazda will continue to emphasize its brand heritage and product characteristics by using its global "Zoom Zoom" concept.</li> </ul>	

## Chapter 6

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### Conclusion

As the statement of problem was established around the following: First, what are the changes in Mazda Company in Thailand during the economic downturn, 1997-2001? Second, How did Sukosol Mazda Sales company cope with the economic downturn? Third, What was the action of Mazda Motor Corp(Japan) for Thailand automobile market between period of economic downturn year 1997-2001? The researcher found that Thai baht was devalued, Mazda company have more debt due to import vehicle from Japan. And Kijkanorsukosol did not have effective plan due to limitation of budget. So, Kijkamonsukosol group holding 60 percent of Sukoson Mazda Cars Company(SMC) stocks was taken over by Mazda motor Corp by holding 93 percent of common stock. They also closed Sukosol Mazda Industry company and established a Auto Alliance(Thailand) by joint venture with Ford Motor Corp to produce one-ton pickup for Mazda and Ford. After Mazda was managed by Mazda Motor Corp (Japan), they provide higher standard to employees and dealers. They also set market plan in order to create brand image and import more model of vehicle to catch more target group.

The objectives of this study are established around two questions. First, to analyze the changes of Mazda Company in Thailand between 1997-2001, due to economic downturn and the transformation of Thailand's automotive industry from a domestically focussed assembly business into a internationally competitive vehicle manufacturing industry. Second, to propose the recommended framework for the factors which affect Mazda Company's marketing strategies development during economic downturn. From the analysis of information collected from various sources, the researcher found that the factors influencing Mazda's marketing strategy are not limited to five factors as previous set as preliminary propositions.



1. Government policy and Asian Free Trade Agreement (AFTA) : The Thai government has a policy to support exporting relative to AFTA such as incentive tariff among South-East Asian members, and Mazda company takes the opportunity by relocating its one ton pickup truck factory to Thailand for domestic selling and export to the world market.
2. The number of dealer : After the dismissal of Kijkamolsukosol company from the authorized dealer, Mazda company automatically lost eight car showrooms in Bangkok area. Mazda Sales Company publicized that the problems related to distributors affected the sales target of Mazda car which set for 7,000 cars but the sales for the last 10 months the company could sell only 5,000cars in 2001.
3. Consumer behavior: Due to economic downturn, unemployment expanded because of many large firm downsizing. Most of consumer will concern on the attribute of car which can save gasoline more than the attribute of car which provide more engine capability.
4. Competitor : "Toyota Soluna" and "Honda City" is the car model that can satisfy consumer needs by providing consumer a fuel-saving engine. However, Mazda car's provides more engine power.
5. Dynamic of Market environment : Mazda also considers Bank's interest rate who launch Mazda promotional program .

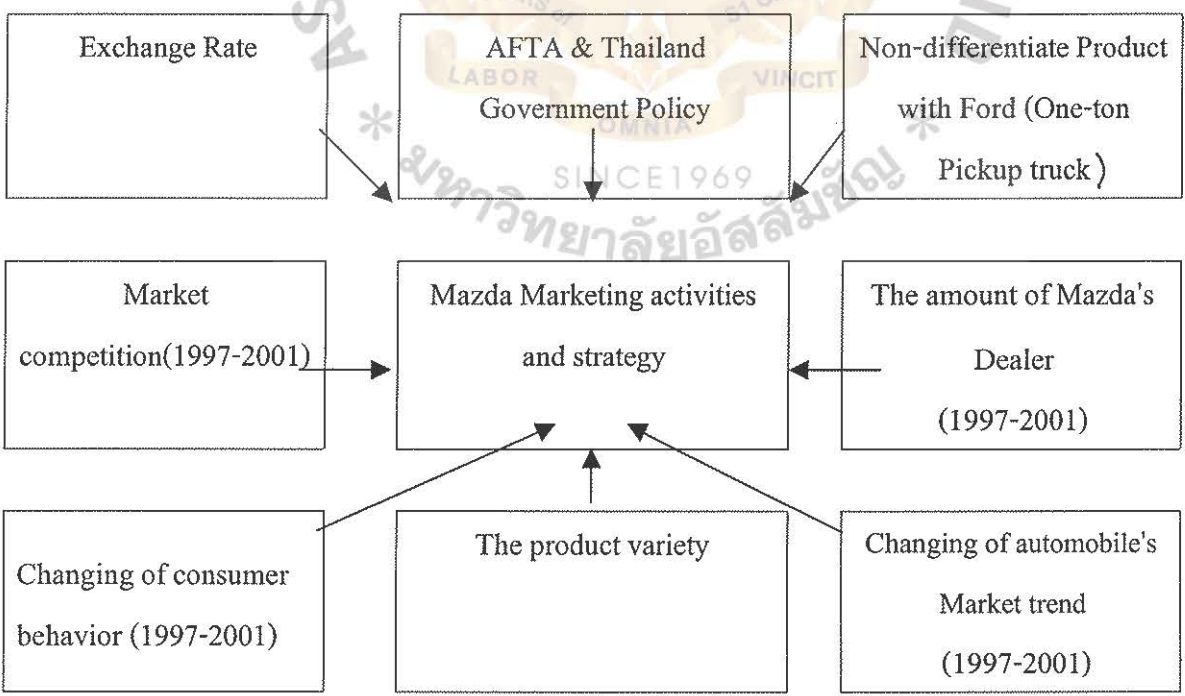
The researcher had discovered additional important factors influencing Mazda's marketing activities and strategies as follow:

1. Exchange rate : After Kijkamonsukoson suffered from devaluation of Thai Baht. The continuous depreciation of the baht since May 1997 raised the prices of imported automobiles. Second, the credit crunch in the Thai banking system in late 1997 until mid-1998, following the suspension of 56 finance companies, had adversely affected automotive demand. Consumers' purchase of automobiles was sharply curtailed since over 70 percent of sales were financed through credit. Third, Mazda company have more debt. Forth, the tax structure on automobiles was adjusted which caused prices

to increase. Value added tax (VAT) was raised from 7 percent to 10 percent in October 1997, the government likewise increased the import tariff on CBU passenger cars. For cars with engine size of 2400 c.c. and below, the tariff was adjusted from 42 percent to 80 percent. This was one of the reasons Mazda decided to choose being conservator and there was no important planning.

2. The variety of product : Mazda company lacks of attractive products for each market segment (Mazda fighter and Mazda Protege) and inadequate support by marketing programs.
3. The product dependency: Previously, Mazda was released from committed oneself with limited form of product, which was distributed under the Isuzu Golden Power. When Mazda was taken over by Ford Sales company, they have an independent management from Ford Sale company however both companies provide similar kind of products, this will create a confusion among its customers since they may perceive that there are no difference between Ford and Mazda products.

**Figure 6-1: New framework which showing factors influencing Mazda’s marketing activities and strategies during Thailand economic crisis (1997-2001).**



**Figure 6-2 : literature of data**

Government policy & AFTA	Competitor	Consumer	Dynamic of Market	Dealer
1. Guiltinan Joseph P.	1. Kotler Philip	1. Kotler Philip	1. Michael E.Porter	1. Aaker David A.
2. Paul Gordon W.	2. Kartajaya Hermaan	2. Kartajave Hermawan	2. Aaker David A.	2. Skinner(1983)
3. Romalis (2001)	3. Aaker David A.	3. Putu Mandau	3. Osborn(1992)	3. Omar(1998)
4. Thamsirisup (1990)	4. Stephen (1980)	wijayanto	4. Msheliza(1991)	4. Gilbert(1986)
		4. Yuswhady		
		5. Aaker David A.		
		6. Sirayobhas (2000)		

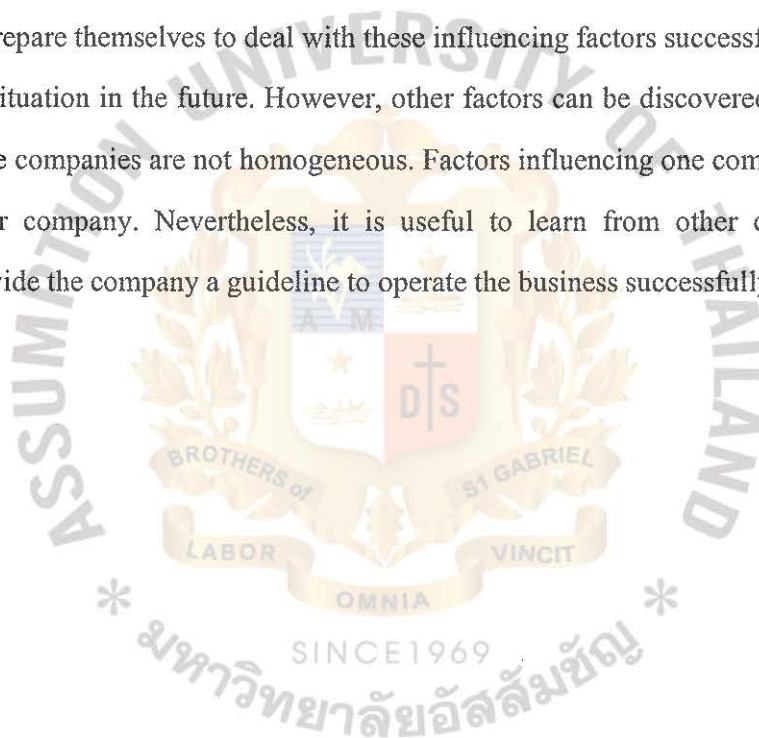


## Recommendation

For further research, the researcher found factors influencing Mazda's marketing activities and strategies, showing new framework ( see figure 6-1). Others automobile makers including Japanese, European, and American makers may have experienced different factors influencing their companies marketing activities and strategies.

The finding of factors influencing Mazda marketing activities and strategies in Thailand during the economic crisis (1997-2001) would provide a ground work to conduct further quantitative research in order to find the relationship among variables.

During the economic crisis, the finding of this research would enable automobile companies to prepare themselves to deal with these influencing factors successfully when facing similar situation in the future. However, other factors can be discovered different companies since companies are not homogeneous. Factors influencing one company may vary in another company. Nevertheless, it is useful to learn from other companies business to provide the company a guideline to operate the business successfully.



## Appendix

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### **Interview of Mazda's Dealership (Mr. Thodsaphun Pukkajiam, Service Center Manager, Mazda City Co. Ltd, on 26 June 2002)**

**Question:** What opinion do you have about the management of Kijkomol Sukosol and Mazda Sales (Thailand) toward Dealership?

**Answer:** Komolsukosol take care dealership on the compromising basis similar to family i.e. without strict rules throughout the management period of Kijkomolsukosol. Dealership have somewhat satisfied with Kijkomolsukosol management and sale targets. However, Mazda Corporation has viewed Dealership as its partner and set standards, conditions and regulations as the tools to control and evaluate planning.

**Question:** What opinion do you have about Kijkomosukosoll Market plans and Mazda Sales (Thailand)?

**Answer:** Komolsukosol had small budget for marketing plans, advertising, and public relations before the management of Mazda Corporation. Especially when Thai currency was decline, the company still imported Mazda 626 from Japan for market competition purpose. The affect of declination from Thai currency had made Mazda sale price higher than the other cars of the same model.

After Mazda Corp has operated its business in Thailand, there have made a major changed on selection and performance evaluation of Dealership. For dealerships that did not accept and follow Home Office procedures, these affected to sale target of Mazda. As result, these Dealerships were abolished. Besides, Mazda Sales (Thailand) began new market plan that emphasized on building up image of the new brand for both sales and service center. This is to build concept of "Brand and Detail" by considering the ability of Dealership of personnel and capital.

**Question:** Do you agree with the change on policy at the Home Office?

**Answer:** Actually, with having Home Office has operated in Thailand and set up certain criteria and procedures were good because of many aggressive competitions at the current market condition. If we did adjust or improve, later we might not be able to be in the market.

บทสัมภาษณ์ ตัวแทนจำหน่ายของ บริษัท มาสด้า เซลส์(ประเทศไทย) จำกัด (คุณ ทศพรธร พุกกะเจียม ผู้จัดการศูนย์บริการ บริษัท มาสด้า ซีที 26 มิ.ย.45)

**ถาม:** ท่านมีความคิดเห็นอย่างไรกับ กัมปบริหาร งานของ บริษัท กมลสุโกศล จำกัด และ บริษัท มาสด้า เซลส์ (Thailand) จำกัด ที่มีต่อ ตัวแทนจำหน่าย

**ตอบ :** บริษัท กมลสุโกศล จำกัด ดูแล ตัวแทนจำหน่าย อย่าง อะลุ่มอล่วย เหมือน ครอบครัว ไม่มีกฎเกณฑ์ที่ เข้มงวด ตลอดระยะเวลาที่อยู่ภายใต้การบริหารงาน ของ กมลสุโกศลนั้น ตัวแทนจำหน่าย ค่อนข้างพอใจ กับการบริหาร งานของกมลสุโกศล และ ยอดขายที่เป็น อยู่แต่ บริษัท มาสด้า เซลส์ (ประเทศไทย) จำกัด มอง ตัวแทนจำหน่าย เป็นลูกค้า อีกทั้งยังได้ กำหนดมาตรฐาน เงื่อนไข และระเบียบเพื่อใช้เป็นเครื่องมือ ควบคุม และประเมิน ประสิทธิภาพของแผนงาน

**ถาม :** ท่านมีความคิดเห็นอย่างไร กับ แผนการตลาดของ บริษัท กมลสุโกศล จำกัด และ บริษัท มาสด้า เซลส์ (ประเทศไทย) จำกัด

**ตอบ :** ก่อนหน้าที่ บริษัท Mazda Corp จะเข้ามาบริหารงานในประเทศไทย ทางกมลสุโกศล มีงบประมาณ สำหรับ แผนงานทางการตลาดและ โฆษณา ประชาสัมพันธ์ ค่อนข้างน้อย และในช่วงที่ค่าเงินบาทอ่อนตัว ทางบริษัท ยังได้นำรถ Mazda 626 เข้ามาจากญี่ปุ่น เพื่อที่จะ เข้ามาทำตลาด แข่งขันกับ คู่แข่ง และจากค่าเงินบาทที่อ่อนตัวนี้เอง มีผลทำให้ ราคาของ Mazda 626 สูงกว่า คู่แข่ง ที่เป็นรุ่นเดียวกัน

หลังจากที่ บริษัท Mazda Corp เข้ามาดำเนินในประเทศไทย ได้มี การปรับเปลี่ยน แผนงาน ครั้งใหญ่ มีการ คัดเลือกและ ประเมิน ผลงานของ ตัวแทนจำหน่าย ที่ผ่านมา และ ยกเลิก สัญญาของตัวแทนจำหน่าย ที่ไม่ยอมรับและ ทำตามมาตรการที่ บริษัทเมอวางไว้ ซึ่งมีผล ต่อ ยอดขายของมาสด้าพร้อมทั้ง บริษัท Mazda Sales (Thailand) จำกัด ได้เริ่มแผนการตลาด ใหม่โดยเน้น การสร้างภาพลักษณ์ ของ ตราสินค้าใหม่ โดย เน้น ทั้ง ด้านการขายและ ศูนย์



บริการ เพื่อสร้าง concept “Brand and Detail” โดยพิจารณา ศักยภาพของตัวแทนจำหน่าย ทั้งทางด้าน บุคลากร และ เงินทุน

ถาม: ท่านเห็นด้วยหรือไม่เห็นด้วยกับการเปลี่ยนแปลงนโยบาย ของ บริษัท แม่

ตอบ: การที่ บริษัทแม่ เข้ามาดำเนินงานในประเทศไทย และได้ตั้ง ระเบียบ กฎเกณฑ์ ต่างๆ นั้น ถือว่าเป็นการดี เพราะ สภาพตลาดรถยนต์ในปัจจุบัน มีการแข่งขันค่อนข้างรุนแรง ถ้า เราไม่ปรับเปลี่ยน หรือปรับปรุง อีกหน่อยเราก็ จะอยู่ในตลาดไม่ได้

### **Interview of Mr. Paphon, Marketing Director**

Subject of Interview: How the 5 Factors (Government policy and AFTA, Changing of Customer Behavior, Changing of Competitor’s marketing strategy, Marketing Trend and The Amount of Dealer) affected to Mazda’ Marketing Strategy?

Even though, Mazda business was monitored by Ford, but Mazda still had freedom for its management. For production, Mazda use the same plant as Ford. Therefore, Mazda was necessary to focus the importance of building up brand image (Brand Strategy and Repositioning Brand). The above five factors would be considered constantly. From conducting Focus Group, the result showed that Mazda was the brand customer was confident on the areas of engineering Distinctive Designs Performance Handling.

To build Brand Strategy, the company needed to realize concerning two parts. First, Product Attribute and Brand Personality. The company wanted to stress Mazda image on the areas of Engineering, Design, Performance Handling by the engineering team and marketing team. They coordinated regularly in order to produce the cars that could respond directly to the customers’ needs. The company also wanted to build up Brand Loyalty by producing the cars that could respond the customers’ satisfaction. At the same time, the company also consider about the company profits and growth.

According to the Development Plan, the company designed Millenium Plan. The content of this plan concentrate on Brand Management, which it was consisted of two characters of push and pull. For Push Marketing, company arranged different kinds of sale

promotion by considering the interest rate. Mazda Leasing was assigned to be responsible on this concern. While the company gave special attention on the Pull Marketing because it was linked to managing of brand image. When the consumer was confident and proud of the brand, then he would change to become our prospected customer in the future. The company did not want to make a lot competitions on sale promotion because this might make our brand to become the Cheap Brand. The company put efforts to promote and presents our own outstanding area, especially the option that would be the specific identity.

The company objective was to present Mazda to the Auto Market by the three connections of Brand + Product + Communicate. This has become the original of Zoom Zoom Concept that was considered to be Emotional Connect between Consumer and Product. The concept was highly accepted in North American and Australia because of Revise Brand Positioning. For Thailand, Mazda Company is somewhat confident that Zoom Zoom Concept would succeed.

Concerning about internal company communication, Home Office conducted periodical meetings. The purpose of such meetings to ensure that working of all departments from the bottom level to the top level would move toward the same direction. Communication with targeted groups, these was delegated to Dealership. The company provide supports on Regional and Local markets by using the strategy of **Guerilla Marketing**. Nevertheless, Mazda still could not increase sale targets. The fact was that most car markets are in Bangkok, but Mazda has only 4 Dealerships in Bangkok. Such this particular concern Mazda put its effort to recruit Dealerships that they were quite ready on teamwork and capital. Especially, they were willing to follow the procedure of the company. The Home Office did not only support on the marketing plan, but also the training program and incentive for the sale groups.

Mazda's view toward Dealership was it business partnership. It was necessary to have profit. Mazda set quite strict criteria. In case that any Dealership failed to follow, then it would be dismissed.

According to AFTA on international import-export tax exemption, this had an affect to Mazda about the production factory. Therefore, Mazda had the plan the use the countries in Asian Group as the production base fro world market. Presently, Mazda was using Thailand as the base to produce pick-up one ton and Philippines as the base to produce Potege 323 and other similar.

The limitation of car production in Thailand, Mazda does not have enough varieties of product to proceeding market plan of niche market. For example, the company set the concept of sport car, but having only three models of product i.e. pick-up, Potege Sedan and MX-5. In addition, we did not have enough dealership to service our customers on both showroom and service center.

Mazda had the intention to emphasize and develop the factors of 5 products s follows:

1. Product
2. Handing
3. Breaking
4. Quality
5. Packing Innovation means having new things providing to our customers.

บทสัมภาษณ์ คุณ ปพนธ์ ผู้บริหารฝ่ายการตลาด Marketing Director

หัวข้อที่สัมภาษณ์ : 5 ปัจจัย ( Government policy and AFTA, Changing of Customer behavior, Changing of Competitor's marketing strategy, Market Trend, The amount of Dealer) มีผล กับ Mazda's marketing strategy อย่างไร

แม้ว่า มาสด้า จะถูกควบ กิจการ โดย ฟอर्ड แต่ในเรื่องของการบริหารงาน บริษัท มาสด้า ยังคง เป็นเอกเทศ แต่ในด้านการผลิต ใช้โรงงานผลิตเดียวกันกับฟอर्ड เพราะฉะนั้น



ทางบริษัท มาสด้า จึง ให้ความสำคัญ ในการ สร้างภาพลักษณ์ ของตราสินค้า (Brand Strategy and Repositioning Brand) โดยคำนึง ถึง 5 ปัจจัยข้างต้น อยู่เสมอ จาก การทำ Focus group ได้ผลว่า ยี่ห้อ มาสด้าเป็น แรนด์ ที่ผู้บริโภคมั่นใจในเรื่องของ Engineering, Distinctive Design, Performance handling(ช่วงล่าง)

ในการสร้าง Brand strategy นั้น ทางบริษัท คำนึงถึง 2 ส่วน คือ Product attribute and Brand personality. โดย บริษัท ต้องการที่จะตอกย้ำความเป็นเอกลักษณ์ ของมาสด้าในเรื่อง ของ Engineering, Design, Performance handling โดย ทีม วิศวกร และ ฝ่ายการตลาดจะมีการ ประสานงานกันอยู่ตลอดเวลาเพื่อให้สินค้าสามารถ ตอบสนอง และตรงตามความต้องการ ของกลุ่มเป้าหมาย มากที่สุด ในส่วนของ Brand personality มาสด้า ต้องการสร้าง Brand loyalty ด้วยสินค้าที่สามารถ ตอบสนองความพอใจสูงสุดของลูกค้า ในเวลาเดียวกัน บริษัท ยัง คำนึงถึง ผลกำไร และเติบโตของบริษัทเองด้วย

ถ้ากล่าวถึงแผนงานพัฒนา ทางบริษัท เอง ได้ออก Millenium Plan โดยเนื้อหาสาระ เน้นในเรื่องของ Brand Management ซึ่งประกอบด้วย 2 คุณลักษณะ คือ Push and Pull. สำหรับ Push Marketing : ทางบริษัท จัดโปรแกรมส่งเสริมการขาย ต่างๆ โดยพิจารณา ถึง อัตราดอกเบี้ย โดยแต่งตั้ง Mazda Leasing เป็นผู้รับผิดชอบ ในส่วนของ Pull Marketing : ทางบริษัท ค่อนข้างจะเน้น เป็นพิเศษ เพราะเชื่อมโยงไปถึงการ สร้าง ภาพลักษณ์ ของ ตราสินค้า เพราะเมื่อ ผู้บริโภค มั่นใจและภูมิใจในตราสินค้า ผู้บริโภคก็จะเปลี่ยนมาเป็นลูกค้า ใน อนาคต ทางบริษัท ไม่ต้องการ ที่จะเข้าไปแข่งเรื่องของรายการส่งเสริมการขายมากนัก เพราะบริษัทมองว่า ทำให้ ตราสินค้า ค่อยต่ำลง(Cheap Brand) บริษัทพยายามจะ Promote and present ความโดดเด่นในเรื่องของ option ที่เป็นเอกลักษณ์ เฉพาะตัว

ทางบริษัท มีจุดมุ่งหมายที่จะนำเสนอความเป็น Mazda สู่อุตสาหกรรมรถยนต์ โดย พยายาม เชื่อม 3 สิ่งอันได้แก่ Brand + Product +Communicate ซึ่งเป็นที่มาของ Zoom Zoom concept ซึ่ง ถือว่าเป็น Emotional connect ระหว่าง Consumer กับ Product ซึ่ง ได้รับการยอมรับ ใน North American and Australia มาแล้ว ซึ่งเป็นผลมาจากการ Revise Brand positioning สำหรับประเทศไทย ทางบริษัท มาสด้า จึงค่อนข้างมั่นใจว่า Zoom Zoom concept จะ ประสบความสำเร็จ

ในเรื่องของ Communication ภายในบริษัท ทาง บริษัทแม่ จะมีการประชุมกันเป็นระยะๆ เพื่อ ให้การทำงานของทุกฝ่ายตั้งแต่ระดับล่าง ลงมาถึงระดับบน ไปในทิศทางเดียวกัน และ สำหรับ การ Communication กับกลุ่มเป้าหมาย จะมอบหมายให้ Dealership โดยสนับสนุนในเรื่องของแผนการตลาด ภูมิภาคและ ท้องถิ่น โดยทางบริษัท แม่ จะใช้กลยุทธ์ **Guerilla marketing** ถึงกระนั้นก็ยังไม่สามารถ เพิ่มยอดขายให้กับ Mazda ได้มากนัก เพราะในความเป็นจริง ตลาดรถส่วนใหญ่อยู่ใน กรุงเทพมหานคร แต่ มาสด้า กลับมีตัวแทนจำหน่ายในกรุงเทพมหานคร เพียง 4 แห่ง ซึ่ง เรื่องนี้มาสด้า เองก็ตระหนักเป็นอย่างดี จึงพยายาม ที่จะ หา dealership ที่มีพร้อมทั้ง ทีมงานและ เงินทุน และ พร้อมที่จะทำตาม กฎเกณฑ์ ที่บริษัทแม่กำหนดไว้ บริษัทแม่ไม่เพียงแต่สนับสนุนในเรื่องของ แผนการตลาด แต่ยังให้การสนับสนุนในด้าน training program และ incentive แก่ พนักงานขายด้วย

มุมมองของมาสด้าที่มี ต่อdealership นั้น เปรียบเสมือนลูกค้าทางธุรกิจ จำเป็นจะต้องมีผลกำไร และวางกฎเกณฑ์ ค่อนข้างเข้มงวด ถ้าdealership รายได้ไม่สามารถ ปฏิบัติตามได้ ก็จะถูกปลด

ในด้านของ ผู้บริโภค บริษัทมาสด้าได้เริ่มทำตลาด โดย นำเสนอสินค้า เข้าถึงจะ เพราะ กลุ่ม (Niche Market) และ มีโปรแกรมการตลาด ที่เน้นความ ตื่นเต้น ให้กับผู้บริโภค เช่น มาสด้า Potege สีขาว ที่ผลิตเพียง 100 คัน ทั่วประเทศ

สำหรับ AFTA ที่มีการยกเว้นภาษี นำเข้า-ส่งออกระหว่างประเทศ ซึ่งมีผลกับมาสด้าในเรื่องของโรงงานผลิต ดังนั้นทางบริษัทมาสด้ามีแผนที่จะใช้ ประเทศในกลุ่มสมาชิกอาเซียน เป็นฐานการผลิต เพื่อส่งออกสู่ตลาดโลก โดยในขณะนี้ มาสด้าใช้ประเทศไทย เป็นฐานผลิต รถ pick-up one ton ประเทศ Philippine เป็นฐานผลิต Potege 323 เป็นต้น

ขอจำกัดในการทำตลาดรถยนต์ในประเทศไทย บริษัทมาสด้า มี สินค้าไม่หลากหลายพอที่จะ ดำเนินแผนการตลาด แบบ niche market ตัวอย่างเช่น วางคอนเซ็ป เป็นสปอร์ต แต่มีสินค้า ให้ลูกค้าแค่ 3 รุ่นคือ รถpick-up รถ Potege ซีดาน และ MX-5. จำนวนของ ตัวแทนจำหน่ายก็ยังไม่มากพอที่จะ ให้บริการ ต่อลูกค้า ทั้งในส่วนของ showroom และ ศูนย์บริการ



บริษัท มาสด้าต้องการที่จะเน้นและ พัฒนาองประกอบของผลิต ภัณฑ์ 5 ส่วนดังนี้ :-

1. Design
2. Handing (ช่วงล่าง)
3. Breaking
4. Quality
5. Packing innovation กล่าวคือรถยนต์ต้องมีสิ่งแปลกใหม่ให้กับลูกค้า

### Journal of Mazda's executive interviewing

Mazda has identified that rising toward new decade will be able to attain according to the expected target, which are comprised of the following:

1. To produce the cars that meet the customer's real need by considering the price and quality as the important factors.
2. To manage the areas of sales and operation for customer exceed what the customer's expectations
3. To move forward for being the leader of well know Car Company. From the vision, Mazda has set many policies and developed hurriedly with expectation to attain the higher levels

Mr. Doshio Wagiya, the Managing Director of Sukosol Co., Ltd. had publicized that new product came from the modern production resource. These products have responded the most to Thai customers needs. With 75 sale representatives and more than 130 showrooms nation-wide, they are ready to provide maximum services of Mazda pick up, the new Fighter. This critical step has made Mazda to become popular in Thailand.

However, launching the new Mazda Fighter of joint venture with Ford is the excellent outcome in fighting with competitors. The latest official launching, Mazda product was inferior than Ford ones. It became problems in distribution and make sales for the year. In addition, of the news related to closing down Sukosol Plant, Mazda required to work hard in order to remove this negative image. Therefore, it was rather though for



Mazda to compete the market shares from Toyota and Mitsubishi. Even compete with Mazda's own joint ventures i.e. Ford.

In term of sale price that Mazda imposed, it gained more advantages than the competitors. Mazda was at disadvantage when comparing the internal equipment with many famous brands. So many parties have expected that Mazda would arrange a major campaign to hammer grand total sales as much as possible before other competitors would have time to adjust themselves. This was fighting to death as in the form of who has more strength would be able to survive because Mazda had nothing else to loose further for this game.

**Source : "Bangkok Business Newspaper" No. 40176197, September 5,1997. p11.**

Mazda estimated this situation that this aggressive market attack might not improve selling and buying situation, even though Mazda was necessary to introduce pick up, 1 ton. This is a hope with the simple and uncomplicated marketing form. This was for not loosing few opportunities. It might be anticipated that Mazda still choose to be in the situation with fewer changes.

Rough Mazda marketing plan in launching the new Fighter to consumers by presenting news through mass mediums at Central Plaza on the last 16 July.

Mazda said the main activity to approach the customer is to supporting the Rode Show for distributors nation wide, starting from Bangkok.

What used to be marketing factors for introducing products that promote the market such as sale promotion during the introducing period or other actives which will motivate the consumer's interest were ignored.

Sugij Patchimsawat, the Senior President of Sukosol had said that we might throw budget for our forms of marketing, but limited buying power should be allowed the customers to make decision.

We would not use the method of throwing the budget or competing because we have already known that throwing a lot of budget during such situation could not make enough sale target according to the investment cost. If competitors use method of attacking, then this should allow the customer to try out how was our product. This method of decision making was based on product, numbers and forms of product. These indicated clearly that Mazda was released from committed oneself with limited form of product, which was distributed under the Isuzu Golden Power for about 10 years. This was resulted that Mazda had now power in pickup market because Mazda could not produce the engine.

Even today, the direction of Mazda would fill the gaps of products good, but the problems brought Mazda headache was the economic declination situation of the nation. This was one of the reasons Mazda decided to choose being conservator for another period. Besides pushing 75 dealers having 3 S's at all 136 showrooms, there was no important planning

**Source : "Bangkok Business Newspaper" July 20,1998. pp5-6.**

Mr. Yongyut Treerattanapitak, the General Manager for Marketing Department, Sukosol Co., Ltd. opened the approach that might be changed, especially in the division of car. Now, Mazdar Motor of Japan has planned to launch save automobile by using Thailand as the base for production. This was the project, which related to Ford-Mazda Project.

The concept of Mazda Production would emphasize the research was called "engineering concept". This concept would not consider competitive situation in the market and benefits, but will focus on customer's needs as mainly. The outcome of this, Mazda could sell higher than the other competitors. Mr. Yongyut described the automobile qualification, technologies and efficiencies caused Mazda having quite high selling price. Besides, Mazda could not compete with the others in the markets.

This above causes affected to the sale target when comparing with the competitors, which produce small automobile for the markets because Mazda never done any business with the lower market, while the competitors such as Toyota, Honda, Mitsubishi and Nissan, each has the Economy Project Car and just already launched the product to the market. In addition, they prepared other levels for more competition at the low market such as Toyota Soluna or AFC (AAAORDABLE AMILY CAR), it was expected to launch during the year 1997. The car in this Economy Project Car of Nissan Company was beyond Toyota, Collola and Honda City. The latter was so popular at the beginning of year 1996.

The noticeable point was that Mazda never had this kind of automobile. Thus, the company was necessary to make the mass production, required a lot of investment in order to meet the break-even point. While the plant only, produce the car for only particular model. Mazda could not avoid the similar situations other competitors facing i.e. reducing sale price down to 4-5 thousand baht. The purpose was to maintain its market share and it was expected that it would not drop any further. This became the first time that Mazda involved in competition by using the price strategy.

Mazda needed to have market shares and maintain them strongly. With the reason of reducing sale price of car companies, one who would gain the most advantages was consumers. At the same time, selecting the option of reducing price also help releasing some of the models such as Mazda 323 from the stock to lower the interest burden, which was one of the approaches to reduce company cost.

**Source : "Daily Manager Newspaper" No.39115507, September 17, 1996. pp29-30.**

Mr. Yongyut said that Year 1997 Market Plan; Mazda would produce the Minor ..... Car Model in order to make more alternatives models. Then Mazda would change its appearance of Mazda Astina a little bit.



Mr. Yongyut also mentioned that The Minor ..... Project during the free period, especially the cancellation of Familia Truck would affect the free period immediately. Therefore, Mazda was necessary to increase production capability in the area of 1 tone pickup for compensation. Mazda required increasing the sale prices further. For dealer policy, the plan was to expand from 110 dealers. Increasing the showrooms and service centers instead of increasing dealers, which Mazda already has 66 dealers? In Bangkok and periphery would establish 25 dealers additionally. At the present economic situation, it was difficult to recruit dealers. Most of the pioneering dealers are concerned. They would introduce friends, relatives in the upcountry doing this kind of business.

Mr. Sigami Uotani, the cooperate managing director of Mazda Sales (Thailand) Co., Ltd. opened that for the year 2000, Mazda would rather give its focus for Thai Market. This was affected from the economic growth trend. The first policy, Mazda would upgrade the dealers and develop more standards for the service centers with 4 major projects. The first project was the "Service Upgrade", which was expected to create maximum customer satisfaction

The second project, EPC (Mazda Electronic Parts Catalogue), Mazda would install the system at dealers nation wide. The third project was the development of transportation for parts for 24-hour services. The forth project was bring in the equipment for car deficiency analysis or WORLDWIDE DIAGNOSTIC SYSTEM or it can called by the abbreviation of WDS.

**Source : "Bangkok Business Newspaper", No.43046018, February15,2000. p7.**

Mr. Devin of the Mazda Sales (Thailand) Co., Ltd. also said that the company was now improving all dealers for the same standards. 12 dealers have already developed themselves in accordance with the standard. Within this year, the company was planning to improve 12 other dealers. If they could manage as the plan, then they would have

developed dealers to over about 70% of sale areas. For the networks of dealers, it would take another 2-3 years for improvement. For this year, I set the following 3 targets: to maximize the customer satisfaction, to increase 10% of the company market shares and create image for acceptance.

**Source : “Dailynews Newspaper”, No.0362.0010, March 8 2001, p21.**

Closing down the major Mazda car distribution by the family of “Sukosol” in Bangkok after having the right to be the representatives for longer than 40 years. The home office has withdrawn this right and manages it for the last two years. Then, Sukosol needed to find ways for surviving of the company. With having 6 showrooms and service center in hands, the company had negotiated with Yontaragij Group lately. Mazda offered to be the car representative. If everything conformed to the agreement, Mazda prepared for investment, buying equipment and establish the new company as to separate the service brand. Sukosol would be survived or not would depend on the decision making of Yontaragij Group.

The changes of situation and environment had affected toward the Sukosol's family. They had to end their roles as the representative for Mazda car totally. Mr. Kamol Sukosol has struggled Mazda car until it is well-known at the Thai Market for almost 40 years. It meant the right of selling Mazda Car under the name of Sukosol Mazda Co., Ltd. and the right of selling Mazda Car in Bangkok region was ended officially. Especially being the representative have just completed since last October. There are many reasons to stop selling Sukosol Mazda car as follows:

1. Did not have the same management principle
2. Did not attain the selling targets
3. Unsatisfied business performance

**Source : “Daily Manager Newspaper” No.0362.0010, November 28, 2002. pp17-18.**

If mentioned about “Mazda”, everyone would think of Mr. Kamol Sukosol because this family was promoted by Toyo Kōngōgyō Co. Ltd. or Mazda Motor Corporation (at the present) to be the representative. Then Mazda Car was imported from Japan under the name of Kamol Sukosol since 1961. Kijkamolsukosol Co., Ltd. was established on 1979 to distribute Mazda Car in Thailand solely in Bangkok and boundaries. For other provinces also promoted dealers and Mazda Car Service Center as well.

Later, 11 years after that Kijkamol Sukosol made joint venture with Mazda Corporation Japan and Dōmen Corporation (Japan) and established Sukosol Mazda Co., Ltd. (SMC). The company has imported and distributed Mazda cars in Thailand. The share proportions on July 1990 were: Sukosol 60%, Mazda Motor Corporation 20% and Dōmen Corporation 20%.

Furthermore, Kijkamol Sukosol Co., Ltd. joined then investment together with Mazda Motor Corporation (Japan) and Dōmen Corporation (Japan) to establish two more branches. The first branch was Sukosol Mazda Industry Limited (SMMI). It was established on January 1974 to assemble cars in Thailand. The second, Sukosol Mazda Engineering Limited (SMEC) was established on December 1990 to assemble gear sets for Mazda car.

Later, the first branch company was closed down because Mazda Corporation put the investment with Ford Motor Company and again was established the plant of Auto Allied (Thailand) to produce Ford car. However the latter company, the shares were sold to Mazda Motor.

**Source : “Daily Manager Newspaper” No.0362.0010, November 28,2002. pp17-18.**

Mazda Sales Co., Ltd. publicized that the problems related to distributors affected the sales target of Mazda car that year. Originally, the target was set for 7,000 cars, but the sales for the last 10 months the company could sell only 5,000 cars. Therefore, the



company adjusted the sale target by reducing to 6,000 cars. At that moment Mazda was in the period of growing, then we needed the cooperation from all dealers to move in the same directions. We needed to adjust too, if found out that any dealer could not move together with us so that we could meet our set goals.

The business plan for year 2002, the company has set the sale target for 10,000 cars. These numbers are divided for 6,500 pickups and 3,500 cars. The reasons to set higher target for this year as follows:

1. The company has been ready for dealers by promoting Sidarbic Mazda to be the sale representative in Bangkok area. This group was considered to have the most readiness for the capital and business operation.
2. The company prepares to launch many new models of car to the market such as Primacy Fighter with a new look.
3. It was expected that the total market for next year would be increased up to 300,000 cars. This is the opportunity for Mazda to grow up along the total market, which is expanding.

**Source : “Pra-Cha-Chard Tu-ra-kij Newspaper” No.0362.0010. November 12,2001.**

**p33.**

This year, pickup market was more competitive than the previous years because of Mazda strategies that applied with competitors. These strategies were not the same ones used in the past. The strategies were consisted of reducing sale price, gift distribution, premiums, low install payment, long term install payment, low interests or free of charge for car maintenance.

Today, Mazda has again created liveliness and differences for pickup by using attractive rust color and teenager's design for Mazda Fighter pickup. This was the first pickup in the market using rust color through out the whole pickup. Because this typical strategy was sometimes applied with the car market the aimed for the teenager mainly.

“This strategy would emphasize the main group of teenager targets who they do not prefer to use other regular pickup in the market” Mr. David Graecole, the managing Director of Mazda Sales (Thailand) said.

Besides using golden orange color to pull the sales target, the company also adjusted some others such as equipment, color of the pickup body, including the engine. The main purpose of the company had the faith in its own principle that it is not only produce the care for capacity on strength, but also hold the principle of balancing many other compositions such acceleration system, quietness at engine and passenger compartment.

Including the plan for launching the new product, adjust the new look for 16 models within this year. The company would launch the new product gradually on every quarter to provide the difference for the market. The mentioned models, five of them would be new model car and special models. This year, the appearance would be adjusted specially the same as New Mazda Fighter Lermang. This was expected to expand the sales for 100% or increase from last years for the number of 12,000 cars. Last year the sale target was only 6,000 cars.

David said further that to meet our business goals, the company also has the plan the increase showrooms both in Bangkok and other provinces. The plan is to provide service covering all areas. In Bangkok, originally there are 12 showrooms, but the plan was to open other four additional showrooms within 6 months from now. However, 4-5 more showrooms would be opened in the other provinces such as Petchburi and Choncuri.

For Chaingmai, one more showroom opened e. In addition; the main policy of the company on recruiting the dealers or representatives would focus the previous dealers to add more branches. With this, focuses would be able to cover services all areas. It meant the company would not emphasize finding the new dealers because they did not want to have such competitive among these dealers. These dealers would be underlined to provide the maximized satisfaction to the customers.

**Source : “Daily Manager Newspaper” No.0362.0004, February 25,2002. p1,11.**

After finding out that the car market could not go well, then Mazda adjusted the year 2002 planning by setting special activity team for expanding customer groups. The targets are to get all villages around Bangkok and boundaries joining the efficiency drive testing of Mazda 323 PROTJ. The confidence of the company after receiving the Outstanding Award of After Sales Service pulled up the sales speedily.

The Management team of Mazda Sales (Thailand) Limited opened that eventhough the total sales for 2000 was 7,000 cars. However, the expansion rate was over 80%, but the higher sales came from selling pick up as the main. While the growth of the car market is rather slow. From the surveys, the weak point of the car was that Mazda could not present information clearly to see the efficiency of its product. When comparing with the others competitors in the same group, Mazda 323 ProTJ is some what having advantages such as the efficiency of engine, lower portion or even body design. Therefore, this year Mazda would set up teams to present these advantages points. This is expected that increase the product knowledge, it would also help to expand the market automatically.

This particular work team would go closely to the targeted customers as much as possible. The team would do whatever to get the customers touching and knowing our products such opening course to teach driving correct and safely.

Mr. David Graecole, the managing Director of Mazda Sales (Thailand) opened that Mazda could sale 7,248 cars for the year 2000. It was considered important success. This growth would make the customers confidence that they are using worthwhile cars.

**Source : “Pra-Cha-Chard Tu-ra-kij Newspaper” No. 0362.0010, January 25,2001.**

**p25.**

Mazda competed more market shares in advance by putting more investment on buying repair equipment to upgrade after sales services. The upgrade services are



expecting to be equal to international levels. Mazda also opened that they would not be hurry to launch the new car because they prefer to make the best for the two models they are having in hands.

Mr. David Graecole, the managing Director of Mazda Sales (Thailand) opened about the planning to upgrade the modern after sales services and to respond the customer needs effectively. Thus, this year, Mazda will impose each dealer to increase the investment the investment about 400,000 – 500,000 Bah to install 2 pieces of equipment which are Diagnostic System: WDS and Electronics Parts Catalogue :EPC.

“We would like to develop our services to be even more outstanding. Even though we were awarded both on J.D. Powers and Outstanding Car Industry for Pickup. However, we have found that our customers have not realized about them. Therefore, we have to stress more on this area”. Service centers would continue to result to the positive sales targets. The target for this year was set up at 12,600 cars or it is calculated to be 4.2-4.3 % of the market shares. The company, then would deviate to focus more on advertisement, especially to advertise about the awards they are honored so that our customer would realize more about it.

Mazda also have the planning to develop the company image by pursuing these there three areas according to the plan: 1. Develop services 2. Develop dealers and 3. Develop strategies on new marketing strategies on products, selling prices, which will increase Mazda image in Thailand more positively.

**Source : “Pra-Cha-Chard Tu-ra-kij Newspaper” No. 0362.0010, February 8,2001.**

**p25.**

Mr. Luis Booth From our current “Senior Consultant” and will become the President of Mazda Corporation Motor on 25 June, he will be responsible to oversee Mazda business worldwide. He will speak about the business in Thailand and other perspectives and upcoming things in the near future:

■ **Mazda in Thailand**

We have our history for 50 years and it would be surprised to know that Thailand is at the third place after Japan and America that Mazda have put completed investment. Thailand has been joint venture with Mazda to establish Auto Alliance Plant (Thailand) at Rayong province. This plant produces Ford and Mazda pickup to export worldwide. The investment value is more than 21 thousand million baht.

■ **What are the expectations in Thailand**

We would like to grow up in different areas and we are developing the car standard that selling in Thailand to be equal to other countries during these 2-3 years. For our Auto Alliance Plant (Thailand) produces, Ford and Mazda pickup is almost completed. We do not need to concern about the remaining production. The new model cars, we have plan to increase more models in order seek Mazda markets. This is similar to the worldwide Mazda that having the targets for 30%.

■ **How to perceive the growth in Thailand?**

There are three factors supporting the growth of Mazda in Thailand are Brand strategy of “Zoom Zoom” which will make Mazda being different from the others car brands in Thailand. The second factor is increasing the Mazda models such as Fighter. We are plans to increase as many 16 models in order to respond a variety of customers needs fully. The Third factor is to improve selling network or dealers to be strong and positive operation. In term of dealer t and product development, these are parts of strategies that Mazda are conducting at the same time on the worldwide basis.

■ **How to perceive the automobile industry in Thailand?**

The core of Thai automobile industry is the pickup type. The competitive is very aggressive. If any one would like to operate the business in Thailand, he

is required to produce the cars having the market shares so that he can compete in the market. Otherwise, there would not seem to have any future for one who could not produce cars according to the needs of the customers.

However, the proportion between car and pickup might be changed. This is necessary to keep watching. According to Mazda perception, we need to do things conforming to the customers' needs. Now, the exported pickups from Thailand are successful in many foreign markets such as Australia, New Zealand, South America and Europe, including Asian countries. However, the government should seek other to motivate more production for selling and exports. This aims to gain more advantages from added value that may occur in the further.

**Source : “Pra-Cha-Chard Tu-ra-kij Newspaper” No. 0362.0010, May 18,2000.**

**p25.**

Mazda sales(Thailand)Co., Ltd.(MST) plans to sell 12,000 vehicles in Thailand this year, equivalent to a 100-per cent increase compared to sales in 2001.

New products will be introduced every quarter, and they will fill up areas where Mazda has not been present in, according to company executives.

Mazda wants to expand its market share in every vehicle segment, and is aiming to achieve a four-per cent share of the total automobile market, up from tow percent last year.

Mazda is ready to expand in 2002. We have a clear vision in our marketing plan and strategy, we have an improved dealer network, and we have quality products to satisfy our customer needs.

Mazda will continue to emphasize its brand heritage and product characteristics by using its global “Zoom-Zoom” concept. Company plans to introduce two new models that would be imported from the Philippines under the Aico scheme. They are the new 232



Protégé sedan to be launched in April at the annual Bangkok International Motor show and the Tribute sport-utility vehicle that will arrive in the second half of the year. The MPV, Mazda's popular multi purpose vehicle, will also be made available in the second half of 2002 as a completely-built-up import from Japan

Mazda has been struggling to maintain its market share due to lack of attractive products for each market segment. For the past few years it had only the Fighter pick-up truck and the 323 passenger car to offer to customers.

With all these products, Mazda will then be present in five segments of the market : pick-up truck, passenger cars, sport-utility vehicle, Multi-purpose vehicle and sportscar.

While production on the 323 Protégé will be moved to the Philippines, where the Ford Laser will also be assembled, production of Fighter pick-up trucks at the Ford-Mazda joint venture Auto-Alliance Thailand plant will be increased.

Production of pick-up trucks at AAT has just reached 200,000 units since the plant started operations and total vehicle production should reach 300,000 units by the end of 2002. The Tribute will compete in the sport-utility vehicle segment against the Honda CR-V head-on. However, the MPV will just be an image-maker, filling in a market where Mazda has not been present.

Mazda had appointed three new dealers in the last six months—including Sequoya Mazda on Vibhavadee road, Sime Darby in Samut Prakarn and a new Mazda City dealership on Rama IV road that will be opened in February.

In 2002, it plans to open five to six new showrooms and service centres in Bangkok. Half will belong to the Sime Darby, a well-known Malay-sian conglomerate, while the rest will belong to new dealers.

Provincially, Mazda plans to open a new showroom in Nakhon Ratchasima, a second showroom in Chiang Mai and renovated showrooms in Hat Yai, Nakhon Pathom and Ratchaburi.

It also plans to appoint new dealers in Chon Buri, Phetchaburi and Trnag later this year to reach a total of 70 dealers countrywide by the end of the year.

Mazda had introduced its EPC(Electronic Part Catalog) system, a computerized parts ordering and checking system, and parts stocking system between MST and its dealers. A WDS(Worldwide Diagnostic System), which is capable of diagnosing the condition of Mazda cars to improve efficiency and speed of service, will be induced.

“And in order to strengthen the Mazda brand differentiation, we will continue our breakthrough marketing strategy, together with emphasizing our sporty product heritage. Mazda plans to introduce new products to the market every quarter, including special edition models, minor change models and two all-new products to cover the SUV and MPV markets in the second half of the year.”

Mazda image would be clearly different form other competitors, by continuously implementing the “Zoom-Zoom”

Every product that Mazda introduces to the market are set to emphasize our leading-edge design and engineering capability, whether the vehicle be a fighter pick-up truck, 323 Protégé, MPV, Tribute or MX-5 sports car. We believe that we are ready for a battle this year, and it will be a successful one.

**Source : Mr. Papon Ratanachaiganon Marketing Director Mazda Sales (Thailand) Co.Ltd. was interviewed by Siam Business Newapaper on February 11,2001.**

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