

**IMPROVING SALES PERFORMANCE OF A PENANG BASED CAR
COATING COMPANY**

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LIST OF ABBREVIATIONS

B2B	Business-to-Business
IR	Infra-Red
OEM	Original Equipment Manufacturer
PTFE	Polytetrafluoroethylene
SEO	Search Engine Optimization
USJ	United Estate Projects Subang Jaya
UV	Ultraviolet
VOC	Volatile Organic Compounds

ABSTRAK

Sierra Glow Penang, sebuah syarikat penyalutan kereta di Pulau Pinang yang baru ditubuhkan menghadapi cabaran jumlah pelanggan yang rendah yang telah menyebabkan prestasi jualan perniagaannya juga rendah. Pengasasnya, Encik Woo bimbang jika trend ini berterusan, dia tidak akan dapat mengekalkan perniagaannya. Kes ini meninjau sebab berlakunya perkara ini, dan apa yang boleh dilakukan untuk memperbaiki keadaan. Analisis latar belakang industri dan syarikat telah dijalankan untuk mengenalpasti persekitaran dalaman dan luaran yang dihadapi oleh syarikat.. Analisis kes telah dijalankan menggunakan *Porter's Five Forces*, *Fishbone*, dan matriks *SWOT* dan *TOWS*. Dalam usaha untuk mendapat maklumat mengenai isu, temu bual telah dijalankan dengan pengasas, pesaing dan pelanggan. Kaji selidik awam telah dijalankan dengan 37 pemilik kereta menganbil bahagian untuk lebih memahami persepsi penyalutan kereta daripada orang awam. Dokumen seperti profil syarikat, laporan jualan dan risalah produk telah digunakan untuk mendapatkan data dan maklumat yang diperlukan. Dari dapatan kajian, isu utama *Sierra Glow Penang* ialah kekurangan strategi pemasaran. Mereka bergantung banyak kepada pemasaran lisan dan pemasaran rangkaian (kumpulan Facebook dan Laman Web Rasmi) sahaja. Cadangan seperti menyatakan secara jelas visi dan misi, menyasarkan pelanggan yang tepat, mempromosikan keunikan produk dan perkhidmatan, melancarkan kempen pemasaran pelancaran dan membentuk pasukan pemasaran telah dibincangkan berdasarkan dapatan daripada kajian dan analisis kes.

ABSTRACT

Sierra Glow Penang, newly established Penang based car coating company is facing the challenge of low number of customers that has led to low sales performance of business. The co-founder, Mr Woo worry that if this trend persists, he would not be able to sustain his business. This case explore the reasons for why this happened and what can be done to improve the situation. An analysis of industry background and company background was carried out to identify the internal and external environment and issues facing the company. Case analysis was done through Porter's Five Forces, Fishbone analysis, SWOT and TOWS matrix analysis. In order to gain insights on the issue, interviews were conducted with co-founders, competitors and customers. In addition, a public survey was conducted with 37 car owners responding to the survey, to gain more understanding on car coating perceptions by the public. Documents such as company profile, sales report and product brochure were utilized to gain necessary data and information. From the findings, Sierra Glow Penang's main issue is the lack of marketing strategy. It mainly depends on word of mouth marketing and network marketing (Facebook group and Sierra Glow Official Website) only. Recommendations such as formalise vision and mission, target the right customers, promote the uniqueness of products and service, launch marketing campaign and form marketing team are discussed based on the findings from study and case analysis.

EXECUTIVE SUMMARY

Sierra Glow Penang, a newly established Penang based car coating company is facing the challenge of low number of customers that has led to low sales performance of business. The co-founder, Mr Woo is worried that if this trend persists, he would not be able to sustain his business. Thus, there is a need for a good marketing strategy to increase sales performance of the company.

Car coating is categorised as a detailing industry. Global sales of coating industry shows an increasing trend from 2001 to 2010. There is a difference between the “types of paint” or car coating used when a car is newly purchased and the car coating that is used after the car is used several years. This is the car coating that is discussed in this case. The evolution of car coating that does not require high temperature curing is necessary to seal the paint and add to the shine of car. There are 3 popular types of coating available in the market, namely, (i) wax, (ii) polymer and (iii) glass coating. Glass coating treatment can cost up to RM4000, which is more expensive than wax. However, it can last about 40 times longer than wax. There are many car coating service providers in Malaysia. In Penang alone, there are a total of 19 car coating service providers. Mostly, are newly set up within 1 to 5 years, and offer different types of products and services.

Most of the service providers use Silica as the main ingredient for coating. Other than car coating service, some also provide additional services, such as window tint and car wash to attract its customers. From the case study, it is found that the core customers of car coating are new car owners, luxury car owners, car lovers and members of Car

Club Association. The number of new car owners is increasing by the year. There are at least 600 car clubs and over a million of active members in Malaysia. From the public survey carried out, it shows that 49% (18 car owners) out of 37 car owners, do not understand about car coating and there is only one person who has heard about Sierra Glow's car coating.

Sierra Glow is brought in from Japan to Malaysia by Sierra Glow USJ in 2008. In 2014, Sierra Glow is brought to Penang by Mr. Woo. His business partner, Mr Kay who in charge of business operation while Mr Woo in charge of marketing. Sierra Glow Penang is located in Bandar Perda, Bukit Mertajam. The relationship between Sierra Glow Penang and Sierra Glow USJ is bound by licensed dealership. Sierra Glow USJ is the principle supplier who supply material, training and help and support for advertising. Sierra Glow biggest concern is ensuring good quality and service to its customers. The main products of Sierra Glow Penang is Classic Sierra Glow and Sierra Glow Blue Flame Treatment. Other than official website and Facebook group as marketing channel, its main marketing strategy is through customer's word of mouth.

Sierra Glow Penang faced issue of sales decline within the first 3 months of operations and as a result it is experiencing a loss. The company would need an average of 30 cars per month to breakeven. From the month of September to November, the number of cars serviced has declined and is below breakeven point. In addition, most of the customers are from close friends and relatives of the owner. Sierra Glow's Product uniqueness is Blue Flame Nanotechnology. However, from its record, there are only 8 out of its 28 customers who have purchased this product. Currently, it is found that

Sierra Glow Penang promotes its product, only through word of mouth and network marketing (Official Website and Facebook group).

Through Porter's Five Forces Analysis, car coating is found to be a highly competitive industry as there are 19 car coating service providers in Penang. Car coating is considered new industry as all the car coating company was set up within 5 years. It is also easy to open a car coating business. If customers opt not to go for car coating, they can turn to its "substitutes" such as conventional wax and polish which is available in the market at low prices. These has lead customers to have a high bargaining power as choice of products and service providers is available. Also, they have either low or zero switching cost involved. A new technology developed by Nissan, which includes a special coating with every car that it produced, is about to be launched in the future. Sierra Glow USJ is the principle supplier of coating materials for Sierra Glow Penang, it control all the pricing and quantity of raw materials.

It is found that the possible cause of low sales performance are lack of marketing strategy from the Fishbone analysis conducted. There is only one marketing personnel, there is no planned promotion conducted, customers are not willing to travel far for service, public lacks knowledge about car coating, customers do not acknowledge the presence of Sierra Glow Penang and customers are not willing to pay for the existing price charged and car coating is not the customers' priorities.

Amongst the strengths' found from SWOT Analysis is that Sierra Glow Penang has a unique product in its Blue Flame Nanotechnology that can enhance the bonding effect between coating material and paint surface. Others include, having a friendly and good service, provides pick up service, delivery service and car loan car service to its

customers, and its price is among the lowest in car coating industry. As for its weaknesses, it includes lack of marketing strategies and absence of market survey to understand the market and low sales of its unique product, the Blue Flame treatment package, Vision and Mission is not clearly stated and a low customer base in Penang.

Opportunities for Sierra Glow Penang includes, increasing interest for car coating amongst luxury bikes and superbikes owners and increase in members of exclusive Car Club Associations, who are the potential new customers of car coating industry. However, Sierra Glow Penang is facing a number of threats which include the increasing number of car coating service providers and were located in strategic location with high traffic flows. In addition, some new cars come with coating and thus car owners might not interested on car coating. Car owners also don't view car coating as a necessity as conventional wax and polish is available at a lower cost.

Using TOWS matrix analysis as a basis of recommendations, Sierra Glow Penang should customize different packages for different categories of customer. It should also launch a marketing campaign by having more road shows and exhibition so as to increase awareness of public on its presence and also car coating's advantages. 5 main strategies are recommended includes: (i) formalising its vision and mission, (ii) targeting the right customers, (iii) promoting the uniqueness of its products, especially the Blue Flame Technology and its services, (iv) launching a marketing campaign and (iii) setting up a marketing team.

1.0 INTRODUCTION

On the night of 1st Nov 2014, Mr Woo sat down in a coffee shop, opened up his laptop and has been thinking about his business. It has been about 2 months since the operation of his car coating business. Throughout the first 2 months of operation, there are only a total of 19 cars and 10 cars serviced from September and October respectively. Mr Woo noted that even though for this nature of business, it is acceptable not to make profit for the first 6 months of business but he is worried that if the trend persist, he would not be able to sustain his business, “There are companies of a similar nature that are only able to make a profit only after one to 3 years in business. I need to learn from these companies the strategies that they have used to enable their business to make a profit and I will give myself within 6 months to do this”, he said to himself.

Having this understanding, Mr Woo is prepared to accept this fact and he has adequate capital available to support his business for a period of 3 years. However, he has given himself a period of 6 months to make profit. He has decided to open a car coating business in Penang because through a preliminary feasibility study that he has conducted, he found that there is not a single car coating company that uses this technique that his company uses, “Blue Flame Nanotechnology” from Sierra Glow United Estate Projects Subang Jaya (USJ) which is located in Subang Jaya, Selangor and has been in existence for about 6 years. Sierra Glow USJ is the sole provider of this technology which comes from Japan. Customers of this business comprise of car lovers and owners of new cars and there are packages that are being offered for all types of customers. Being new in business, he would have to do some promotion regarding the product that his business offers. He thought to himself that increase in

awareness and knowledge of his product is the first step that he needs to do to increase sales.

Although Sierra Glow Penang has performed well in the first month of operation with 29 cars serviced, however, out of the 29 cars serviced, there are only 6 walk-in customers and the rest were his friends and relatives. Mr Woo understood that he could not depend on sales merely from his friends and relatives and thus he knew he need to do some promotion of his product in order to sustain his business in the long run. Thus, to tap into a bigger market, he need to get a better understanding of his competitors and their strategies. He has great belief that his product is of quality and able to meet the demands of the customers of car coating. This is evident by Sierra Glow USJ that has done well after a few years in the market and after they have managed to secure its customers.

There is a good word of mouth from customers of Sierra Glow USJ about the quality offered by Sierra Glow as compared to other car coating industries. Thus, Mr Woo thinks that with better promotion and marketing strategy he would be able to increase his sales within the shortest time possible. “Maybe I should start by analysing the customers’ need surrounding the location of Sierra Glow Penang as it is the sole car coating company that is offering Sierra Glow’s product and from then on focus on a better marketing strategy for his business”, said Mr Woo, the cofounder of Sierra Glow Penang.

Mr Woo understood that he has to face the challenges of low number of customers that lead to poor sales performance to his business. He needs a marketing strategy to

increase sales performance of the company. To do that, he understood he needs to address the following questions:

- 1) What is the root cause of the low number of customer?
- 2) What is the marketing strategy of Sierra Glow Penang?
- 3) Who are the customers of Sierra Glow Penang?
- 4) What is the quality of service of Sierra Glow Penang?
- 5) What is the performance of Sierra Glow Penang as compared to the various car coating specialist in Penang?
- 6) What would be the recommendations to be made to Sierra Glow Penang to increase its sales?

2.0 INDUSTRY BACKGROUND

2.1 The Background of Car Detailing Industry

Car coating is categorised as a detailing industry. Mintzer, R. (2008) shared that car detailing is the performance of thorough cleaning, restoration, and finishing of an automobile, both inside and out, to produce a show-quality level of detail. Detailing is generally broken down into 2 categories: exterior and interior.

Interior detailing involves a deep cleaning of the whole interior cabin. Automobile interiors of the last 50 years have a variety of materials used inside the cabin such as synthetic carpet upholstery, vinyl, leather, various natural fibres, carbon fibre composites, plastics, and others. Different techniques and products are used to address cleaning these. Vacuuming is standard, and steam cleaning, liquid and foam chemicals, as well as brushes may be used to remove stains on upholstery. Some nonporous surfaces may also be polished.

Exterior detailing involves cleaning and restoring or exceeding the original condition of the surface of the car's finish (usually a paint with a glossy finish), chrome trim, windows, wheels, and tires, as well as other visible components on the exterior of a vehicle. A wide array of products and techniques are used to do this based on the surface type, surface condition, or the detailer's preference. Products include, but are not limited to: detergents and acid free degreasers (to break down dirt and soil), detail clay (to remove embedded contaminants), waxes and polishes (to resurface and then improve reflectivity), as well as a variety of applicators, brushes, and drying towels. Car coating is often known as an evolution of waxes.

2.2 Car Coating

2.2.1 The background of Car Coating

A coating is a film forming substance which protects a substrate (E.g. a surface or material) against potentially damaging elements in its environment. Coatings serve as a sacrificial layer as well as enhancing its appearance. The Global Coatings Report (2006) shows that in 2005, the global coatings market was worth US\$ 85.7 billion, or 26.5 billion litres (Figure 2.1).

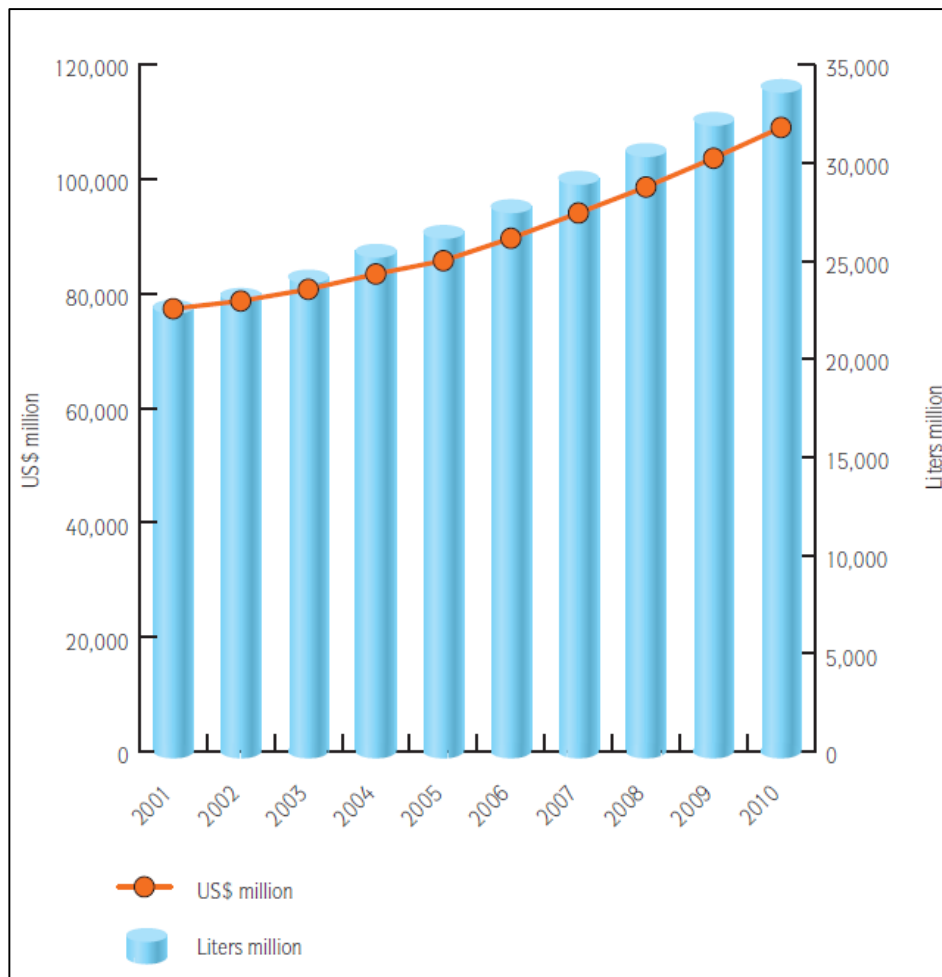


Figure 2.1: Global sales of coatings 2001-2010
Source: *The Global Coatings Report, 2006*

Coating of car bodies is carried out in-house by the Original Equipment Manufacturer (OEM). All of the mass-production vehicle manufacturers typically adopt a similar

coating process. The standard approach is a 3 or 4 coat process, the coatings layers being: (i) electrocoat, (ii) primer surfacer and (iii) top coat. Between coats, the body will normally undergo a manual sanding operation to provide a smooth base for the application of subsequent coats. This is particularly important before the application of the top coat to ensure a high quality finish. The top coat can be either one coat of a solid colour top coat; or one colour basecoat followed by a clear coat (PRA, 2011).

Unfortunately, everyday life means that the pristine coating found on a new car or commercial vehicle does not always stay that way. The colour of a car paint does not stay constant. A range of environmental factors such as ultraviolet (UV) irradiation and other forms of weathering and air pollution can all cause subtle changes to the colour of existing coatings. Recoating of vehicle bodies is vital if vehicles are to be repaired and given a new lease of life (The Global Coatings Report, 2006).

However, the coating used to paint the car when it was new is not the same as the one used. When coatings are applied to new cars, it is cured and dried at temperatures of more than 130 degrees. This is not possible with finished cars because most of the non-metallic parts (added later during original construction) would melt or be badly damaged by the high temperature. (The Global Coatings Report, 2006). Therefore, type of car coating that does not require high temperature curing is necessary to seals the paint and adds to the shine of the car.

2.2.2 Types of Car Coating

There are different types of car coating technology and products in market. The common ones are wax, polymer and glass coating as summarised in Table 2.1. Each respective type of coatings is explained in detail in the Table.

Table 2.1: Comparison between different types of car coating

	Wax	Polymer	Glass Coating
Description	A protective coating usually made from natural carnauba wax and polymers that provides a deep, reflective shine.	A completely synthetic blend of polymers that provides long-lasting paint protection and shine.	A clear and pure liquid which hardens on contact with the air, that provide provides super durable high gloss protection.
Range of price for service (In Malaysia)	RM50-RM500	RM500-RM3000	RM800-RM5000
Lasting period	6-8 weeks	5-6 months	3-6 years

Source: G-Guard (2012)

A) Wax

Coating for automobiles started with wax. Historically people in the Europe initiated the use of wax, such as pine oil to protect the wooden surface of horse carriage from rain, wind and dust. Varnish and tree resin took the place of pine oil. In the modern society wax from Carnauba palm oil has been used. Wax technologies kept evolving and found the use as effective material to protect steel plate from getting rusty and to give shine to the surface. Initially Carnauba oil was used to make wax. Later on organic solvents technology has developed and artificial paraffin started to be used to make wax as paraffin oil can create a layer on the surface when applied on it. By making an oil film, it helps reduce prism activity of sun light, and as a result, it makes it harder to find or see small scratches on the surface. Wax can temporarily maintain the shine. Thus, wax made of paraffin has been the main protection for automobiles.

B) Polymer

Polymers or compound of iso-paraffin and acrylic silicone started to be used for coating on the automobile paint surface. As these polymers have a large molecular weight and are composed of many chemicals, they are strong against water and other atmospheric elements. They can last longer than wax as they can penetrate into paints cluster holes while wax cannot. The other important point, paraffin used in wax contains abrasive particles to get rid of dust in the air. It means one time waxing can scratch approximately 0.02 to 0.05 micron to the paint. Subsequently, the paint begins to lose shine. It is, therefore, desirable not to unlimitedly wax the paint surface. It is advisable to take the importance of coating of the paint surface with polymer or sealant into consideration.

C) Glass Coating

Glass Coating is also known as Crystal coating, Silica coating and Quartz coating. It comprise of silicate dioxide and other materials. A clear and pure liquid which hardens on contact with the air, that provide provides super durable high gloss protection. When applied on the paint surface, silicate dioxide reacts with hydrogen in the air and leaves the silicon layer on the paint surface. This silicon is 100% inorganic material, which means it is immune to oxidation, and has static electricity prevention effect and makes the paint surface extremely smooth. As a result, it will keep dust and soil away from the paint surface. Glass coating also keep the shine of the car resulting in the car looking as new. In addition, it provides an additional protective layer to preserve the original paint.

2.3 Car Coating Industry in Malaysia

There are many car coating service providers in Malaysia and most of the car coating service providers are located in Kuala Lumpur, Selangor, Johor and Penang. In Petaling Jaya, Selangor, there is Waxson Car Care which was opened in 2005. Waxson Car Care is the authorizer that sell Permanon, Cquart, Meguiar's and Polti Sani products. The more recent car coating service provider is Dirt Away Auto Detailing Service which was opened in 2011 and they provide detailing service for all type of cars using Meguiar's products. Next is the Optimum Polymer Technologies Malaysia car coating service provider, they also known as Detailien which was opened in 2011. It is the sole distributors for Optimum Polymer Technologies in Malaysia.

Shine N Shield Auto Paint Protection Centre which use PPS Teflon Coating, is located in Subang Jaya, Selangor, and it started its business in 2008. It's located in the same area as Sierra Glow USJ. G-Guard Service Centre is available in Shah Alam, Selangor. It carries a brand from Japan and was opened in 2012. In Kuala Lumpur, Pristine Autospa car coating service provider was opened in 2011. They uses RainAway nanotechnology as its coating material.

G'Zox is the largest car coating service provider in Malaysia with a total of 12 branches available in Kuala Lumpur, Selangor, Johor, Kuantan, Penang and Sabah. Its backbone is Soft99 with more than 50 years of experience in manufacturing car cleaning chemicals in Japan. G'Zox offers exclusive car care products, range of professional and affordable car detailing solutions which include car coating. Table 2.2 summarise the car coating service provider.

Table 2.2: Comparison of selected car coating brands available in Malaysia

	Minimum Cost*	Warranty (year)	Special Shampoo	Maintenance Effort	Require Touch Up
Sierra Glow	RM 550	5	Yes (SierraWash)	Wash	Yes
Shine Guard / Shine N Shield	RM 880	5	Yes (Paint Maintenance Kit)	Wash	Half yearly, RM145 per service
Nano Brite	RM 1380	5	Yes (Nano Shampoo)	Wash	Yes, free of charge
Detailien	RM 2200	Ultimate	Yes (ONR)	Wash	Yes
Tribos	RM 1688	3	Yes (TRIBOS)	Wash	Not available
Prestige	RM 2088	2	No	Wash	Quarterly, RM38 per service
G'Zox	RM 2200	3	Yes	Wash	Quarterly, RM100 per service
Bonson	RM 1388	10	Yes (Conserver)	Wash + Conserver	Yearly, free of charge for 6 years, RM160 to RM190 per service
Bling	RM 799	2	No	Wash	Yes, free of charge
ProTech	RM 2390	5	Yes (ProCase)	ProCase (5 steps)	Yes, free of charge

Remarks: Cost is based on Honda Jazz

Source: <http://malaysiamari.blogspot.com/2013/04/car-paint-protection-coating.html>

Other than the above, Optimum Auto Detailing is a fully mobile service provider that delivers car coating to customer's home. They are opened in 2010 and serve the area in Petaling Jaya and Kuala Lumpur. They provide their services to other states as well upon customer request. Another car coating service provider, Tribos is a global operation and operates in several markets that include car coating service. The companies exist in United Kingdom, Malaysia, Thailand, Singapore, Switzerland, Brunei and Hong Kong. It practises business-to-business (B2B) business model. According to Tribos (2012), Tribos forges a new partnership with Mazda Malaysia to create the Mazda Total Protection Program. Each new Mazda CX-5 will be treated with the Mazda Total protection program using Tribos ahead of its release in the

market. This will ensure that the cars maintain its showroom finish for the years to come.

2.4 Car Coating Service Providers in Penang

In Penang, there is a total of 19 car coating service providers available as shown in Figure 2.2. 8 service centres are located in Penang Island and the remaining 11 are in Mainland Penang. Out of the 19 service providers, there are 11 different companies or service providers that provide car coating service, namely:

1. Sierra Glow Penang
2. FOC Facial of Cars Detailing Penang
3. G'Zox Penang
4. Ecoat Penang
5. The Best Car Polish & Coating Specialist Centre
6. Infinity Car Care Centre
7. Pro Car Beauty:
 - i. Pro Car Beauty Penang branch
 - ii. Pro Car Beauty Juru branch
 - iii. Pro Car Beauty Bukit Mertajam branch
8. Nano Armor:
 - i. Nano Armor Butterworth branch
 - ii. Nano Armor Penang branch
9. STE Auto Detailing:
 - i. Old service centre: Bay Avenue, Bayan Lepas
 - ii. New service centre: Krystal Point, Bayan Lepas
10. F One Car Spa Centre:
 - i. F One Car Spa Centre Bukit Mertajam
 - ii. F One Car Spa Centre Butterworth branch
11. PPS Shine Guard:
 - i. PPS Shine Guard Bukit Mertajam (Head quarter)
 - ii. PPS Shine Guard Butterworth branch
 - iii. PPS Shine Guard Georgetown branch

iv. PPS Shine Guard Juru branch

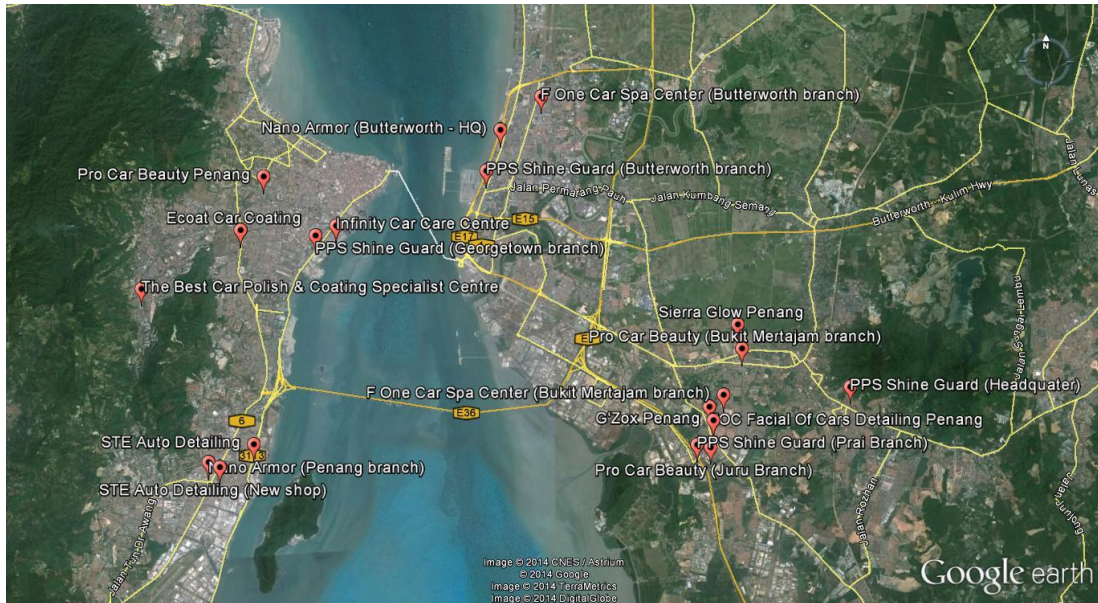


Figure 2.2: Car coating service provider in Penang.

2.4.1 Description of the Car Coating Service Providers in Penang

Most of the car coating service providers in Penang are established within a period of 1 to 5 years. Also, most of the service providers are small in size which consist of less than 8 operators and able to service a maximum of 2 cars daily. Besides this, most of the car coating in Penang use Silica, SiO₂ as the main component for coating. They have different names for its products even though the materials used are the same. Example of names are crystal coating, quartz coating, ceramic glass coating, diamond coating and glass coating.

Generally, its service include exterior car body coating, interior cleaning, interior coating (fabric and leather), wheel coating, exterior plastic coating, windscreen coating and head lamp coating. Its main differences is the quality of product, warranty period provided and value of service. Price for car coating is different base on different size of the car. In addition, most of the service providers allow customers to customize the

package based on customer's budget and demand. Most of its customers are luxury car owner, new car owner, car's club member and car lover. Table 2.3 provides a summary of the date of establishment of the 11 car coating service providers. Its ranking are based on the number of positive feedback from customer and review on its service and products.

Table 2.3: Summary of the 11 Penang car coating service providers

Company	Rank	Product name	Established since
Sierra Glow Penang	-	Sierra Glow Blue Flame coating	September 2014
FOC Facial of Cars Detailing Penang	1	Crystal coating	January 2013
G'Zox Penang	2	Quartz 7 coating	September 2013
Pro Car Beauty	3	GTECHNIQ Crystal coating	2010
PPS Shine Guard	4	Teflon coating	2010
STE Auto Detailing	5	CQUARTZ Ceramic Glass Coating	October 2009
Nano Armor	6	Platinum Armor Coating	September 2013
Ecoat Penang	7	Glass Coating	July 2014
The Best Car Polish & Coating Specialist Centre	8	Diamond Class Crystal Glass Coating	August 2013
Infinity Car Care Centre	9	Hard Coating	October 2010
F One Car Spa Centre	10	Modesta Coating	NA

Source: Company's Facebook account, Company's official website.

FOC Facial of Cars Detailing Penang established in January 2013. It is considered as one of the best auto detailing centre that provides services with the highest standards and products from Japan. Next service provider that is considered good is G'Zox, which is brought to Malaysia by Viva Privilege Sdn Bhd on July 2010. Its backbone is Soft99 with more than 50 years of experience in manufacturing car cleaning chemicals in Japan. On September 2013, they opened a Penang branch which is located in Bukit Mertajam.

Pro Car beauty has 3 branches in Penang. Its latest branch, located in the Juru, established in August 2010. Pro Car Beauty Centre's principles are professional, reliance and continuous improvement. Besides car coating, they also provide professional car beauty services and window film tinting. PPS Shine Guard have 4 branches and locate all around town area in Penang, namely: Georgetown, Butterworth, Prai, and headquarter which located in Bukit Mertajam. Headquarter started operation on 2010. They use a material called Teflon (scientific name called Polytetrafluoroethylene, PTFE) with United State Patent for car coating. This made it unique in terms of product as the material used is different from other.

STE Auto Detailing open its first shop on October 2009, its business soon expand and open another branch on July 2014. Both shops are located in Bayan Lepas area. They claimed they have the latest innovation in nanotechnology. Also, they are the first and only car coating shop with infra-red (IR) heating room. Nano Armor service provider have 2 branches available in Penang, one in Butterworth and another in Bayan Lepas. Both of the branch commenced its business on 2013. Its uniqueness is they able to provide up to 12 Mosh hardness paint protection with its 4 layers coating that come with anti-scratch function.

Ecoat Penang, another service provider, which has branded itself as a "greener car spa service centre" established on July 2014. The Best Car Polish & Coating Specialist Centre is founded on August 2013. Besides car coating service, they also offer services such as car polish and waxing. Infinity Car Care Centre service provider, started its

business in October 2010. They work towards qualify and perfection and aim to create finest Automotive Detailing with premium quality of luxury services.

Although there are 11 car coating service providers in Penang, there are only 6 car coating service providers that are considered as “performing well” in the industry based on the feedback from customer and review on its service and products. Thus only these service providers will be benchmarked in the report. Detailed differences of these 6 service providers and Sierra Glow Penang is provided in Appendix 11.

2.5 The Car Coating Market

Car coating is applicable to any vehicle and any car can be coated. In year 2012, there are total of 16.5 million units of active vehicles on the road in Malaysia. Out of this number, there are total of 1.3 million units vehicles registered in year 2012. 610 thousand units are belong to motorcycle category and 628 thousand units are belong to motorcar category. In Penang, there is total of 2.3 million units of vehicles and one million units of motorcar in total. In year 2012, Penang had recorded total of 54 thousand of new motorcar registered. (Appendix 9). Overall, the automobile industry shows a positive trend of increment as shown in Figure 2.3.

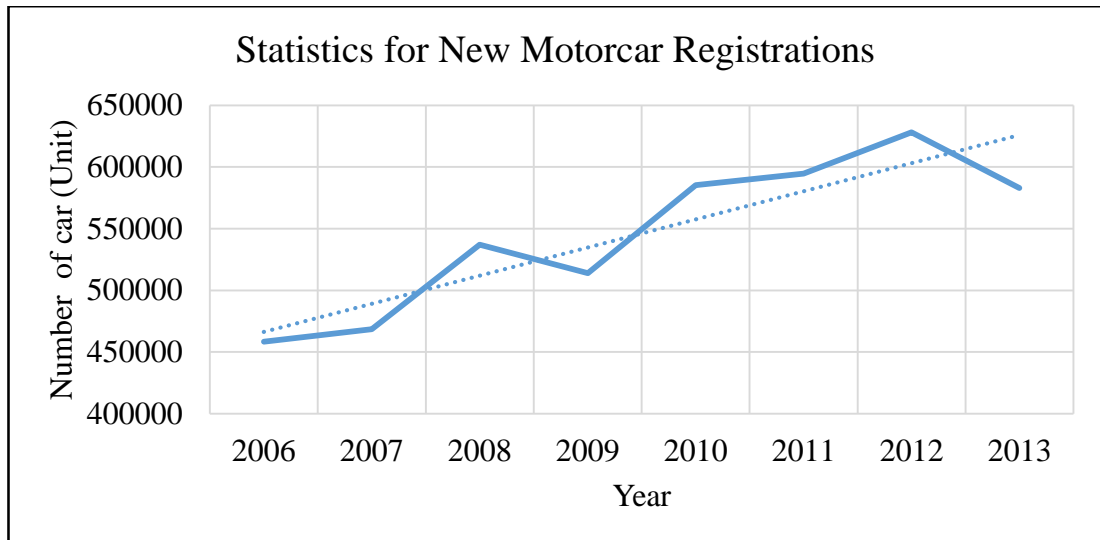


Figure 2.3: Statistics for Motorcar Registrations

Source: *Official Portal of Road Transport Department Malaysia, 2014.*

Most of the customers of car coating include luxury car owners, new car owners, member of Car Club Association and car lover. In a study of luxury brand buyer's characteristic by Tynan et al. (2010), luxury car owner segment belongs to customers who does not consider money as a problem due to their status as ultra-high or high net worth individuals. They go for exclusivity and rarity, thus car coating to them is a necessity. Most of them belongs to the upper class in modern societies, comprising of the wealthiest members of society and also wield the greatest political power. Their time is precious but they do value something exclusive and tailored to their needs.

In Malaysia, there are at least 600 groups of car clubs in Malaysia with over millions of active members (CarClubs). For example the Kia Optima K5 Club Malaysia, BMW Club Malaysia, Viva Owners Club, Antera Motorsports Malaysia Car Club, Ferrari Owners Club, Porsche Club Malaysia, Volvo Owners Club of Malaysia, Volkswagen Club Malaysia and etc. They are bunch of car lovers that gather under one roof to share about their passion on car.

From historical statistics using Google AdWords (Figure 2.4), the trend is showing an increase in public interest on car coating and car detailing service over the past 2 years in Malaysia. The average monthly searches for car coating and related words are about 13 thousand per month. Out of this number, 40.2% are from Kuala Lumpur. Penang is positioned at number 4 with 11.8% of the total (Figure 2.5). Figure 2.6 shown that Penangites from Georgetown show more interest on car coating and related service than the others, only 12.0% of the searches are from Bukit Mertajam, Penang. From public survey conducted as shown in Appendix 2, out of 37 car owners surveyed, 19 persons (51%) have never heard of car coating before and only one car owner (3 %), have heard of Sierra Glow Car Coating before in Penang.

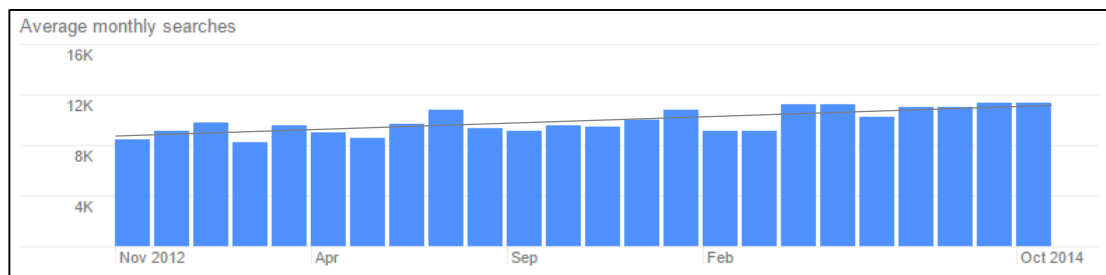


Figure 2.4: Trend of public searching for car coating and related service

Source: Google AdWords

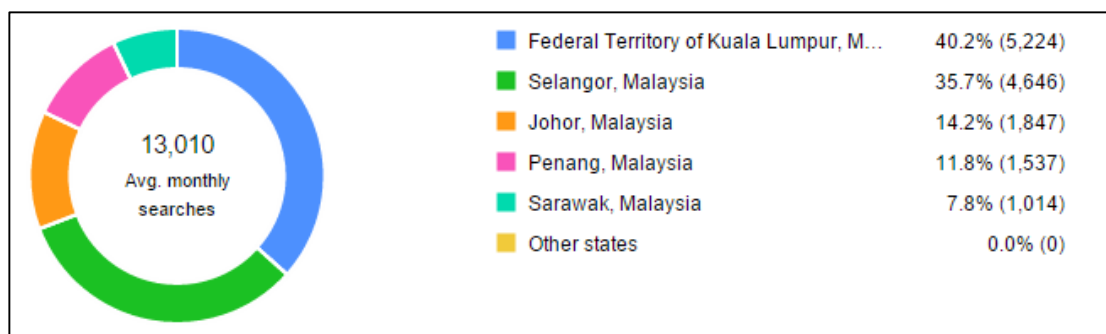


Figure 2.5: Public search breakdown by location in Malaysia

Source: Google AdWords



Figure 2.6: Public search breakdown by location in Penang
 Source: Google AdWords

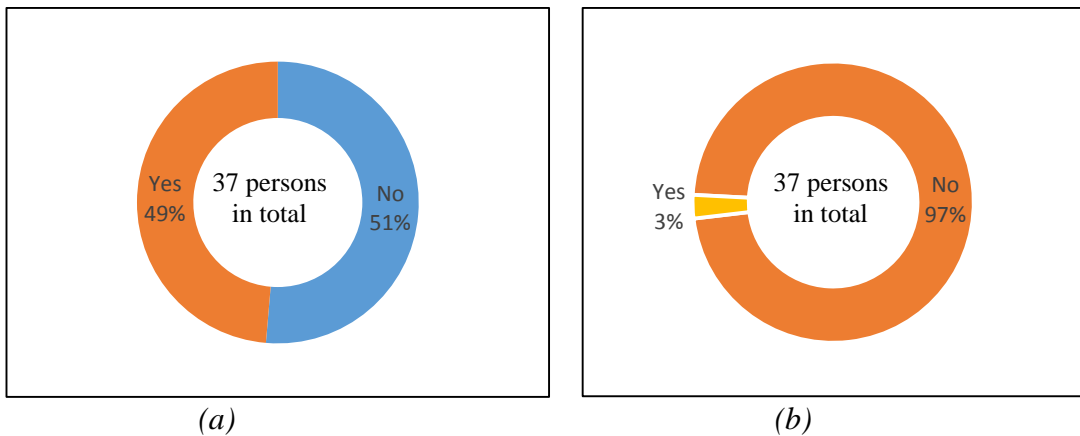


Figure 2.7: Percentage of person who heard of car coating (a) and Sierra Glow (b)
 Source: Public Survey

3.0 COMPANY BACKGROUND

3.1 Background of Sierra Glow

Sierra Glow program started in Malaysia in 2008. It is initiated in Japan under a different name in 2004 after laboratory and field test with many different car models and in various environments. Sierra Glow technology is brought to Malaysia from Japan by a company called Sierra Glow (M) Sdn Bhd (Also known as Sierra Glow USJ), a Malaysia company incorporated in 2008, which is located in Subang Jaya, Selangor. Figure 3.1 shows the trademarked logo of Sierra Glow. The technology are all developed from Japan and underwent strict and competitive tests. R&D experts in Japan work hand-in-hand with Sierra Glow teams in Malaysia to improve and create new innovative programs in order to meet car lovers' need locally and abroad. Sierra Glow technology and service is also available in Singapore and Penang respectively in the year of 2012 and 2014.



Figure 3.1: Logo of Sierra Glow

Sierra Glow USJ business has not performed well in the early years of its operation as shown in Figure 3.2. However, business started to boom in the fourth year. Until today, they have an average of 75 cars visited for service every month. This generated about RM 1 million of annual revenue in Sierra Glow USJ in the year of 2013. Many customers seek Sierra Glow USJ for car coating service through the good word of

mouth. This is shown that there is always a market demand in car coating service and potential grow in Sierra Glow business.

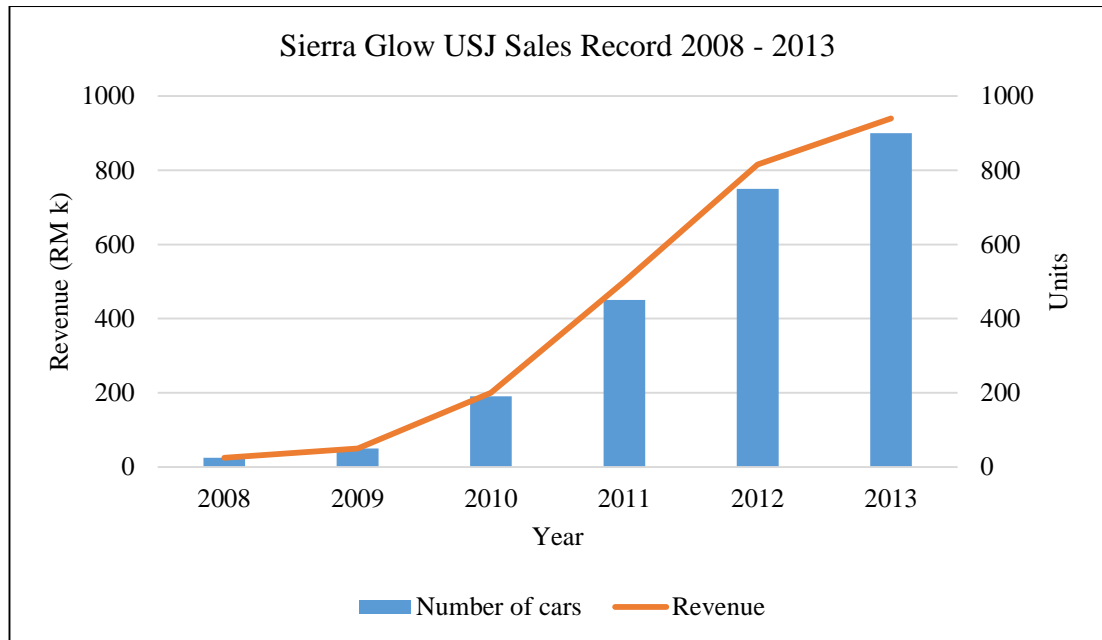


Figure 3.2: Sierra Glow USJ Sales Performance from 2008 to 2013

Source: Interview and Sierra Glow USJ Financial Report

3.2 Sierra Glow Penang

Sierra Glow technology is brought to Penang in 2014 by Mr Woo. Sierra Care Sdn Bhd (Figure 3.3) is then set up and registered under Mr Woo and Mr Kay. Mr Kay is a partner to the business. Sierra Glow Penang operated its business in September 2014. Mr Woo has the opportunity to operate this business due to his close relationship with the founder of Sierra Glow (M) Sdn Bhd in USJ. Sierra Glow Penang is located in Bukit Mertajam, Pulau Pinang (Figure 3.4).



Figure 3.3: Sierra Care Sdn Bhd, also known as Sierra Glow Penang



Figure 3.4: Location and address of Sierra Glow Penang

Sierra Glow Penang is located 400 meters away from Perda City Mall. The mall previously opened in August 2008, and was known as the AEON Seberang Prai City. Although AEON Seberang Prai City has relocated to another premise known as AEON Mall Bukit Mertajam, opened on 4 June, 2014. Parkson Corp Sdn Bhd and Eonsave Cash & Carry Sdn Bhd have been signed on as anchor retailers of the soon-to-be

opened Perda City Mall in Seberang Perai, Penang. Started on July 2014, Perda City Mall is closed for 3 months for upgrading work (The Star, 2014).

Sierra Glow Penang is accessible via Penang’s main linkages, namely the PLUS Highway, Butterworth-Kulim Expressway, Penang Bridge and also the second Penang Bridge. It is also surrounded by a big catchment population of over 900,000 people with more than 100,000 of them staying within a 5km-radius from the area (The Star, 2014). They are located at the heart of the new Perda Township, in between Seberang Jaya and Bukit Mertajam.

3.1.1 Licensed Dealership

In 2014, Sierra Glow USJ agreed to sell Licensed Dealership to Sierra Glow Penang for a price of RM50k which included a start-up package. Table 3.1 shows the detail of the start-up package.

Table 3.1: Start-up package’s details

	Items	Quantity
1	Glassglow of 6 ml per set	100 units
2	Electric Compact Tool (model G-150N)	4 units
3	Tornado Air Gun	1 unit
4	Gun Flat Nozzle	1 unit
5	Rotary Amateur	4 unit
6	Yellow Wool buffer	25 pieces
7	Urethane buffer	10 pieces
8	Clay bar 200gm/piece	15 pieces
9	Micro Fibre White Urethane	10 pieces
10	Glassglow application sponge	100 pieces
11	TC Hard compound	10 litres
12	TC All compound	10 litres
13	TC Round compound	20 litres
14	TWCP compound	10 litres
15	TC Finish compound	2 litres

16	Sierra Wash shampoo	40 litres
17	A&P Glassglow of 60 ml per sett	1 unit
18	Sierra Bead	2 litres

Remarks: Start up package includes enough equipment, products and supply to complete 100 cars of general segment.

Source: Sierra Glow Penang's Licensed Dealership Agreement

Under the agreement, it is an ongoing dealership for as long as sales reach a total of 300 cars or more per year (First and second year). Subsequent third year and onward is required to maintain a minimum of 600 cars per annum. As part of this dealership, Sierra Glow USJ will protect the rights of Sierra Glow Penang to conduct the dealership exclusively in Penang area, which also include area at the north to Kedah boundary and the south to Perak boundary.

Sierra Glow USJ is extremely committed to quality control of Sierra Glow Penang. Thus, Sierra Glow USJ offers specific equipment, products and supplies to kick start the car coating business. A comprehensive training package will be provided to Sierra Glow Penang polishers in order to ensure competent and professional skill transfer occurs. In addition, Sierra Glow USJ will provide help and support for the advertising and marketing materials of artwork – website template, signage design and even interior workshop design. Targeted customers are those car owners who may already know about Sierra Glow and are looking for a great finish to their car. Sierra Glow USJ will assist in reach out to new customers and provide assurance that the new dealership is also a genuine Sierra Glow.



Figure 3.5: Serial number tracking's sticker

Remarks: Red colour sticker for Classic Sierra Glow Car coating and Blue colour sticker for Sierra Glow Blue Flame treatment.

Source: Sierra Glow Penang, 2014

As the biggest concern for Sierra Glow USJ is ensuring good quality, they provide a serial tracking number (Figure 3.5) for each car that had undergone car coating. Refer to the process flow (Figure 3.6), Sierra Glow USJ requires the dealership to send out report of car owner, models as well as the Sierra Glow serial number details to Sierra Glow database located in the headquarter. This way, Sierra Glow USJ is able to track back customer satisfaction and monitor complaints if there are any. This tracking system allows Sierra Glow Company to ensure quality and reduce significant chance of abuse.