

THE IMPACT OF MARKETING ENVIRONMENT IN TERMS OF COMPETITIVE
FORCES TOWARDS PRODUCT (CLOTHES) SOLD ALONG HANG TUAH
STREET

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“Saya akui laporan ini adalah hasil kerja saya sendiri kecuali ringkasan dan petikan yang
tiap-tiap satunya saya telah jelaskan sumbernya”

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Tarikh : JUN 2014

‘Saya/ Kami akui bahawa saya telah membaca karya ini dan pada pandangan saya/ kami karya ini adalah memadai dari segi skop dan kualiti untuk tujuan penganugerahan Ijazah Sarjana Muda Pengurusan Teknologi (Pemasaran Teknologi Tinggi)’

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To my beloved parents and siblings

Zainal Abidin B Mohamed

Fuziah Bt Mohamad

Zam Zarina Bt Zainal Abidin

Siti Khadijah Bt Zainal Abidin

Mahyuddin B Zainal Abidin

Mohd Hilmi B Zainal Abidin

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ABSTRACT

Having a great and creative marketing strategy is a crucial in order to market a product/ service nowadays. It is because there are so many competitors that compete among each other. Today, it becomes a big challenge for marketers to provide satisfaction to their customer. Not only that, marketers must have invested more effort to make customers willing to spend their time to survey and make decision to buy their product. In this research, the shops along Hang Tuah Street are selected to determine the reason why customers are less interested towards products sold on there. The researcher had conducted a research of why the place that quite busy few years ago are now became quite and not attractive. Here the researcher determined the impact of market environment in terms of their competitive forces towards the product sold along Hang Tuah Street. After the issue is determined, the researcher then identified and suggested the best tools of strategy to market the product along Hang Tuah Street in order to help the marketers to stay alive in there. In order to get the information, distribution of questionnaires is done and the data collected is then being analyzed using the SPSS for further research. This research was limited among the owner of the business, workers and the customers of these shop. Based on data collected, it shows that Threat of New Entrant was the biggest forces that gave affect towards the selling activity along Hang Tuah Street. In a nutshell, understanding the needs and wants of the customer is recommended to be implemented by the owner of the business to attract the customer to come to their shop and make them sustain in this market.

ABSTRAK

Mempunyai strategi pemasaran yang hebat dan kreatif adalah penting untuk memasarkan produk/ perkhidmatan pada masa kini. Ia adalah kerana terdapat begitu banyak pesaing yang bersaing antara satu sama lain. Hari ini, ia menjadi satu cabaran besar bagi peniaga dalam memberikan kepuasan kepada pelanggan mereka. Bukan itu sahaja, peniaga perlu melabur lebih banyak usaha bagi membuatkan pelanggan bersedia untuk menghabiskan masa mereka meninjau dan membuat keputusan untuk membeli produk yang dijual. Dalam kajian ini, kedai-kedai di sepanjang Jalan Hang Tuah dipilih untuk menentukan sebab mengapa pelanggan kurang berminat terhadap produk yang dijual di sana. Pengkaji menjalankan penyelidikan berkenaan tentang mengapa tempat yang agak sibuk pada suatu masa dahulu kini telah menjadi agak tidak menarik. Di sini pengkaji menentukan kesan persekitaran pasaran dalam istilah kuasa kompetitif mereka terhadap produk yang dijual di Jalan Hang Tuah. Selepas isu ditentukan, penyelidik telah mengenal pasti dan mencadangkan langkah dan strategi yang terbaik untuk memasarkan produk di Jalan Hang Tuah bagi membantu peniaga agar dapat terus menjalankan aktiviti perniagaan di sana. Dalam usaha untuk mendapatkan maklumat, pengedaran borang soal selidik dilakukan dan data yang dikumpul kemudiannya dianalisis dengan menggunakan perisian SPSS. Kajian ini akan terhad di kalangan pemilik perniagaan, pekerja-pekerja dan pelanggan kedai ini. Berdasarkan data yang dikumpul, ia menunjukkan bahawa Ancaman Peserta Baru dilihat sebagai kuasa paling besar yang memberi kesan terhadap aktiviti jualan sepanjang Jalan Hang Tuah. Secara ringkas, memahami keperluan dan kehendak pelanggan adalah disyorkan untuk dilaksanakan oleh pemilik perniagaan bagi menarik pelanggan untuk datang ke kedai mereka dan membuat mereka bertahan dalam pasaran ini.

CONTENTS

CHAPTER	TITLE	PAGE
	PROJECT TITLE	i
	ACKNOWLEDGEMENT	v
	ABSTRACT	vi
	<i>ABSTRAK</i>	vii
	CONTENTS	viii
	LISTS OF TABLES	xi
	LISTS OF FIGURES	xii
	LISTS OF ABBREVIATIONS	xiii
	LISTS OF APPENDICES	xiv
CHAPTER 1	INTRODUCTION	
	1.1 Background of Study	1
	1.2 Statement of Problem	1-2
	1.3 Research Question	2
	1.4 Research Objectives	2
	1.5 Important of the Research	3
	1.6 Limitation	3
	1.7 Summary	4
CHAPTER 2	LITERATURE REVIEW	
	2.1 Introduction	5
	2.2 General about Market Environment	5-8
	2.3 Five Competitive Forces that Shape Industry Competition	8-13

	2.4	Evidence from other Researcher	14-16
	2.5	Theoretical Framework	17
	2.6	Hypothesis	18
	2.7	Summary	19
CHAPTER 3		METHODOLOGY	
	3.1	Introduction	20
	3.2	Research Design	20-21
	3.3	Methodology Choices	21
	3.4	Constructions of Questionnaires	21
	3.5	Primary and Secondary Data Sources	22
	3.6	Location of the Research	22
	3.7	Research Strategy	23
	3.8	Time Horizon	23
	3.9	Scientific Canons	24-25
	3.10	Data Analysis	25-26
	3.11	Summary	26
CHAPTER 4		RESULT AND DISCUSSION	
	4.1	Introduction	27
	4.2	Result of Findings	27-35
CHAPTER 5		CONCLUSION AND RECOMMENDATION	
	5.1	Introduction	36
	5.2	Discussion and Conclusion of Findings	37-42
	5.3	Recommendations and Suggestions for Clothes' Shops and Future Research	42

5.4	Summary	43
	REFERENCES	44-46
	APPENDICES	47-53

LISTS OF TABLES

NO	TITLE	PAGE
1	Reliability Statistic of Data Gathered	28
2	Status Division of Respondent	29
3	Gender of Respondent Involved	29
4	Respondent's Monthly Income	30
5	Respondent's Living Area	31
6	Range of Strength of Relationship between Variables	32
7	Correlation of Variables	32
8	Model Summary of the Overall Variables	33
9	Coefficient	33
10	The Significant Value of Variables	34

LISTS OF FIGURES

NO	TITLE	PAGE
1	Components of Marketing	5
2	The Five Competitive Forces	9
3	The Theoretical Framework	17

LIST OF ABBREVIATION

BBuyer	-	Bargaining Power of Buyer
BSupplier	-	Bargaining Power of Supplier
RCompetitor	-	Rivalry among Competitor
SPSS	-	IBM Statistical and Service Solutions
TNEntrant	-	Threat of New Entrant
TSubstitutes	-	Threat of Substitutes
UMNO	-	United Malays National Organization

LISTS OF APPENDICES

NO	TITLE	PAGE
1	Sample of Questionnaire	47-52
2	Letter of Permission	53

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Market environment is known as the factor that will affect the decision of a business. One of the components that involve in market environment is the competitive forces. Without a great strategy a business might face with big difficulty in order to sustain in market. In this research, the researcher will focus on the problem that occurs on the shops along the Hang Tuah Street. Based on researcher view, the shops along the Hang Tuah Street are not attractive enough to attract the customer to come over.

In this topic the researcher will focus on the problem, research questions, research objectives, important of the research, and limitation respectively. This research is conducted in order to help the marketers involved realized the biggest challenges in running their business.

1.2 Statement of Problem

Hang Tuah Street is one of the streets that have in Malacca. Until May 2005, the Hang Tuah Street is one of the busy places in Malacca since there is a terminal bus for all buses in Malacca before it being changed to Melaka Sentral. After the Melaka Sentral is opened, the Hang Tuah Street is no more become the aim for tourist or local customer to come over. As the result, the shops along the Hang Tuah Street especially the clothes'

shop are less in customer who come and visit their shop to buy the clothes. Here the researcher is trying to find the problem by looking at the marketing environment on this street by analyzing the five competitive forces.

1.3 Research Question

For this research, researcher is focusing on two research question that will be critically analyzed. The research question is:

- 1.3.1 How the market environments in terms of competitive forces give impact towards product (clothes) along the Hang Tuah Street?
- 1.3.2 Among the five competitive forces, which of it gives the biggest challenges for this business performance to sustain in market?

1.4 Research Objectives

The purpose of conducting this research is to expose the young adult with the real environment of marketing around them. There are two main objectives that the researcher wants to achieve during conducting this research. The objectives are:

- 1.4.1 To determine the impact of market environment in terms of its five competitive forces towards the product (clothes) sold along Hang Tuah Street;
- 1.4.2 To analyze which element among the five competitive forces gives the biggest impact towards selling activity for product (clothes) sold along Hang Tuah Street.

1.5 Important of the Research

This research is important in order to help the marketer that sold product (clothes) to sustain in market by understanding their market environment in terms of its competitive forces. As mentioned above, the shops along Hang Tuah Street are less attractive for customers to come over. This issue is taken by the researcher as the issue that will be critically analyzed so that the researcher can provide with some suggestion that can be implemented in their business strategy to increase the business performance.

Besides that, this research is also important in order to help the marketers or owner of the business to understand the real reason for their problem. It is a necessary effort for a marketers or the owner of the business to identify and construct the right strategy in sustaining the business in market.

1.6 Limitation

In this research, the researcher will focus on the market environment in terms of their competitive forces that affects the activity in business along the Hang Tuah Street on the sales of clothes. Here, the five competitive forces are being analyzed and critically review in order to identify the biggest forces that faced by the shops that selling clothes along Hang Tuah Street. The way of administration for the business will not be concerned in this research since there is no relation with the objective proposed in this research. For the respondent, researcher is targeting the owner, workers and several customers of the shops that sell the clothes along Hang Tuah Street as respondent. It is because; researcher believed that owner and the workers of this business is the most right person to be referred since they are the one who running the business along the days. A few customers are needed in order to understand the view of the customer about the clothes' selling activities at Hang Tuah Street. It is important to make sure that the data collected is valid and reliable for others.

1.7 Summary

The market environment are the factor that affecting the business activities and decision making. All the problem, question, objective, important of research and the limitation as mentioned above is constructed in order to help the research process smooth and clear in the future. Critically analyzed and choosing on a good topic is necessary to make sure that the research that going to be conducted is useful in the future. The impact of market environment in term of its competitive forces is a good topic. This topic will help the marketers or owner of the business identify the force that come from their competitor and construct with better strategy for their market activities.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Market environment are about the external environmental forces that affect the marketing mix. According to Pride and Ferrell. (2010), the market environment includes six such forces: competitive, economic, political, legal and regulatory, technological and socio-cultural. Each of these forces may lead to the market activities and decision making.

2.2 General about Market Environment

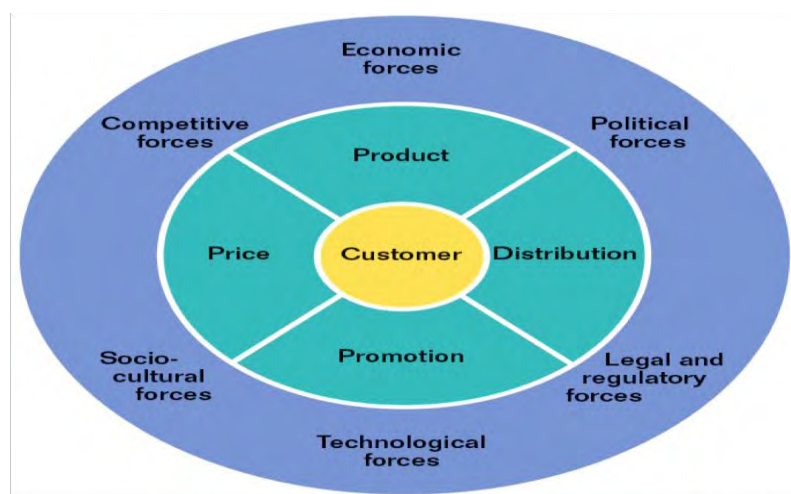


Figure 1: *Components of Marketing*

Sources: Component of Marketing (Pride and Ferrel, 2010)

The following are some of the general explanations about the marketing environment.

i. Competitive forces

Competition is always faced by any of the firms or organizations that undergo a business. It is because the customers are freely to choose whatever they want without think about the profit or loss of an organization business. According to BusinessDictionary.com, competition is defined as economics: rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service. However, Pride and Ferrell. (2010) explained that a marketer generally defines competition as other firms that market products that are similar to or can be substituted for its products in the same geographic area. These forces will critically review by the researcher as the main topic for this research.

ii. Economic forces

In economic forces, both customers and marketers have the ability to influence the decision and market activities. Here, the customer willingness to spend and the buying power can be affected through their economic condition. Not only that, the changes in economic conditions will also affecting the supply and demand, consumer expenditure levels that will lead and give impact to the success or failure of an organization. Fluctuation in the economy follow a general pattern, often referred to as the business cycle (Pride and Ferrell, 2010). There are four stages in business cycle which are the prosperity, recession, depression and recovery based on the traditional view.

iii. Political forces

There are not much different between these forces with legal and regulatory forces. These two forces are interrelated among each other. The relation between these two forces happened when all the legal and regulation reflects the current political environment. In this situation, it shows that the political forces have the ability to affect the marketing environment by influencing the strategy that should be implementing and decision making process.

iv. Legal and regulatory forces

As mentioned above, legal and regulatory are also one of the forces that may affect market activity and decisions. There are two designs of legislation for these forces; the procompetitive legislation and consumer protection legislation. The consumer legislation is designed to protect people from actual and potential physical harm caused by adulteration or mislabeling (Pride and Ferrell, 2010) which care about the consumer safety. For the precompetitive legislation, it was designed in order to preserve the competition. According to Pride and Ferrell. (2010), they explained that most of these laws were enacted to end various antitrade practices deemed unacceptable by society.

v. Technological forces

Technology is the application of knowledge and tools to solve problems and perform tasks more efficiently (Pride and Ferrell, 2010). The growth of technology was accelerated since last few decades. By referring on some country like U.S, the technology and their advancement are totally give some effect toward the marketing activities and decision. It has the ability to influence the marketers and buyers in making decision. Failed in adopting with the technology changes had lead for many organization to lose their status as market leader. In fact, it is a crucial for an organization to

determine when the technology is changing in order to construct the new strategy that suitable for their business.

vi. Socio-cultural forces

According to Pride and Ferrell. (2010), they explained that socio-cultural forces are the influences in a society and its culture(s) that bring about changes in people's attitudes, beliefs, norms, customs, and lifestyles. There are three major issues in socio-cultural forces which are the demographic and diversity characteristics, cultural values and consumerism.

The changes in demographic and characteristics will lead to the changes in how people live and their consumption on products and services. However, the people's need and wants for a product is influenced by the changes in cultural values. Lastly, the consumerism where it involves organized efforts by individuals, groups, and organizations just to protect the consumer rights.

2.3 Five Competitive Forces that Shape Industry Competition

In this part, the researcher will focus on five competitive forces that shape the strategy. As mentioned above, the competitive forces will be the forces that critically review by the researcher.

These five competitive forces had been introduced by Michael E. Porter in his first Harvard Business Review's article. The forces involved threat from new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products or services and the rivalry among existing competitors.



Figure 2: *The five competitive forces*

Source: Five Competitive Forces (Porter, 1980)

For these forces, the configuration are differs among the industry. Some forces are not effect too much on certain industry while others are strongly affected. According to Porter (2008), the strongest competitive forces determine the profitability of an industry and become the most important to strategy formulation. The most salient force, however, is not always obvious.

Understanding the competitive forces, and underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time. A healthy industry structure should be as much a competitive concern to strategists as their company's own position. Understanding industry structure is also essential to effective strategic positioning. As we can see, defending against the competitive forces and shaping them in a company's favors are crucial to strategy. The strongest competitive forces determine the profitability of an industry and become the most important to strategy formulation. The most salient force, however, is not always obvious (Porter, 2008).

According to Porac and Thomas, 1990; Song, Di Benedetto, and Zhou, 1999), they explained that managers use 'mental models' to simplify and understand the competitive environment within which they work.

Managers from different nations may use different criteria to select a competitive strategy, because they use different 'mental models'. That is, managers will be most aware of the forces that they experience in their home country, and may be less aware of forces that are blocked by institutional factors. They will, therefore, place different levels of importance on the competitive forces when assessing the environment, and may consequently view a given market opportunity as more or less attractive (Song et al., 2002).

i. Threat of new entry

According to Porter (2008), he explained that new entrants to an industry bring new capacity and desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Meanwhile, Wilkinson (2013) explained in more simple words that in Porter's five forces, threat of new entrants refers to the threat new competitors pose to existing competitors in an industry. Threat of new entrants created affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. A high threat of entry means new competitors are likely to be attracted to the profits of the industry and can enter the industry with ease. New competitors entering the marketplace can threaten or decrease the market share and profitability of existing competitors and may result in changes to existing product quality or price levels. A high threat of new entrance can make an industry more competitive and decrease profit potential for existing competitors. On the other hand, a low threat of entry makes an industry less competitive and increases profit potential for the existing firms. New entrants are deterred by barriers to entry.