

Malaysia Seaport Development: A Study on New Entrants and Supplier Based on Michael E. Porter Competitiveness Forces Model at Westport, Port Klang Malaysia

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ABSTRACT

The development and growth in port and shipping industries will be effected to the economy of Malaysia. The research aims to identify the main efficient strategy from suppliers to develop the main supplier, effective strategy to handle the threats from new entrants and to measure the important of the most cost effective supplier. The research is consists only on two parts of Michael E. Porter Competitiveness Forces Model which are new entrants and supplier. The research will be conducted by using a few methods with the first method are by using secondary data from books, journals and from internet sources. Second method is by distributing the questionnaire from respondents, then will be analyze by SPSS system. These researches will be expected to gain the efficient and effective strategy with some recommendation to make more competitiveness at Westport, Port Klang Malaysia.

Keywords: *Competitiveness Forces, New entrants, Suppliers.*

1.0 INTRODUCTION

The development and growth in port and shipping industries will be effected to the economy of Malaysia. Recently, there are 13 major ports in Malaysia and one of the largest port is Port Klang. It is strategically located at East-West International Trade Lanes, Malaysia's most progressive and develops state and at the crossroads of what is considered the busiest shipping route in the world in The Straits of Malacca. With this, Port Klang is ideally placed to capitalize on both the international and domestic markets. Port Klang is ranked among the top 20 container ports of the world and has trade links with over 180 countries and more than 500 ports.

West port is being developed as a regional hub and load centre at Port Klang, Malaysia, Westport presently has 6 container berths in operation, and by year 2000 shall have a total of 16 container berths. When fully developed Westport will have 30 berths stretching over 11 kilometres of coastline. Westport is designed to handle fifth generation post panamax vessels of 5,000 TEUs and above. The natural depth is 14 to 17 metres of water, and is designed for ships of up to 80,000 tonnes displacement. In addition to container facilities, Westport can also handle break-bulk and liquid cargos, Westport is complete with bunkering, tugs and pilotage facilities, and container and yard gantries. The commercial environment and infrastructure in Port Klang is now competitive, befitting the role of Westport as a regional hub and load centre.

In fact some of the great maritime nations are not those blessed with such maritime attributes. Of course those blessed with natural maritime attributes would have an advantage over those without. It is inconceivable for a land-locked country like Mongolia to have a big shipping fleet when it does not even have a harbour to berth its ships. A true maritime nation is one which has the capability to fully exploit its God given maritime endowments to enhance its socio-economic standing among the community of nations. In this regard, though Malaysia has all the makings of a maritime nation, strategically located at the centre of shipping lane and a large sea area rich in fishery, oil and gas resources, it has yet to optimise all these attributes to qualify as a maritime nation in the true sense of the word. Efforts to transform Malaysia into a true maritime nation began in earnest only about two decades ago. Since then the maritime industry has been recognised as an increasingly important sector in the Malaysian economy. Malaysia's Second Outline Perspective Plan(OPP2) clearly describes the potential role of the maritime sector to the long-term growth and development of the country especially in creating new and non-traditional marine based and related economic activities until the year 2000 and beyond.

Whenever, new firms can easily enter a shipping industries and the intensity of competitiveness among firms increases. Barriers to entry, however, can include the need to gain economies of scale quickly, the need to gain technology and specialized know, the lack of experiences, strong customer loyalty, strong brand preferences, large capital requirement, lack of adequate distribution channels, government regulatory policies, tariffs, lack of access to raw materials, possession of patents, undesirable locations, counterattack by entrenched firms, and potential saturation of the market. The new entrants sometimes enter industries with higher quality products, lower prices and substantial marketing resources. The strategist's job therefore is to identify potential and to handling the new entrants entering the market, to counterattack as needed and capitalize on existing strength and opportunities.

The bargaining power of suppliers affects the intensity of competition in an industry, especially when there is a large number of suppliers, when there are only a few good substitute raw materials, or when the cost of switching raw material is especially costly. It is often in the best interest of both suppliers and producers to assist each other with reasonable prices, improved quality, development of new services, just in time deliveries and reduced inventory costs, thus enhancing long term profitability for all concerned.

For easier in this research, the Five Competitive Forces Model will be used to determine what are main aspect that was contribute the strategies or development to handling new entrants and effectiveness logistics supplier. This model was develop by, Michael E. Porter in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980.

2.0 LITERITURE REVIEW

The threat of new entrants involves examining the barriers to entry and the expected reactions of existing firms to a new competitor. Barriers to entry are the costs and/or legal requirements needed to enter a market. These barriers protect the companies already in business by being a hurdle to those trying to enter the market. In addition to up-front barriers, a new competitor may inspire established companies to react with tactics to deter entry, such as lowering prices or forming partnerships. The chance of reaction is high in markets where firms have a history of retaliation, excess cash, are committed to the industry (see Rivalry Among Competitors), or the industry has slow growth. A strong knowledge base is also required in order to make high quality wine and understand the complexities of the industry.

Logistics is a process which runs from the vendor's door through to the customer's. It interacts with almost every

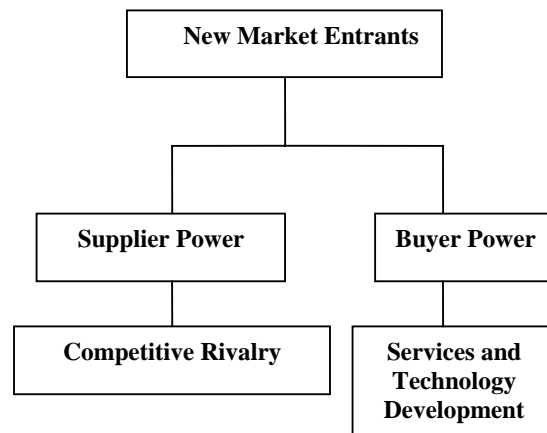
group within the company and with many companies outside the company, including its customers. Effective logistics revolves around five key issues as are movement of product, movement of information, time/service, cost and integration. Each of this is critical to the success of logistics and to creating value-added to the company and improving competitiveness. Raw materials and completed units can move between and among all regions of the world. While other departments in the company may focus on select geographical regions for sourcing, manufacturing or sales, logistics must deal with all of these. Everything must move.

The information must flow between the company and its suppliers, carriers, forwarders, warehouses and customers. It must also move internally among purchasing, customer service, logistics, manufacturing, sales, marketing and accounting. Understanding the nature of the relationship that exists between large corporations and minority suppliers may provide clues as to how to structure and manage supplier relationships effectively. Relationships are typically perceived as long-term relationships, as opposed to arms-length, transactional buy-and-sell relationships. The relationship between an organization and its supplier is a strategic one.

3.0 RESEARCH PROBLEM

The economic recession is a new challenges to Westport, directly will effect the suppliers to enter into the shipping industry with the new entrants will be the big challenges to Westport to survive and maintain their reputation to be the best among the best, based on the ranking. This research is to study on new entrant and supplier based on Michael E. Porter Competitiveness Forces Model at West Port. With this research we can find the efficient strategy from supplier at west port, the effective strategy to handling the threat from new entrant and to measure the important of most cost effective supplier at Westport.

Figure 1: Michael E. Porter Competitiveness Forces Model



The figure 1 shows, the Five Michael E. Porter Competitiveness Forces Model which as suppliers, substitutes/technology, barrier to new entry, buyers and competitiveness rivalry. The research will include the force from suppliers and the barriers to entry from new entrant. From this part, the research will focus on, for suppliers in number of suppliers, size of suppliers, switching cost, unique services/product, ability to substitute and relationship with customer. Then, for the new entrants, focus on time and cost to entry, knowledge, economies of scale, cost advantage, technology and barriers to entry. From this subtitle, the research to find out is to identify the most efficient strategy from supplier at west port, the effective strategies to handling the threat from new entrant and to measure the important of most cost effective supplier as objectives for this research. To achieve that objective, the research will be implement at west port with a few method, such as design of the study, study population and sampling, instruments, data collection procedures and data analysis.

4.0 RESEARCH OBJECTIVES

- 1- To evaluate the most efficient strategy from supplier at Westport to develop the maritime cluster.
- 2- To evaluate the most effective strategy, how to handle the threat from new entrant.
- 3- To elaborate the recommendation of the effective supplier.

5.0 RESEARCH METHODOLOGY

5.1 Instruments

This research will be carried out through survey research; the questionnaire is the primary source in collecting data from the respondents. The questionnaire will be designed based on the replication process, where researcher will take some questions from previous similar research such as senior students and established researchers through their thesis and articles. Based on those sources, another new set of questions related to this study will be generated. Questions will be design based on the important or relevant point available in the literature review. Furthermore, a pilot study also will be conducted. The main objective of the pilot study is to make sure respondents understand the questions. Based on the feedback from the pilot study, a better set of questionnaire will be developed and distributed to the respondents.

5.2 Questionnaire Design

The questionnaire will be divided into 4 sections, as a section A (Respondent Background), Section B (SWOT

Part), Section C (PEST Part) and last Section D (Recommendation Part). The questionnaire will be design use the Likert Scale to examined how strongly subject agree or disagree with statement by the respondents via a four category.

5.3 Data Collection Procedures

Data collection is very essential for making research valid and reliable. To perform this, two types of procedures to collect data will be used. The first procedure is by obtaining data from secondary sources such as journals, internet articles, magazines, newspapers and books. The second procedure is by using questionnaire after the questionnaire design will finish process. The questionnaire will be distributed to 100 customers or more who had interactions with maritime competitor and threat at Westport (suppliers).

6.0 DATA ANALYSIS

Data analysis will be used to produce the findings and result of the study. All data will be analyzed by summing-up all the responds for each individual question and will be presented in table format. The total counts for each rating also will be calculated for questions that use Likert Scale. All answers for open-ended question will be grouped together if they have similarities and presented in a table too. In addition, all the data will be analyzed using SPSS systems.

A framework of Data Analysis:

Example:

- 1- Description Analysis: (Pie Charts, Frequency Distribution, Mean, Standard Deviation)
- 2- Inferential Analysis: (T-Test, ANOVA, Correlation, Factor and Cluster analysis)

7.0 DISCUSSION OF ASSUMPTION

This section begins by providing the objectives that we had to achieve, here, the important that we have to focus on new entrants and supplier based on Michael E.Porter competitiveness forces model. Time to market is increasingly a key dimension for competitive success. Nowadays, those industries have developed a unique new value proposition, it now typically takes less and less time before alternatives is available in the marketplaces. So, with this research and analysis, the assumption that we define to achieve is to choose the efficiency strategy from suppliers, then, develop the

main supplier at west port. The second assumption is to choose the effective strategy to handle the threat from new entrants. Lastly, we will define the measurement of most important cost effective supplier by finding the reasons for that important factor.

Every assumption will give a good impact to maritime industry. For the first assumption, the effect can we define is every supplier in west port will create a new strategy at high efficiency to become the main supplier at west port. Subsequently, the competitiveness level each supplier will increase with the rise of the new strategy that take less and less time before another strategy available in marketplace. For the second assumption, west port will create a new effective strategy to maintain their first ranking in Malaysia and be the best competitor to the other world best port. Then, the last assumption, we can find the reasons of important cost effective supplier at west port which give the development of best operation at west port. To achieve all the assumption here, in this research, will using some method such as with using questionnaires, interview, journal, magazine to collect all the data, then to analyze it will using the SPSS system.

8.0 CONCLUSION

Port Klang can expect to maintain its growth trend in 2007 through it will have to be increasingly adept in an environment of uncertainty and growing competition. Port Klang has good infrastructure in place and productivity levels on par with the leading ports of the world. Furthermore, the port is situated not only in a very strategic location on one of the busiest shipping lane in the world but it is also in a region of emerging economies. There is huge potential just from the intra-Asean trade alone. There has many positives on its side but with increasing competition from domestic and regional rivals, with this research, we achieve the efficiency strategy from suppliers to develop the main supplier at west port. With, the effective strategy to handle the threat from new entrants and lastly, we will define the measurement of most important cost effective supplier by finding the reasons for that important factor. It is imperative for all sectors of the Port Klang community to work together to ensure the port will not only retail its existing clientele but that it would also attract new ones. Towards this end, Westport and Northport are sparing no effort to increase facilities and improving productivity levels and we can proudly say that in term of infrastructure and performance, Port Klang can match the leading containers ports of the world.

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