



# **Learning Through Failures**

## **Case of Reviewing Strategy & Execution**

### **Yamaha - Outboard Market (OBM Market)**

Staff Development Unit  
Faculty of Commerce and Management Studies  
University of Kelaniya, Sri Lanka





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## **Introduction**

Associated Motorways (AMW) was founded by Cyril De Soya in 1949 and was initially engaged in re-trading used tyres. He initiated the concept of attaining the maximum use of Sri Lanka's natural rubber, through home-grown manufacture, in conceiving the idea of tyre rebuilding and the manufacture of rubber goods. Later, the company gradually began to import new automobiles and related products through agreed tie-ups with some of the world's leading automotive manufacturers. Following a period of growth, the company was listed on the Colombo's Stock Exchange in 1969. In 1981, the company secured the agency for Yamaha motor-cycles, and in 1992 signed an agreement with Maruti Udyog of India. Since then, AMW has secured distribution agreements for Yamaha marine products, Gizmo/Effie mopeds, Renault automobiles, Eicher commercial trucks and Piaggio auto-rickshaws. The company also secured an authorized dealership for Suzuki automobiles in June 2006. Since 2003, AMW has maintained its position as the country's leading distributor of new passenger cars. Most of the brands represented by AMW are among the most sought after in the domestic market. In 2005, AMW accounted for around 31% of total passenger car registrations, of which Maruti alone made up about 26%. In 2006, AMW's total revenues and operating profits amounted to LKR 8,983mn and LKR 954mn respectively, of which approximately 65% was derived from the sale of passenger cars. The company is also the sole distributor for Yamaha motor-cycles and outboard-motors, Eicher heavy vehicles and has several other manufacturing interests.

## **Corporate Philosophy and Vision of AMW**

In all transactions the underlying principle is mutual respect whether it involves customers, employees, suppliers or other stakeholders. Based on our long history and the culture that has evolved all stakeholders have implicit trust in their transactions with the company. It is our constant endeavor to ensure that the trust has been carefully built over several decades is nurtured and developed. The corporate vision of the company is going as **“To be the company of choice by providing value based customer experiences enabled by an empowered and engaged workforce”**

AMW's core business sectors are Tyre Retreading, Automotive sales and after-sales services, Lubricants, Batteries & Tyres and Financial Services (Leasing, Hire Purchase). Automotive sector includes automotive sales and after sales including tyres, batteries, lubricants and car care products. The product range covers motorcycle, marine and power products, three-wheelers, passenger cars, vans, trucks and buses. Following chart highlights the hierarchical strategic business units of AMW.



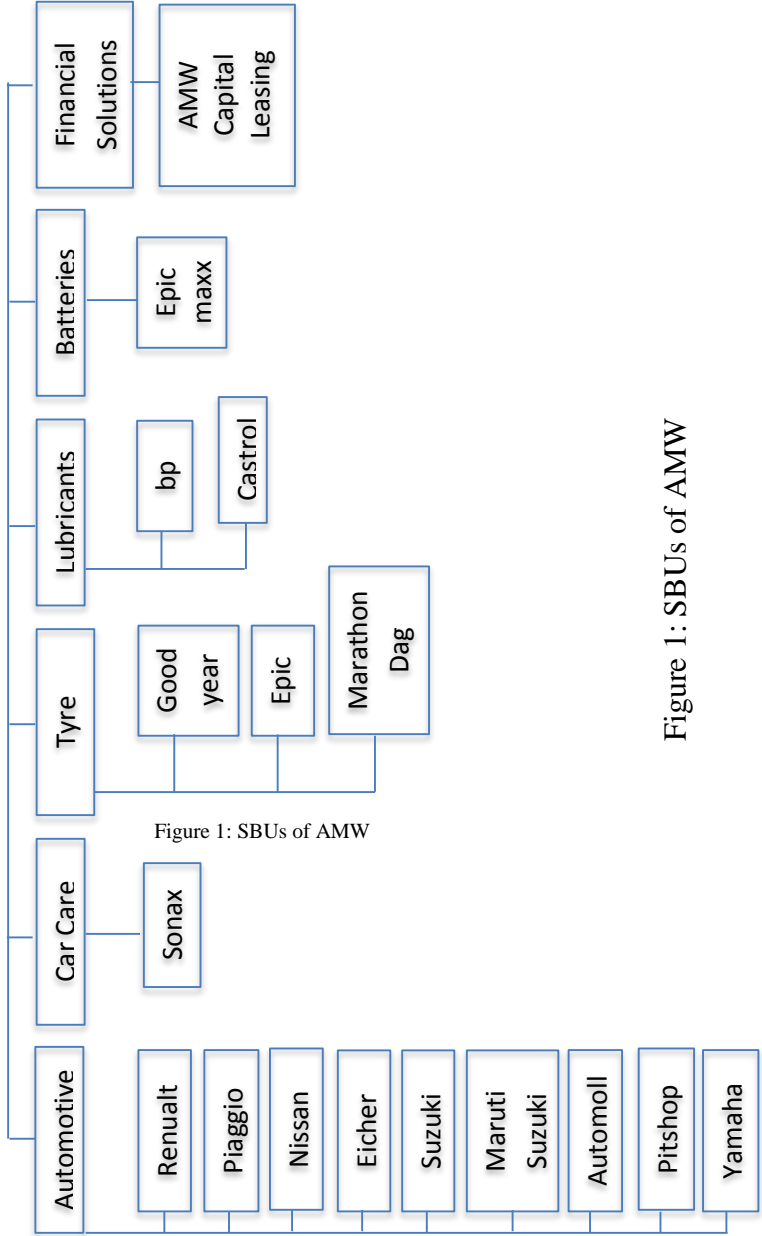


Figure 1: SBUs of AMW

Figure 1: SBUs of AMW

Currently, Associated Motorways (Pvt) Ltd represents the world renowned principals,

- Nissan Motor Co. Limited - Japan (Motor Vehicles)
- Yamaha Motor Co. Limited - Japan (Motor Cycles, Marine, Power Products)
- Maruti Suzuki India Ltd., MSIL- India (Motor Vehicles)
- Goodyear International (Tyres)
- Volvo Eicher Commercial Vehicles Ltd., VECVL - India (Trucks & Busses)
- Piaggio Vehicles Pvt Ltd, PVPL - India (Three Wheelers)
- British Petroleum & Castrol (Petroleum Products)
- Renault - France (Motor Vehicles)
- Suzuki Motor Corporation, SMC - Japan (Motor Vehicles)
- SONAX GmbH (Car care products)
- EPIC MAXX (Automotive Batteries)

### **Yamaha Marine Division**

YAMAHA Marine Department is a division that comes under AMW group. It does basically sell the marine automotive products to its target customers. Motor boats engines for commercial market as well as pleasure market and jet sky for pleasure market are the products which offered by AMW YAMAHA Marine Division. The power product also comes under the Yamaha Marine Division. The service and spare part divisions can be treated as supported divisions in Yamaha. Basically Yamaha generators are also sold by Yamaha marine group. The wider market is being targeted by the Yamaha in the commercial fishing industry in Sri Lanka. Yamaha is concerning their target market as fishermen who have already purchased a

boat without engine and fishermen who are willing to buy a boat with powered engine in the future for their fishing activities. Yamaha provides the boat engines for the above target market with Japanese technology. The Yamaha outboard motors are the only one engine that comes from Japan. So it has more value and trust with its customers because country of origin is pure Japanese. In year 2006, sales of Yamaha outboard motors (commercial boats, water vehicles, boat packages, generators and spare parts) accounted for 11% of AMW's revenues and 24% of operating profits (compared with 5% and 8% respectively in year 2005). The revenues derived amounted to LKR 977mn (2005: LKR 258mn), nearly 300% increment compared to year 2005. This was largely driven by tsunami-related replacement purchases made by foreign and local non-governmental organizations. Divisional profitability was upto LKR 245mn in 2006 (2005: -LKR 37mn), reflecting both absolute growth in volumes and several selling price increases. Yamaha/AMW's share of Sri Lanka's outboard market is estimated (by AMW) at around 70%, with its largest competitor Suzuki accounting for a major proportion of the remainder. Sales were reverting to normality and management expected the division's operating profits to be in the range of LKR 40mn to LKR 55mn over the short to medium term.

### **Historical Story of Outboard Motor Engine (OBM)**

The historical development of OBM's is quite hidden and untouched story at present. The idea of having a portable power plant which could readily be attached to any small utility boat is certainly as old as the gasoline engine itself and quite probably even older, for we have records of pedal driven contrivances dating back to 1864 and of an outboard steam engine which appeared in Europe before 1900. The real gasoline outboard motor was manufactured in America which was produced by the

American Motor Co., of Long Island, New York. The very first Waterman was assembled in 1905 from a Curtis Outboard motor engine. It was fitted with a chain drive and one can imagine the shower of water it must have thrown up.

An outboard motor is a propulsion system for boats, consisting of a self - contained unit that includes engine, gearbox and propeller or jet drive, designed to be affixed to the outside of the transom. They are the most common motorized method of propelling small watercraft. As well as providing propulsion, outboards provide steering control, as they are designed to pivot over their mountings and thus control the direction of thrust. The skeg also acts as a rudder when the engine is not running. Compared to inboard motors, outboard motors can be easily removed for storage or repairs. In order to eliminate the chances of hitting bottom with an outboard motor, the motor can be titled up to an elevated position either electronically or manually. This helps when travelling through shallow waters where there may be debris that could potentially damage the motor as well as the propeller. If the electronic motor required to move the pistons which raise or lower the engine is malfunctioning, every outboard motor is equipped with a manual piston release which will allow the operator to drop the motor down to its lowest setting. Currently, basically there are two market segments in outboard motors, viz: Commercial segment and Pleasure segment. In this case main priority has given on commercial segment, since finishing industry is dramatically important in Sri Lankan economy. As per the statistic shows, the registered OBM boat operation has increased compared with last year. (Refer Table: 1)

**Table: 1 - Registration Details of Boats 2012.**

Year	Marine Fishing Fleet					
	Inboard Engine		Outboard Engine		Traditional (2)	Total
	IMUL	IDAY	OFRP	MTRB	NTRB	
2010	3,346	1,177	18,770	2,680	20,165	46,138
2011	3,872	1,120	22,890	2,960	22,630	53,472
2012	4,080	890	23,160	2,340	22,800	53,270

*Source: Statistics Unit, Ministry of Fishery and Aquatic Resources Development*

IMUL = Multiday Boats

IDAY = One day boats (3 ½ Tonners)

OFRP = Small Fibreglass Boats (15 HP – 25 HP and 40 HP OBM's)

MTRB = Mechanized traditional boats (8 HP – 9.9 HP OBM's)

NTRB = None mechanized traditional boats

NBSB = Beach seine Vallam

From the given details, the important figures on current scenario are Small fibre glass boats (OFRP) and Mechanized traditional boats (MTRB) segments, which shown 22,890 units OFRP in 2011 and 23,160 in 2012, but MTRB is shown 2011 – 2,960 and 2012 it was gone down as 2,340. The total operations of registered boats are decreased in 2011 – 53,472 to 53,270 in 2012. As such it is necessary for particular company to offer good product with value additions to cater into a large customer base. When it comes to the different categories like Small Fibreglass Boats category and Mechanized traditional boats, their purchasing decision may vary to each other. Companies are offering OBMS with different engine capacity levels like 8 HP and 9.9 HP, 15 HP to 25 HP and 40 HP, which having different target customer base to each segment. All the engine capacity

segments are being targeted by YAMAHA and SUZUKI in Sri Lanka, this industry is being contained different behavioural population they are not much educated and not much knowledgeable people, different attitudes and different thinking patterns can be seen in customer segments in different areas.

### **YAMAHA Outboard Motors – Commercial Segment**

The fisheries industry plays an important role in the economy of Sri Lanka by providing livelihood for more than 2.6 million coastal communities as well as providing more than 50% of animal protein requirement of people in the country. The industry can be divided into coastal, offshore/deep sea, Inland & Aquaculture sub sectors. Sri Lanka is still a developing country which is located in South Asian region and majority of people who are in coastal area, the livelihood is fishing. There are number of traditional and modern ways and equipment are used for fishing activities and the present condition of most of the fishermen are using motor engine boats for fishing activities (Outboard motors) because of its convenience and efficiency.

As such outboard motors' commercial segment, which means boat engines used for fishing industry, plays a vital role in Sri Lankan economy. The total OBM's current usage can be quantified to 25,850 and it can be divided as small fibre glass boat 22,890 and Mechanized traditional boats 2,960. The horse power ranges of the commercial outboard motors are 8 HP, 9.9 HP, 15 HP, 25 HP and 40 HP. In considering outboard motors it has few of space competitors and as such Yamaha needs to work on it to gain the competitive advantage for this. Following table illustrates particular companies which import and sell the OBMs in Sri Lankan market. There are so many worldwide reputed branded OBMs are being sold by following companies in very competitive manner, (Refer figure 2)

## Sri Lanka Authorized Selling Companies

	Brand
<b>Associated Motorways (Pvt) Ltd.</b>	YAMAHA
<b>Neil Marine Limited</b>	SUZUKI
<b>Browns &amp; Company PLC</b>	PARSUN
<b>D.V. Martenstyn Limited</b>	MAKARA

### **Exploration of the Dilemma**

In this era of huge and keen competition, no company can even survive in the market place without knowing its products strengths and weaknesses, opportunities and threats. It has to strengthen itself against threats from the environment and increase profits. In order to do so, the company has to conduct regular surveys to know the customer's opinions, needs, and preferences. This helps the company to manufacture the product in accordance with each customer's expectations and desires. It has now become more important for the customer confidence and higher positioning of buyer perception. Thus the analysis of causes behind decreasing Yamaha - OBM Commercial segment is critical. Since the Sri Lankan Outboard motors segment is dominated by several other leading players in the industry. According to the past consecutive years of result, though the fishing industry shows a huge improvements continuously Yamaha highlighted a drastic reduction of OBM Commercial segment market share.

Table: 3 – Annual Fish Production

3. Annual Fish Production			2009	2011	2012
3.1	<b>Marine Sector</b>	<b>Mt.</b>	<b>293,170</b>	<b>385,270</b>	<b>417,220</b>
	Coastal Waters	Mt.	180,410	222,350	257,540
	Offshore/Deep Sea Waters	Mt.	112,760	162,920	159,680
3.2	<b>Inland and Aquaculture Sector</b>	<b>Mt.</b>	<b>46,560</b>	<b>59,560</b>	<b>68,950</b>
	Inland Capture Fisheries	Mt.	39,030	50,050	58,680
	Aquaculture Fisheries	Mt.	3,980	5,360	6,960
	Shrimp Farms	Mt.	3,550	4,150	3,310
3.3	<b>Total Production</b>	<b>Mt.</b>	<b>339,730</b>	<b>444,830</b>	<b>486,170</b>

Source: Survey Department/ Statistics Unit, Ministry of Fisheries and Aquatic Resources Development

Total national fish production in 2012 increased by 9.3 % to 486,170 metric tons driven by substantial increases in coastal marine fishery and inland fishery. From the total production, marine fish production grew by 8.3 % to 417,220 metric tons mainly driven by marine coastal fishing, which grew by 15.8 % to 257,540 metric tons. However, off shore fish production (deep sea fishing) declined by 2 % to 159,680 metric tons.

In considering of the fishing sector drastic improvements, there is a good possibility for OBM market as well. But the situation of Yamaha is flattering too bad since several years by demonstrating reduction of market share. Nevertheless the immediate leading competitor, Suzuki figures out a continuous improvement in the market share. In early period of time, Yamaha/AMW's share of Sri Lanka's outboard market is estimated (by AMW) at around 70%, with its largest competitor Suzuki accounting for a major proportion of the remainder. Sales were reverting to normality and management of Yamaha OBM segment expected the division's operating profits to be in high margin over the short to medium term. But the whole situation got distorted, by showing radical reduction of market share in last consecutive year. Formerly it is maintaining merely 35% of market share and rest is enjoying by present market



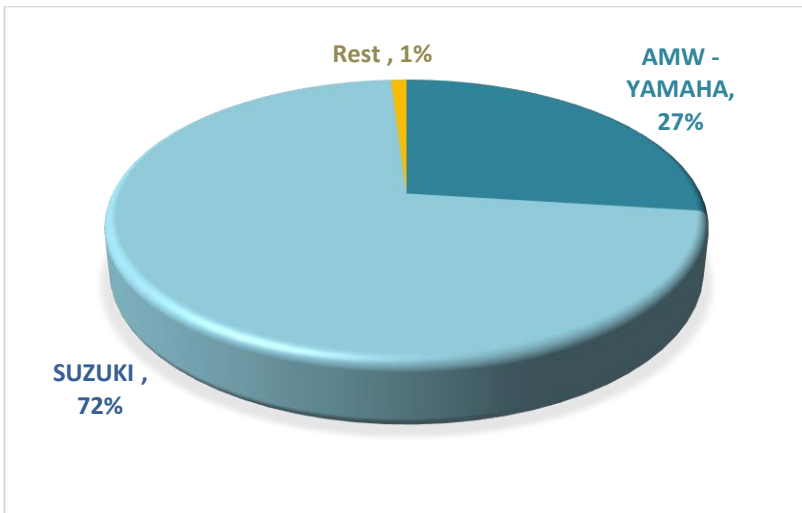
leader Suzuki. The main symptom behind this sweeping change is the high extend of customer leaving rate for Yamaha OBM which was caused by lack of experienced staff, less promotional orientation and errors in positioning. The organizational cultural barriers and poor management commitment are in the wake of this origin and the foremost inherent cause at the back of this main indication of customer exit rate is lack of strategy orientation. Organization is giving very less attention on customer requirements and competitive movements, it is practising conventional culture and gives not as much of strategic orientation which resulted plunge of market share.

The main environmental challenges (economic, political and social) which has identified in the wake of this case scenario can be characterized as follows;

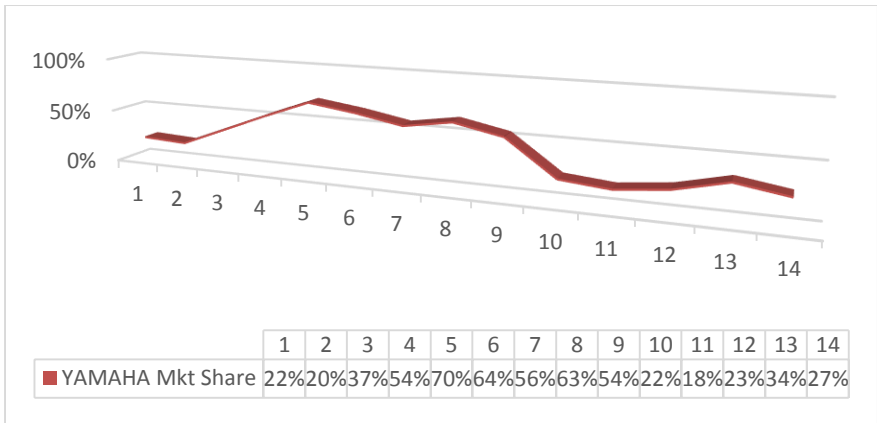
- The kerosene price was increased by 49 % (from Rs.71/- to 106/-).
- Continuous increase in JPY Exchange rate (Jan. 1.51 to Aug 1.70). A 12.6% increase within 8 months. (From September 2012 the JPY has shown a decreasing tendency).
- CIF price increase by YMC (up to 8% on 8HP & 9.9HP models).
- Suzuki had changed its manufacturing plant to Thailand in August 2011. (Result of receiving a cost reduction in unit price).
- Price Gap between Yamaha and Suzuki has remained at approximately 20% mostly. (April 2013 - 6 % to 14 %).
- Poor fish harvest (compared to previous years) & change in fishing seasonality trends.
- Makara, Power Tec & Parsun which are Chinese manufactured low priced engines with extended warranties have entered the Commercial market.
- Mercury & Evinrude are also marketing their products aggressively in the market.

## Performance of YAMAHA OBM in the Market

In the past years, Yamaha OBM had a good market conditions with more than 70% market share while enjoining the leadership of the industry. But the situation is dramatically changing since last few year period of time. The following table illustrated the way that market share has been reduced from year 2000 to 2012. It emphasized that beginning with 20% market share, it has achieved more than 70% share by 2004 and maintained the same till year 2007. The situation has returned to bad from year 2008 and in currently company has the market share of 34% only. The diagram below the table explains the current situation of Yamaha OBM in the midst of other leading players with reliable statistics.



*Figure: 2 – Market Share in percentage (%)*



*Figure: 3 – YAMAHA Market Share from 2001 -2014*

### **Yamaha OBM became challenger since 2009**

- By 2007, post Tsunami donations were completed and hardly any demand arose from retail market till 2009.
- JPY (Japanese Yen) exchange rate recorded a 30% increase from 1.00 in 2008 to 1.30 in 2009. And as such Yamaha CIF (Cost, Insurance & Freight) price increased on 8HP & 9.9HP (Horse Power) models upto 8%. The given table figures out the Price Comparison of Yamaha Vs Suzuki in years 2008 to 2012).

Table 4: Price comparison of YAMAHA and SUZUKI

	<b>Model</b>	<b>SUZUKI</b>	<b>YAMAHA</b>	<b>VARIENCE</b>
<b>200</b>	9.9HP	160,000	162,000	1.25%
	15HP	170,000	172,000	1.18%
	25HP	230,000	227,000	-1.30%
<b>Oct-2011</b>	9.9HP	225,000	265,000	17.78%
	15HP	245,000	280,000	14.29%
	25HP	340,500	360,000	5.73%
<b>May-2012</b>	9.9HP	230,000	309,000	34.35%
	15HP	250,000	317,000	26.80%
	25HP	350,500	385,000	9.84%
	40HP	440,000	448,000	1.82%
<b>Dec - 2012</b>	9.9HP	275,000	319,000	16%
	15HP	295,000	336,000	13.90%
	25HP	350,000	390,000	11.43%
	40HP	450,000	475,000	5.55%

- Suzuki could meet the bulk order requirements (NGOs & Tenders) with the extra stock (imported for Tsunami supply) on immediate supply basis. This, in comparison to Yamaha new import (in 2009), the price gap was varying from 17% to 25%
- Monopoly had for Yamaha 8HP changed as the Northern market upgraded the HP category from 8HP to 9.9 & 15HP after the easing of restrictions in 2009. On average, 8, 9.9 & 15 HPs were contributing at 80% of the total sales of Yamaha from 2002 to 2008 and it dropped to 58% from 2009 to 2012. (80% of which was non retail sales) – Suzuki capitalized the 8, 9.9 & 15 HP market.
- Hence Yamaha had to concentrate on 25HP and 40HP which had the lesser price gap Due to high repair costs experienced for 25HP overhaul repairs, potential buyers were discouraged in the model. Top bearing release from Crank shaft, faster wear & tear of shaft top edge, Carburetor assy breakage of 25HP were the main technical fall backs of this period.

### **Investigation on Industry Rivalry**

Analysis of competitive players in the industry is very important to identify competitive objectives, assumptions and strategies. The OBM market, the leading competitor is Suzuki and Makara, Parsun, Evinrude and Mercury are remaining as competitive partners of the industry and Yamaha is the 2<sup>nd</sup> player in OBM segment. Considering on 5 forces impact on elaborating the issue in this scenario (market share decline), industry rivalry is not high, but it is at a moderate level, since OBM segment is dominated only by few industry players. Buyers bargaining power is at a somewhat of high extend, since Yamaha is operating with high price to comply with quality standards, and other players are maintaining low price than that of considering

company. Supplier bargaining power is also at far above the ground, for the reason that Japan is the main supplier of Yamaha OBM. Taking into consideration on power of new entrance, there are big barriers to entry into the market, as current target customer segment is very keen to make changes and initial cost is also at a high broaden.

Touching on the analysis of leading industry players, it can figure out the competitive strengths and behavior in subsequent illustration.

**Suzuki:** - Suzuki, is currently maintaining the market leadership, it offers for the target segment on easy operation and maintenance, so that fishermen can work done efficiently and they can guzzle smooth operation, quick and easy start with low maintenance needs. The strength of maintaining strong and valuable coverage for sales and spares network witch widens Neil Marine Branches; Dealers Sales Point is a foremost advantage for the company. And also in-house Service Crew Strength which at their branch level that capitalized during mobile services is another valid point in behind competitive advantage. Healthy stock maintenance, customer driven after sales-service activities and added advantage of being a boat manufacturer to promote own OBMs has become the most critical activities align with reasons at the back of leadership. Flexibility offered to customer in certain modification allowed for brand OBMs and use of 2<sup>nd</sup> quality spare parts is another main strength of Suzuki. The product advantage of Suzuki, comparing with Yamaha can be listed as follows;

- Unit price advantage enjoyed by Suzuki Since 2009 (upto 30% gap) and Better re-sale value and demand for Suzuki OBM.
- Better speed on all models for both load & empty conditions with same propeller.
- Distributor Neil Marine promotes Genuine and certain non-genuine parts which minimizes the overall cost of repair.
- Product development and regular model change (exterior) of Suzuki is faster.
- Lesser repair costs (Low spares price and lesser number of parts required for repair) and Easier to repair nature of Suzuki has earned mechanics recommendation.
- Better shallow water drive position & longer tiller handle (regional preferences).
- Neither major nor long lasting technical failures experienced with Suzuki.
- Reparability and modifiability for older Suzuki OBMs even with non-genuine parts. (Extended life time with minimal cost).

**Makara:** - D.V. Martenstein – Distributor of Makara has previously held OBM dealerships for different brands. The company is targeted commercial segment, the petrol driven OBMs imported are converted to kerosene in locally. In terms of price positioning, Makara enjoys 27% to 43% price advantage in comparison with Yamaha and promoted highlighting that Yamaha brand parts are matching for Makara products. The company had approached for most of the private mechanics to generate recommendations for the brand and has started creating

sales points in some areas. (Negombo, Chilaw, Jaffna). Makara is having carried out the initial testing; preliminary sales have been done in some locations (Negombo, Chilaw, Mannar). But the company has no service back-ups or spare parts stock maintenances for OBM.

**Parsun:** - Browns & Company is a well-known entity in the Marine industry specially for supplying Yanmar inboard engines. The company having first tried “Power-Tec” Outboard motor (Chinese brand) now they are trying to establish with PARSUN. As the practice of Makara, Parsun is also targeted commercial segment and the petrol driven OBMs imported are converted to kerosene in locally. In terms of price positioning, Parsun enjoys 27% to 33% price advantage in comparison with Yamaha. Browns have the capacity to create easy access to the potential customer through its already established outlets islandwide is a good strength for Parsun. Company having carried out the Initial testing, preliminary sales have been done in some locations ( Negombo, Marawila, Kirinda & Chilaw) and company has recruited a service back up anticipating for proving the future growth potential.

Considering on OBM competitor price positioning, country of origin differentiation and warranty terms and conditions can be summarized into following diagram. (Refer figure 5)



Table 5: OBM Competitor Price Positioning

BRAND		YAMAHA	SUZUKI	MERCURY	MAKAR A	PASUN
<b>8HP</b>		260,000				
<b>9.9HP</b>		289,000	275,000		165,000	
<b>15HP</b>		310,000	295,000		185,000	229,000
<b>25H P</b>	<b>2str</b>	375,000	350,000		275,000	250,000
	<b>4str</b>		690,000			275,000
<b>40H P</b>	<b>2str</b>	475,000	450,000	550,000	350,000	350,000
	<b>4str</b>	1,100,000	1,050,000	850,000		
<b>60HP</b>				900,000		
<b>75/8 0 85</b>	<b>4str</b>	1,360,000		1,200,000		
	<b>2Str</b>	855,000				
<b>100HP</b>			1,370,000			
<b>115HP – 4str</b>		1,700,000	1,527,000			
<b>150HP</b>		1,910,000	1,741,000	1,550,000		
<b>200HP</b>		2,420,000	2,141,500			
<b>250HP</b>			2,450,000			
<b>300HP</b>		3,200,000		4,000,000		
<b>COUNTRY OF ORIGIN</b>		JAPAN	THAILAND	USA	CHINA	CHINA
<b>WARRANTY</b>		6 months	6 months	1 year	6 months	6 months

## **Causes Behind the Case**

### **▪ Strategy/Equipment problems**

The Yamaha Motor Co. Limited is one of the SBUs under AMW, and the corporate company is not giving a good attention for Yamaha. Since Yamaha is not only the company in their chain which is dealing with motor engine. The companies such as, Suzuki Motor Corporation, SMC is also one of SBUs of AMW which is playing a vital role in similar market. The SUZUKI Neil marine is the market leader in the OBM and it has already taken 62% market share in commercial outboard market. YAMAHA is taken second place in Sri Lankan market by capturing 36% of market share. Rest 2% of the market share has gone for PARSUN of Browns and MAKARA of D. V. Martenstyn in equal manner.

According to market share, the Cooperate Company pay high attention to Suzuki Motor Corporation. AMW is not much supporting to the Yamaha brand as the corporate company. There is no sufficient attentiveness regarding the Yamaha OBM segment among fishermen and boat owners. They only awake on Suzuki because of the coverage and the promotion that they have done through the corporate company. There are no efficient awareness building programs, PR activities, sales promotions which launches by Yamaha. Hence as corporate company AMW is not focusing on Yamaha to implement corporate promotional campaigns.

To come up with good promotional strategies company should have stable point of difference (POD). Yamaha OBM has no clear POD as such to compete with competitors. Without having appropriate POD, Yamaha could not deliver its unique characteristics to target market. Company doesn't have a clear

value proposition on their brand too. A great value proposition is essential for any business hoping to clearly communicate to customers why they are different, better, and worth purchasing from. It's especially important for small business owners making their name in the world, because without brand recognition, you're going to have to paint a very clear picture as to why you are worth people's time. The problem is, many companies just could not seem to nail down exactly what a value proposition is and what it should say. Simply put, a value proposition is "the promise of value to be delivered and the belief from the customer that value will be experienced. The company Yamaha is playing in this industry, make the promise as high price - high quality without having clear value proposition. Their engines are more quality than Suzuki since they are using petrol to start engine. The engine life time is longer than Suzuki. But they are not promoting it in properly.

Yamaha is an international brand originally manufacturing from Japan. Yamaha outboards are known for performance, innovation and reliability. That's why so many boaters won't trust their free time to anything else. From warranty information to owners' manuals to fishing reports, this is where it'll find the information needed to make the most of ownership experience, Anglers, Families, Sailors. They all have their own vision of a perfect day on the water. However, those very different days are all powered by the very same class of outboard—Yamaha's High thrust four strokes. Available in a range of horsepower from T 9.9 all the way upto the beefy T 60, the company high thrust outboards have the muscle to move heavy pontoons and sailboats or to be kicker for a full day of fishing.

By concerning aforesaid advantages make Yamaha high thrust outboards of the power of choice for so many fishermen. Feisty four strokes serve up twice the thrust of comparable two strokes

in the 2000-3000 RPM range. Dual Thrust™ propellers (optional on T50/T60 and standard on the T25 and T9.9) redirect exhaust flow away from the propeller, reducing ventilation and increasing thrust up to 60% in forward and 70% in reverse. Yamaha High Thrust outboards are compatible with award-winning, Multi-Function Tiller Handle. Optional on all high thrust models, this tiller handle's ergonomic design makes shifting easy, with less rotation needed to go from idle to wide-open throttle. This, plus a max-grip throttle handle reduces operator fatigue, so you can spend more time on the water.

▪ **Place/Distribution Issues**

AMW Yamaha has one Showroom in J.B. Jayah Mawatha, Colombo 10. It has been dedicated to Yamaha motor bicycle, Yamaha generators and the Yamaha marine products. It's 80% of space is being dedicated to Yamaha motor bicycle and rest is gone with generators and marine products. In the showroom premises can be seen one 25 HP engine and one wave runner as representing the Yamaha marine division. The showroom has a cabin and there are three sheets for Yamaha marine and four sheets for Yamaha motor bicycles sales people. There were two senior sales executives who are responsible for Yamaha marine, but recently there is only one senior sales executive who is visiting the showroom once a month (month end. In Other words nobody can be seen in the showroom except month end, so during the working days inquiry handling in the showroom should be done by back office people (sales manager, logistic executive or sales and admin executive). The likelihood of the missing of sales over the phone inquiries is too high in this situation because the motor cycle people will not be accountable for handling the Marine division inquiries.

The sales executive for down south has been recruited already and Northern Province sales executive also recently recruited for

the Yamaha marine division. Now all over the country sales should be hang on by those two sales executives and the sales manager. The company divided country according to provinces such as eastern, western, southern and northern sales areas. The huge area has been dedicated for one sales person and he will accountable for handling the sales and enquiries in the dedicated area with a support of areawise dealers. The current dealer network regarding AMW Yamaha did spread islandwide. The country sales are being covered by seventeen dealer networks as per the table details in 2013 given below.

Table 6: Dealer networks of YAMAHA OBM

PROVINCE	Sales	Spares	Service
Northern	3	3	2
North East	1	-	-
Eastern	2	3	6
South Eastern	-	1	-
Southern	3	4	3
South Western	2	2	1
Western	5	4	1
North Western	1	2	4
<b>Total</b>	<b>17</b>	<b>19</b>	<b>17</b>

▪ **Task/ Sales Issues**

Yamaha is the second market leader in the outboard engine market in Sri Lanka. Suzuki is the market leader and other two main competitors are Makara and Pasun. In the past few years the sales of the Yamaha OBM has been decreased drastically

and the market share also gone down. The statistics are shown as follows,

Table 7: Sales of Yamaha and Suzuki from 2000 - 2012

<b>Year</b>	<b>Yamaha Sales</b>	<b>Suzuki Sales</b>	<b>Total Imports</b>	<b>Yamaha Market Share</b>
2000	217	790	1007	21.50%
2001	210	830	1040	20.20%
2002	876	1500	2376	36.90%
2003	1555	1322	2877	54.00%
2004	1577	692	2269	69.50%
2005	6053	3362	9415	64.30%
2006	2242	1795	4037	55.50%
2007	469	275	744	63.00%
2008	242	208	450	53.80%
2009	113	400	513	22.00%
2010	249	1131	1380	18.00%
2011	410	1352	1762	23.00%

**Change of sales trend of 8HP, 9.9HP & 15HP from 2009 -2012,**

- 8, 9.9 & 15 HPs were contributing at 80% of the total sales of Yamaha from 2003 to 2008.
- It dropped to 58% from 2009 to 2012. (80% of which was non retail sales).

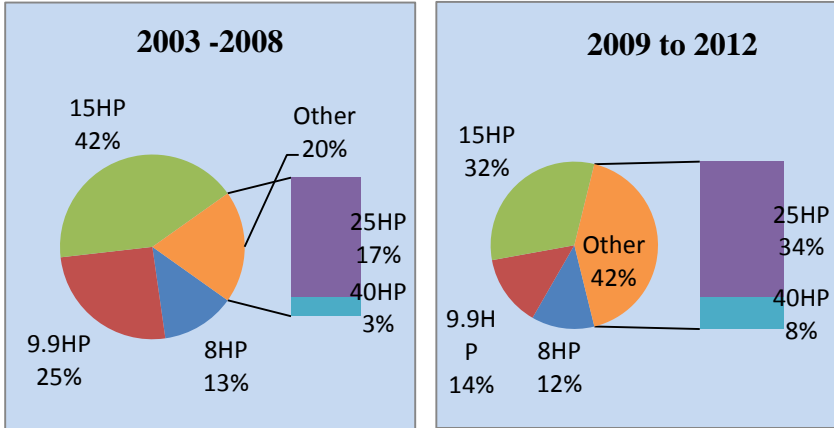


Figure 4 and 5: Model contribution in % from 2003- 2008 and 2009-2012

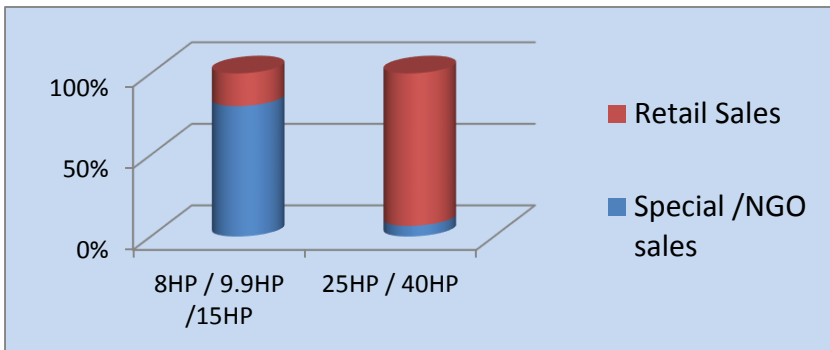


Figure 6: Retail Sales and Special Sales of Yamaha

In the 2013 sales of Yamaha marine commercial OBM are as follows.

Table 8: Sales of Yamaha in 2013

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Ttl
<b>8 HP</b>	5	1	1				2			9
<b>9.9 HP</b>		2	2		5	5	1		1	16
<b>15 HP</b>	6	3			5	1		31	2	48
<b>25 HP</b>	3	1	8	8	8	8	2	2	2	40
<b>40 HP</b>	10	16	12	18	2	2	8	1	7	83
<b>Ttl</b>	24	23	23	26	20	21	13	34	12	196

The above table has shown the actual sales of OBM in 2013 till September. Its total is 196 units, if forecasted the next 4<sup>th</sup> Quarter sales it would be 60 unites the total number of sales in 2013 would be 256 units. This is very low sales volume and market share also gone down due to this sales drop. So continuous sales drop has been happened since last few years in Yamaha OBMs.

▪ **Management and Control Issues**

By the late July 2008, Associated Motorways (Pvt) Ltd came under the management of Al-Futtaim Engineering which is one of the most progressive regional business houses headquartered in Dubai, United Arab Emirates. With the management changes, organizational and operational control takes vital role in any organization.

Controlling is one of the managerial functions includes with planning, organizing, staffing and directing. It is an important function because it assists to verify the errors of OBM and to take the corrective action therefore that deviation from standards are minimized and stated goals of the Yamaha are achieved in a desired manner. Not only for detecting errors of the OBM system but also it facilitates to set standards, measure actual



performances and take corrective actions regarding management issues.

The organizational control consists with the concepts of span of control, Unity of command and hierarchical authority. When applying to the OBM of Yamaha is having key issue of their organizational control. The OBM organizational hierarchical activities are deviated into two basic functions as administration & customer support and Sales. The hierarchy is consisted with few personnel as Sales admin Executive, Sales Logistic Executive, Two area sales managers for Northern- Eastern and Sales Manager. All massive tasks and operational activities are done by aforesaid 5 staff members. Based on the lack of staff members the operational activities are not functioning effectively thus it is resulting to decreasing market share of OBM since past recent 5 years.

Apart from that, every single decision was taken by top management by limiting authorities of each person even Area senior Sales executives. It shows as centralized decision making process exists in OBM. This is great disadvantage for OBM hence when doing business; sales persons are not having sufficient authority to make decision on behalf of the sales operations. Thus OBM can be beaten their businesses and unsatisfied their potential customers without having sufficient decision making authority, as an example the sales executive have to communicate all the things that happened in the service promotion campaign throughout the promotion is going on. He has to give a phone call to sales manager before taking every single decision. So the structure is limited the freedom and creativity of the sales persons. The delay represents the negative attitude towards OBM under Yamaha and it converts into negative WOM regarding the company. Some rational and impulsive decisions have to be taken on behalf of the company

as well as the customers, but every decision should be taken after permission of sales manager.

With the transformation of management to UAE aligned them with the Group Automotive Division's development strategy and the global strategy. The transformation were happened under the success of Al-Futtaim is attributed to proactively managing change whilst upholding the values of integrity, service and Social responsibility. The new management was controlling OBM by using the global strategy without customizing it under Sri Lankan geographical considerations. It emerged the cultural barriers between the customer requirements and customer behaviour. In organizational hierarchy also having two Area Sales Executives for Northern and Eastern, but they offer marine and power products to fisherman in same way without observing their cultural patterns, different behaviour and responses. Even promoting the Yamaha marine products to fisherman should consider the language patterns, buying behaviour patterns. Especially in Sri Lanka marine fish production is increased since two last years. They were promoted marine products without customizing the rules of purchasing products, without observing buying behaviors & lifestyles of fishermen. Basically management is not practising the change management. Strategy, technology, processes, culture and organization aspects need to be changed under different geographies. The management not concerning regards of re-engineering, restructuring and does innovations hence it causes to drop the sales of OBM marine products unnecessarily.

In another hand there is a poor contribution of other divisions such as HR, Finance, Service and Spare parts is very significant factor for the OBM. The reason is that there are no sufficient rules and regulations for recruiting personnel for organization. Inappropriate communication or listening may fail to achieve roles, goals, expectations which undermine sales staff

productivity and performance, under supervising, lack of management skills, lack of inappropriate support and lack of accountability can be considered as poor coordination between the supportive divisions. The top management sometimes fails to listen to feedback, ignoring alternative viewpoints which emerge from lower level staff. Furthermore he was providing inappropriate direction which caused frustration and lack of focus. The best example for poor leadership is not giving sufficient authority to make decisions on behalf of their sales targets. In addition to that, there is no any vision and mission statement at least for the Yamaha, without any direction no one can go for success especially in a business world. Overlook the accomplishments toward goals which frustrate and lack of accountability lead towards OBM failure.

Apart from that the lack of experienced people for responsible positions is critical problem in OBM. For some urgent positions management recruit trainees as their employees. There is no effective recruitment process for hiring people to organization. In addition, there is high employee turnover rate due to many reasons as lack of salary scheme, higher employee fatigue, lack of grievances handling and motivation on working environment. The impact of recruiting trainees for urgent higher positions is having high risk and their probation period was nearly one year. Therefore the salary issues will be occurred due to particular probation period and no more promotions within such period. In selling marine & power products are not easy task while competing with most advanced competitors thus the experience is very much important for going straightforward. It is critical problem of recruiting inexperienced employees for urgent positions while keeping aforesaid all controlling problems in OBM.

## ▪ **Human Resource Issues**

People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Consequently, customer service training for staff has become a top priority for many organizations today. They are the ones who make the products and services a success along with that they are the ones who have the strength to tarnish the product's image. Therefore the employees of the organization with whom customers come into contact is very important in organizational segment like this. Because in OBM sector, the customers are not that much educated and knowledgeable and they are eager to moving to competitors offers without any rational, but emotional sentiment is very critical. And as such company's staff effort is more important in providing customized service to the target segment.

There are 5 staff member working under the Yamaha Company. Sales Manager, Logistic Manager and Sales & Administration Executive are working as back office employees. The Northern and the Southern Sales Executives are working in the front area. Southern Sales executive is working as the only one senior Sales executive of the OBM and those two Sales executives are coming to the Showroom in the month end only. There are not any employee working in the Showroom area in other days. Therefore customer service at the business premises is at a very poor quality comparing with the competitive service standards. There were two bonus statements had been given to the employees ending up year 2011. It was routine at April and December. After the 2011 it reduced to 1 bonus statement only for December. The bonus is the multiplication of 3 times of the basic salary. Apart from that, the five employees are been given commission based on what they have to sell end of the month. Sales manager, logistic executive and the Sales and Administrative executive is given commission for each engine

what has sold by the Yamaha Company. Northern and the Southern Sales Executives have given the commission according to their sales. Their commission based on their own direct sales and dealer network sales. But this commission level is not complying with industry standards and as such employees are not happy with the top management of the group. The Salary allocation for each employee in Yamaha OBM sector is as follows.

Table 9: Salary allocations of employees in Yamaha

<b>Job Title</b>	<b>Basic Salary + Commission</b>
Sales Manager	35000+ Commission
Logistic Manager	22000+ Commission
Sales And Administrative Executive	17000+ Commission
Southern Sales Senior Executive	25000+Commission
Northern Sales Executive	22000+Commission

There are no Union has been conducting and only welfare society is conducting from participation of the 5 employees. Most of the employees leave the organization due to the low salary scheme. PDR for personal evaluation of the employee, based on that evaluation the Salary, commission has been calculating. The PDR personal evaluation method is also using for giving promotion as well as refusal for the employees. Considering on employee morale and satisfaction with the work environment, it is at a very low amount, since lack of motivation and not having stable grievances handling procedure. Taken as a whole, this has guided to higher employee fatigue and elevated of employee turnover rate, since workforce is not loyal to the organizational culture and no employer branding by any means.

## **Outlook of the Yamaha OBM Case Study**

AMW is a highly respected company in Sri Lanka with more than 60 years of service experience. By going through the vision of AMW is providing value based customer experiences enabled by an empowered and engaged workforce. Yamaha OBM is preferred as a case study development with emphasizing the lack of strategic influence. There are many circumstances are happening since top to bottom level. The organizational structural issues, poor management practices, cultural barriers are occurred due to the transformation of management, no strategic recruitment system, lack of skilled personnel are most critical issues emerged on Yamaha OBM case. Apart from that, lack of Human resources, motivational issues, low salary scheme, unrealistic target achievements and insufficient dealer network also identical problems. Further analyzing the case study, all ongoing issues can be overcome by giving strategic option rather than criticizing.

- Emergent of aforesaid critical issues need to be overcome by developing appropriate strategic options. Hence, to prevent emphasized current issues certainly need to develop marketing plan by highlighting specific strategies and develop an appropriate business model to be succeed.





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