

CHAPTER 1

INTRODUCTION

1.1 Background of the study

This study will discuss Jaos Motorsport a small medium enterprise, which was established in Surabaya in the year 2006. Which then in 2007, expanded its company to Jakarta. Their company concentrates on the car modification automotive sector of Japanese car, brands like Toyota, Lexus, and Suzuki. Via this study, the researcher's aim is to furtherly discuss the competitive advantage especially surviving during COVID – 19 pandemic that impacted the company's sales performance. According to Leo Grepin President of Sun Life Asia (2020), family businesses are the foundation of Asia's economies, there remain many advantages to running a family business in Asia.

The majority of companies in Indonesia were built based on a family basis with their business inherited by their successor from generation to generation, According to Irhoan Tanudiredja an Entrepreneurial and Private Business Leader PwC (2021), the main priority for 2 years ahead of an Indonesian family business is market expansion, finding new client segments, changing or adapting new business models, and increasing the use of the latest technology in order to protect and create a sustainable company. Based on the same source PwC (2021), 51% of family businesses are growing and 25% are experiencing a sales drop before the COVID-19 pandemic hits Indonesia. However, after the pandemic, approximately 60%

of Indonesian family businesses are experiencing a sales drop during COVID -19 pandemic is way more severe than the global rate at 46%. According to Kompas (2020), the automotive industry is experiencing a 70% sales drop during the period of January – September. In addition, according to (Bisnis.com, 2021), car modification which includes accessories is experiencing a 20% sales drop during COVID – 19 pandemic. General secretary of the Indonesian Association of Car Accessories (Entrepreneurs Perkumpulan Pengusaha Aksesoris Mobil Indonesia), Irwan Kusuma, stated that the sales drop is not significant compared to other industries. Chance to increase their sales by studying the mobility pattern of the public. Due to the majority of them much prefer traveling using their own private transportation. According to GridOto (2020) in the midst pandemic of COVID – 19, some people choose to prioritize emergency funds for the needs of the pandemic rather than buying a new vehicle.

Previous research related to the impact of COVID – 19 on business, namely research from Harel (2021), the findings indicates that although COVID – 19 has a wide impact in all areas of life, most industrial sector small businesses' income is not affected by the pandemic. In addition, most of them do not adapt their business activities or the extent to which they use open innovation tools. Furthermore, research from Bartik et al. (2020) discovered the financial vulnerability of many small businesses, and how deeply they are affected by the current COVID – 19 crisis. The results also show that many of these companies have little cash on hand towards the

start of the pandemic. In which they are required to cut spending, take on additional debt, or declare bankruptcy.

1.2 Research Problems

This study will conduct a research about Jaos Motorsport that focuses on car modifications and also spare parts for high-end CBU (Complete Built Up) cars. According to the owner of Jaos Motorsport, Erwan Kristiawan stated that Jaos Motorsport are experiencing decrease in sales as shown on Table 1 in the year of 2020 where Indonesian Government implied PSBB or known as *Pembatasan Sosial Berskala Besar* across the nation to suppress COVID – 19 disease. This results in Jaos to close down any activity regarding sales and installation where everyone are required to stay at home. According to Kompas.com (2020) President Joko Widodo states that we have decided during cabinet meeting that the option we choose is large-scale social restrictions or PSBB. The decision was made based on UU No. 6 2018 about Health Quarantine. All businesses are to shut down any activity that requires direct contact including offices are to dismiss all employees from working in the office.

The COVID – 19 pandemic that surge the world including Indonesia last 2020 had a significant impact, especially on the business sector, one of which was the automotive business, Jaos Motorsport that focuses on car modification and spare parts for high-end CBU (Complete Built Up) cars experienced a decline demand for services was 30% in the first year of the pandemic, because the workshop was temporarily closed in response to the government's appeal for social distancing. The owner of Jaos Motorsport also stated that they are experiencing shipment problems from their supplier in Japan and China because of PSBB lockdown (*Pembatasan*

Sosial Berskala Besar) and also global scale lockdown that was applied in the early years of COVID – 19 pandemic.

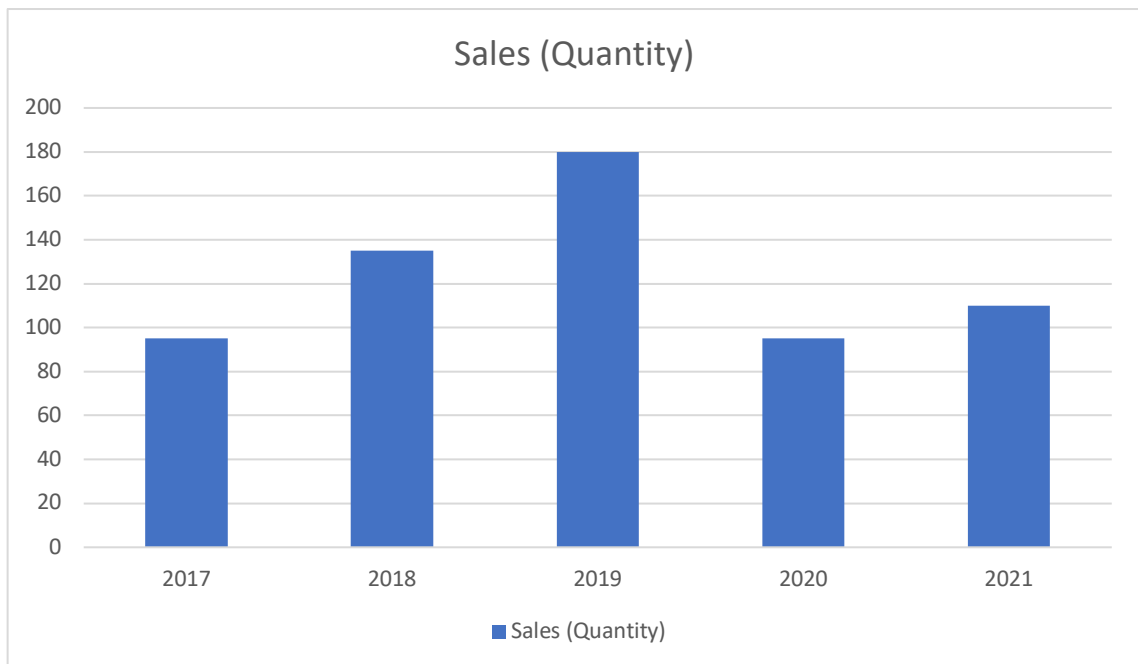


Figure 1 : Sales Quantity

Based on the table above, there is an increase in demand for upgrading car facelift kits during period 2017-2019 as newer models are released in the market customers are demanding to upgrade their vehicle to the latest model rather than buying a new car. Cars such as Toyota Alphard 3rd generation are introduced in the year 2015 and reintroduced with minor refreshments including exterior and interior.

These cars still share the same base with only minor changes made by authorized dealership, this opens up opportunity for Jaos Motorsport to introduce their products and services to the market but during the pandemic they are to shut down any operations onsite regarding PSBB regulations made by the government. These type of business cannot rely on offline market to increase sales during

pandemic as they need to operate in the field installing their products to customer's cars.

1.3 Research Questions

With the research problems described above, the following research questions arise :

1. What strategic factors that support Jaos Motorsport to achieve competitive advantage during COVID – 19 pandemic ?
2. How does Jaos Motorsport apply their strategies to maintain its competitive advantage during COVID – 19 pandemic ?

1.4 Research Purpose

The research purpose of this study is to gain knowledge on how Jaos Motorsport achieve competitive advantage and how Jaos Motorsport maintain its competitive advantage during COVID – 19 pandemic.