

Factors Affecting the Revenue of MTE Mechanical Private Limited Company

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ABSTRACT

MTE Mechanical Private Limited Company is a manufacturing company located at Batu Maung, Malaysia producing fabricated metal products. During 2020, the company's revenue has significantly decreased compared to the previous year. Therefore, the purpose of this research is to identify the factors which affect the revenue of the company. Online interviews were used to collect information from the company's owner and three of their customers. The present study found that the delivery service and product's quality of the company are the major issues having effects upon the company's revenue. Moreover, the findings of the present study would benefit the company.

Keywords: Delivery Service, Manufacturing Company, Quality of Product, Revenue

INTRODUCTION

MTE Mechanical Private Limited Company is a company manufacturing fabricated metal products and providing repair service for said products. The company is currently located at Batu Maung, Penang. It was founded on 24 July 2018 by Chuah Choon Chong, its current owner. The company has two directors, Chuah Choon Chong and his spouse, Goh Qing Siew. MTE Mechanical started as a small business enterprise and was incorporated in 2019. The customers of the company are mainly from Malaysia and they purchase their raw materials from suppliers in Penang and Johor. Due to the emerge of the Covid-19 pandemic, MTE Mechanical Private Limited Company was forced to shut down its operation as Malaysia Government has implemented the Movement Control Order (MCO) during 18 March (Tang, 2020). During the MCO, the company's revenue experienced a significant drop compared to the previous year.

This research paper aims to identify the factors that affect the revenue of MTE Mechanical Private Limited Company. According to Haruguchi, Charles and Smeets (2017), the manufacturing industry is highly important and has been playing a key role in its contribution to economic growth in developing countries. Kaldor (1969) also stated the importance of the manufacturing industry in economic growth and characterized the

manufacturing sector as the main engine of fast growth. Oxford Learner's Dictionaries defined revenue the money that an organization received from its business operation ("Revenue, 2020).

MTE Mechanical Private Limited Company has faced a serious issue in 2020 where the revenue of the company significantly decreased compared to the previous year. Moreover, due to the emerge of the Covid-19 pandemic, the company was forced to close its operation during the implementation of MCO in Malaysia on March (Tang, 2020). This forced the company to halt every production process. Moreover, the order quantity has significantly decreased due to the pandemic.

Data of MTE Mechanical Private Limited Company's revenue was requested and received from the owner of the company. Table 1 indicates the monthly revenue of MTE Mechanical Private Limited Company during 2020. When the Covid-19 pandemic emerged, the company's revenue started to decrease significantly. For example, February's revenue dropped from around RM140,000 (January revenue) to RM100,000. The shift in revenue results in company loss of approximately RM40,000. In addition, during March, April and May, their revenue continued to be poor, generating around RM45,000 to RM60,000.

The data in Table 2 indicates the revenue of the company in 2019. The biggest difference between the company's revenue is March and April of 2019 and 2020. From Table 1, it shows that the revenue of March 2019 was around RM 150,000 however during March 2020, the figure was RM50,000. Their March revenue had reduced RM100,000 in just one year. The same situation also happened during April 2019 and 2020. This indicates that MTE Mechanical Private Limited Company has lost over RM100,000 for two consecutive months in just one year.

Table 1. Revenue of MTE Mechanical Private Limited Company in 2020

	Sales in 2020 (RM)
January	140,000
February	100,000
March	40,000
April	60,000
May	50,000
June	80,000
July	70,000
August	80,000
September	70,000
October	90,000
November	N/A
December	N/A

Table 2. Revenue of MTE Mechanical Private Limited Company in 2019

	Sales in 2019 (RM)
January	190,000
February	170,000
March	150,000

April	160,000
May	130,000
June	150,000
July	155,000
August	130,000
September	130,000
October	170,000
November	140,000
December	165,000

The potential factors which could affect the company's revenue to decrease are delivery service and product quality. According to Cater and Cater (2009), product delivery performance of a company can be divided into three crucial aspects: suppliers of the products should be able to deliver the product on time, should be flexible and able to accommodate changes in delivery schedule, and should deliver the correct products to the customers. According to Buzzell and Gale (1987), product quality can be referred as customer's perceptions on the non-price aspects of an organization's goods and services. Therefore, the present study will examine how delivery service and product quality affect the revenue of MTE Mechanical Private Limited Company.

RESEARCH METHOD

The research was conducted to gain insights about the problems faced by MTE Mechanical Private Limited Company that affect the revenue of the company. Therefore, the qualitative approach was used to gather information regarding the factors that affect the revenue as one of the characteristics of qualitative approach is flexible and can be adapted easily to handle multiple factors in the research (Hidayat & Sapriya, 2020). According to Krathwohl (1998), qualitative approach helps researchers to understand one's perceptions of a situation that allows them to understand his or her behavior. Therefore, qualitative approach is useful in this research.

The type of research used in this study is descriptive qualitative method, a method that reveals the problem of an event based on the visible facts (Nurlaila, 2020). The main characteristics of descriptive qualitative method are focusing on the problems that happen during the time of research or problems that are existed (Nurlaila, 2020). Therefore, this method is suitable to be adapted in the present study.

In the present study, primary data was collected via one-to-one online interviews conducted with the owner of MTE Mechanical Private Limited Company to get in depth understanding of what led to the company's poor revenue in 2020. Besides, three customers of MTE Mechanical Private Company were interviewed to obtain feedback regarding the company's delivery service and product quality. Participation in this study was voluntary as the researchers have emailed all participants before taking part in the online interview session. As the main instrument to collect data in the present study is the direct interaction between the researchers and respondents, the researchers are required to be adaptive, responsive, expansive, clarifying and improving their ability in collecting the data to maintain the nature of this qualitative study (Windasari, Handayati & Wardoyo, 2020).

Based on the information gathered from the company and its customers, a detailed study and analysis were conducted to identify the factors that could affect the company's revenue.

After conducting this research, MTE Mechanical Private Limited Company will be able to find out the factors affecting their revenue. In addition, customer's feedback will provide the company with more complete understanding on its own operation and issues. Moreover, they would be able to bring to the table new strategies and planning to overcome the issues and improve its revenue performance.

Additionally, this work could benefit several manufacturing companies in Malaysia as they could learn how to maintain their revenue. With all the ideas and insights shared in this research, they can come up with different strategies and plans to overcome this difficulty.

One of the limitations in this present study is that the researchers were not allowed to visit MTE Mechanical Private Limited Company due to the current Covid-19 pandemic. As physical visits were restricted, the researchers could not conduct a face-to-face interview with the company's owner and gain more information regarding the company's revenue.

Another limitation in this present study is the accuracy of the information. In this research, researchers have conducted an online interview with three of the company's customers to collect information regarding the delivery service and product quality of the company. MTE Mechanical Private Limited Company has ten customers in total; however, seven customers have rejected the researchers' invitation to take part in this research. To conduct a more accurate research, interview should be made with all the company's customers to collect more accurate information.

RESULTS AND DISCUSSION

The objective of this study is to identify the factors that affect the revenue of MTE Mechanical Private Limited Company. By conducting an online interview with the owner and three customers, information and opinion regarding the company's service and operation were obtained and analyzed.

During the online interviews with three customers of MTE Mechanical Private Limited Company, questions related to the delivery service and product quality of the company were asked and several feedback wares received. Tables 3 and 4 indicate the feedback from the customers regarding its product quality and delivery service.

Table 3. Feedback Related to Delivery Service

Customer	Statement
Customer 1	We have often ordered some fabricated metal products from MTE, but sometimes they often deliver our products late, not once but multiple times. For example, we requested the product to be delivered by 12 pm on Monday, but they ended up delivering it after 12 pm. This is a huge issue as it will cause our production to be delayed and our revenue will be affected as well. We are really dissatisfied about the company's attitude on delivery service. Sometimes, we just order materials from other companies.
Customer 3	MTE Mechanical often delivers their products late. For example, we ordered and requested the product to be delivered by this Friday, but they called us and said there are some production issues, and the product will be delivered on next Monday. This is a serious issue as it causes our production to be delayed. This issue has affected us badly as it will result in less revenue for our company, because we could not produce the end-product and send it to our customer.

Table 4. Feedback Related to Product Quality

Company	Statement
Customer 1	The products we received are not what we wanted. The standard of the product is not as expected and there were a few broken products. We were shocked as we expected the company to run a quality control checking before sending the products to us. This may seem like a small issue as we can send back the defected product to the company, but it will affect our production planning as everything was on a schedule and we are forced to delay our production as the materials needed are not here. We once questioned the company for not conducting the quality checking properly which resulted in many defected products being sent.
Customer 2	When we received the products we ordered, the quality of some of the products was not as good as expected; there were some scratches on the surface of the metal, and the weight of the metal is incorrect. We really hope that the company could apply some methods to improve their quality checking procedure to avoid this issue from happening again.
Customer 3	Other than that, sometimes they do deliver the wrong products to us and it frustrates us a lot as we need the products urgently to finish our production. The product we wanted is not same with the product they sent to us.

From the interview with the owner of the company, the researchers have asked the company to explain the issues mentioned by the company's customers. Table 5 indicates the information collected from the owner.

Table 5. Information from MTE Mechanical Private Limited Company

Issue	Statement
Delivery Service	The delay of product delivery is mainly due to the weak planning from our side. Yes, that I admit. We have received many complaints from the customers and some often cancel their order due to late delivery. This is a very serious issue as it caused our orders to decrease and resulted in bad revenue in our company. However, some unexpected situations such as malfunction of the delivery transport and road condition could really affect the speed of our delivery as well.
Quality of the Product	This issue happens because of the amount of the products in one order is huge, and we usually check 10 pieces out of 100 to examine the quality. I believe this is a standard quality checking procedure for mostly every manufacturing company. It is impossible to check every pieces of the products as it would waste a lot of time.

Based on the feedback from the customers, researchers have underlined that the delivery service issue in MTE Mechanical Private Limited Company has caused the revenue of the company to decrease. The customers mentioned that the company has some transportation planning issues as they often deliver their products to the customers beyond the requested time and it resulted the customers to delay their production. For example, according to customer 1 and customer 3, they mentioned that the company often deliver their products late, not once but multiple times. This issue has caused the customers to stop and delay their production as they need to wait for the materials.

In addition to the delivery issue, the quality of the products was found to be another issue that affects the revenue of MTE Mechanical Private Limited Company as well. Some of the customers have mentioned that some end-products that they received were in a bad condition such as scratches on the surface. For instance, customer 2 has mentioned that when they received the product they ordered, the quality was not as good as they expected. This statement indicates that MTE Mechanical Private Limited Company did not manage their quality checking process well.

CONCLUSIONS

Based on the results of this study, it is of the first magnitude for a company to understand the needs and wants of its customers, particularly the delivery service and quality of products as in this case study. The findings in the present study have indicated that both factors have significantly affect the revenue of MTE Mechanical Private Limited Company. After understanding the basic requirement from the customers, the company could easily avoid having these mistakes and gain the trust of customers, and indirectly improve the company's revenue.

Based on the customer's feedback, MTE Mechanical Private Limited Company should devise certain methods to improve their quality checking procedure. Therefore, the company should implement Plan-Do-Check-Act (PDCA) (Heizer, Render & Munson, 2017), developed by Walter Shewhart, a pioneer in quality management who seek for

continuous improvement. First, the managers should figure out these problems and plan to solve these problems. Then, managers can start to test the plans in different ways. Following this, the managers should check and evaluate whether the plans are working or not. Finally, they can implement the plans if they really help. However, managers should not be easily satisfied with the problems being solved, they can continue to check for other problems or scopes of improvement. They can repeat the steps and cycle continuously to ensure the product quality is better.

Moreover, Total Quality Management (TQM) tools should be implemented as well. TQM tools can be used for checking sheet, organizing data, or identifying problems. The manager can use different tools like Pareto chart, flowchart, control chart or statistical process control (SPC) to improve the quality of products. For instance, they can use a cause-and-effect diagram to determine whether the product could raise any possible problems. After confirming the source of problems, they can use SPC as a standard for the products, monitor the measurement and take corrective actions when products are out of their targeted standard. This is to ensure that the products are always in the targeted standard and to reduce disapproved items or bad product cost (Heizer, Render & Munson, 2017).

To solve the delivery issue, MTE Mechanical Private Limited Company can utilize the Apply Fixed-Period Systems (Heizer et al., 2017) in ordering the raw materials as many customers have complained that the delivery service of the company is poor and often resulted in late delivery. The first step is implementing a fixed-period order system which the inventory orders are made at regular time intervals. The second step is implementing a fixed-quantity order system in which the inventory has same order amount each time. Thirdly, perpetual inventory order system should be adopted to keeps track of each withdrawal or addition to inventory continuously, so the records are always up-to-the-minute. These systems make sure their raw materials are always enough for production and reduce the delay time due to insufficient or restock problems.

Finally, Psychosocial Safety Climate (PSC) can be also applied in the company work settings since it is a leading indicator for a better working environment through manageable job demands (Teoh & Kee; 2020, Teoh & Kee, 2019; Teoh & Kee, 2018). Teoh and Kee (2020) stated that employees tend to perform better when their job demands are designed reasonably by the organization with the help of PSC. As a result, work engagement among employees can be enhanced when there are excellent settings of job demands (Ahmad, Saffardin & Teoh, 2020). Hence, it is advisable to apply PSC in MTE Mechanical Private Limited Company so that job demands among its employees can be appropriately designed, which in turn increasing their work engagement levels as well as their job performance levels, such as the delivery and product quality issues.

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