

Analysis of Car Production & Sales in Indonesia in 2020

by Behrooz Lotfian

From January to June 2020, production and sales of the Indonesian automotive industry dropped by over 48%, and 51% from January to August 2020 in comparison to the same period last year.

Employees' health issues and the spread of Covid-19 pandemic have made businesses closed, and therefore, the production figures dropped sharply. Covid-19 is a domino effect and it has collapsed supply chains and everything. So, this is the reason that the figure even decreased 97.6%. In addition, the sales market has collapsed due to the restrictions in public life. According to the following statistics, the darkest month has been May for the automotive industry in Indonesia, marking a 95.8% decrease in sales!!

Some weak signs in the following table indicate recovery of the automotive industry but very slow. For example, the negative trend of sales turned "positive" after May (I mean each month had sales reduction but the percentage of decline was lower than the previous month).

If business turns up during the crisis, then it can grow quickly after the crisis.

Production (Vehicle)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Subtotal
2020	112,659	104,034	111,320	21,432	2,510	17,689	24,404	33,559	427,607
2019	106,291	95,104	113,803	104,643	103,342	69,213	119,558	119,708	831,662
Y-O-Y	6.00%	9.40%	-2.20%	-79.50%	-97.60%	-74.40%	-79.60%	-72.00%	-48.60%

Sales (Vehicle)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Subtotal
2020	80,435	79,644	76,811	7,869	3,551	12,623	25,283	37,291	323,507
2019	82,155	81,809	90,368	84,056	84,109	59,600	89,254	90,568	661,919
Y-O-Y	-2.10%	-2.60%	-15.00%	-90.60%	-95.80%	-78.80%	-71.70%	-58.80%	-51.10%

Without Structural Change, Success is Nowhere

What's next? It depends on each company's approach. Imagine that if Covid-19 continues to 2022, what will happen to business?

It should be emphasized that Covid-19 is a phenomenon that could speed up the transformation of production process from human to robot.

Companies have to switch to robots to continue the businesses.

What will Happen to the Employees?

A lot of jobs will be destroyed in the future so the compensation programs for people who have lost their jobs because of robot replacement should be provided by companies, but it will also create a lot of jobs. "The question is whether we are ready and whether we are qualified for these new jobs." New technicians should be taught to employees and even in universities and schools.

A 40% drop in sales for 2020 was predicted by Gaikindo at the beginning of the pandemic, and the figures will improve again after the pandemic, but it was the loudest warning alarm that the mankind heard.

Welcome to the Robotic Era

What is Indonesia automotive producer's role in this era?

95% of assembled cars in Indonesia are Japanese brand and it is a big opportunity for the Indonesian automotive industry, because there are clear economic and social reasons for Japan's leading role in robotics development and adoption. The growth of the Japanese automotive industry is probably the most significant factor influencing the rapid development of Japan's robot industry. In 1980, Japan became the world's largest automotive manufacturer. Japanese automakers started to use industrial robots in late 1970s, and robot adoption increased after 1980 with more advanced robotics technologies. That enabled Japanese automotive manufacturers to quickly launch new factories to enable rapid overseas expansion, partly resulting from trade friction between Japan and the United States. ¹

And it is a threat for the Indonesian automotive industry because:

Domestically, robots provide a solution to a shortage of automotive workers including skilled welding technicians. Competition between Japanese robot manufacturers on quality and performance in response to the demands of the automotive industry meant that Japanese robot manufacturers came to occupy a leading position in the global robot market. ²

1. & 2. <https://ifr.org/post/why-japan-leads-industrial-robot-production>

To 1.3 million Indonesian employees in this industry, robots are disasters that kill their jobs and wage, making them poor.

In a simple word, if Indonesia has benefits for Japanese car brands, they will stay there or otherwise they will leave. Robots make the decision easier for Japanese companies.

► Solution

Although Indonesia is an important platform for foreign car manufacturers, as I mentioned it is too risky for them. Indonesian automotive producers can learn from Chinese method in smartphones. Chinese factories started by assembling APPLE and then step by step make their own brand, Huawei.

► Indonesia Should Have Its Own Car Brands

There is a local brand called Wuling motor in Indonesia which was established in August 2015 but is a subsidiary of SAIC-GM-Wuling Automobile Company Limited (SGMW) with 50.1 percent of shares held by SAIC (Shanghai Automotive International Corporation), 44 percent by GM China and 5.9 percent by Guangxi Automobile Group. It is another foreign company, but if we assume that this is a local Indonesian company, they should modify something as below:

1. Their brand name is not poor. With a poor brand name, you make success much harder. With a great brand name, you can help your brand down the road to success. It's not that a brand with a poor name won't ever succeed. Many do. If you price something cheap enough, it will move in spite of a dreadful name. But Hyundai captured the mind of prospect as a cheap car with luxury services.
2. Category: I believe that the world does not need another new car brand if it wants to offer as usual. Look at Tesla as a new successful car manufacturer.

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All other car manufacturers are using their existing brand names to produce their electronic cars, and this is a fundamental mistake in their strategy. Elon Musk developed electric vehicles with a new brand name: Tesla. Tesla dominates the American market. In 2018, Tesla sold 82 percent of all pure electric vehicles sold in America. Ten times as many as Chevrolet, the second best-selling brand. Indonesian car manufacturers should pay attention to the point that customers who buy cars (for example, electric cars), want their friends to admire their new vehicles. When you tell people you've bought a Tesla, they may quickly recognize it, however, when you tell people you've bought a Chevrolet Volt, they may need more time to figure out what type of vehicle you've just bought.

My specific suggestion to Indonesian car manufacturers is: To negotiate with these Japanese brands like Toyota to produce common electric cars in Indonesia with a new brand name. ■

