

Analysis of Car Production & Sales in Malaysia in 2020

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COVID-19 is not just a virus for bodies, but a virus for businesses as well. It kills businesses easier than people. Look at the following table, the 12-month automotive production up to June 2020 has decreased 41.7% in comparison to the same period last year!

Commercial vehicles (CV) has lost 53.7%. It means more than half of CV producers have closed! Although Passenger Vehicles (PV) are in a better shape, they have lost 40.8% of their production which is a huge amount for the industry.

Production	Year to Date (June)			
	2020 (Units)	2019 (Units)	Variance	
			Units	%
TOTAL INDUSTRY PRODUCTION (TIP)	166,049	284,640	(118,591)	-41.7%
PASSENGER VEHICLES	157,174	265,482	(108,308)	-40.8%
Passenger Cars	119,905	193,904	(73,999)	-38.2%
Window Vans	518	1,351	(833)	-61.7%
Multi-Purpose Vehicles	8,172	16,323	(8,151)	-49.9%
4x4/SUVs	28,579	53,904	(25,325)	-47.0%
Commercial Vehicles	8,875	19,158	(10,283)	-53.7%
Panel Vans	740	1,495	(755)	-50.5%
Pick-ups	4,868	10,113	(5,245)	-51.9%
Trucks	2,942	6,928	(3,986)	-57.5%
Prime Movers	214	369	(155)	-42.0%
Bus	111	253	(142)	-56.1%

Therefore, it is predictable that automotive trade is worse as well which has dropped sharply.

Sales	Year to Date (June)			
	2020 (Units)	2019 (Units)	Variance	
			Units	%
TOTAL INDUSTRY VOLUME (TIV)	174,675	296,317	(121,642)	-41.1%
PASSENGER VEHICLES	158,876	270,861	(111,985)	-41.3%
Passenger Cars	120,367	181,278	(60,911)	-33.6%
Window Vans	475	1,675	(1,200)	-71.6%
Multi-Purpose Vehicles	9,233	20,757	(11,524)	-55.5%
4x4/SUVs	28,801	67,151	(38,350)	-57.1%
Commercial Vehicles	15,799	25,456	(9,657)	-37.9%
Panel Vans	866	1,465	(599)	-40.9%
Pick-ups	10,900	16,550	(5,650)	-34.1%
Trucks	3,556	6,458	(2,902)	-44.9%
Prime Movers	310	677	(367)	-54.2%
Bus	167	306	(139)	-45.4%

Dropping numbers are almost the same, but the highlight in these two tables is that the production of Commercial Vehicles has decreased 53.7%, but the sales have decreased 37.9%, and in this sector, the sales of Pick-ups have reduced 34.1%. Covid-19 has affected different parts of this industry.



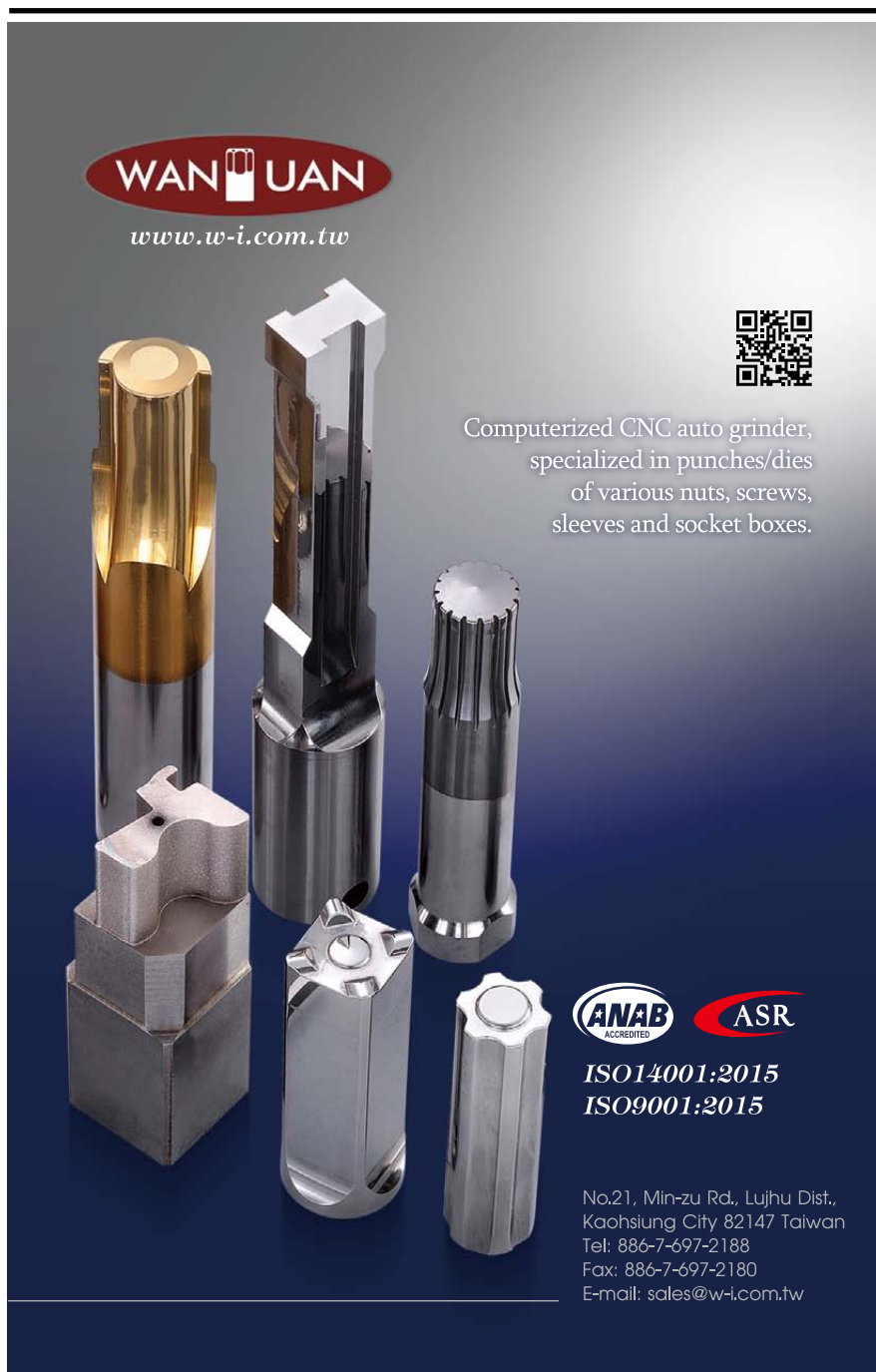
Sales Have Dropped

The automotive industry contributed an estimated 4.3 percent to Malaysia's gross domestic product (GDP) in 2019, according to the Ministry of International Trade and Industry (MITI). Decreasing 41.1% in sales means Malaysia GDP will decrease 2%. Changes in customer behaviours in response to being in "lockdown," such as less mobility and more online shopping, might remain after the crisis passes.

How can we manage it:

- Most of the automotive producers develop their sales channels and go for the Internet. It is a wrong strategy, and if they want to sell online through their websites, they should be noted that their chance for success is very low. Online selling is another business for them. To succeed, they must have a new brand, and as a result,

- Car manufacturers can empower the automotive sales websites,
 - Or make a car dealer website with another brand name but sell their brands exclusively.



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- Focus, focus and focus is the only way that can help them survive this period of time. They focus most on a specific message and get a good reason to the customer for purchasing. The other models should have the other brands.

Lack of Liquidity

Lack of liquidity is the main reason that companies cannot tolerate during the crisis. So "cash is king" is a proper sentence. Especially during the crisis.

How can we manage it:

- Most consultants believe that this situation will be solved through

- Getting bank loans, or
- Postponing the instalments maturity

These methods for short term work, but in the long term they do not have any effect.

"Focus" can help the companies in this case, too.

- A narrow focus improves operations and decreases the complaint ratio in the automotive industry. Satisfied customers will bring more customers and cash flow will get better.

- A narrow focus improves maintenance. The entire maintenance and servicing operation is much easier to manage, if your mechanics and scheduling staff are working with one type of car. It means lower cost and improving cash flow.

Supply Chain Problem

Just-in-time production puts in trouble because of lack of parts, especially Chinese parts.

How can we manage this problem:

- Although using new technology and Big Data can help better manage the supply chain but focusing on one type of car helps have a focused warehouse. Focused warehouse means you have one type of engine, one type of oil pump, and one type of any spare part. In a simple word, you can have enough spare parts during the crisis, because you have enough money for an extra quantity in this period of time.

- On the other hand, the focus strategy will increase the ordering quantity of spare parts, and therefore, the power of bargaining will be increased. And, it means decreasing the cost and increasing the cash flow.



Market Share in Malaysia		
Brand	Jan-June 2020	Jan-June 2019
Perodua	42.5%	41.1%
Proton	21.2%	14.7%
Toyota	10.4%	10.5%
Honda	9.8%	14.9%
Nissan	2.5%	3.5%
Others	13.6%	15.2%
Total	100.0%	100.0%

Brand	Sales (Units)		Variance	
	Jan-June 2020	Jan-June 2019	Units	%
Perodua	74,170	121,782	(47,612)	-39.1%
Proton	37,078	43,518	(6,440)	-14.8%
Toyota	18,199	31,191	(12,992)	-41.7%
Honda	17,124	44,260	(27,136)	-61.3%
Nissan	4,382	10,383	(6,001)	-57.8%
Others	23,722	45,183	(21,461)	-47.5%
Total	174,675	296,317	(121,642)	-41.1%



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Which Brand is More Affected by Covid-19?

Statistics show that Malaysian brands could improve their market shares and Honda has lost a huge market share in Malaysia. Honda's market share got 5% smaller!

Proton Holdings Bhd has reduced its car prices by between 1.2% and 5.7% as zero sales tax for cars sold in the country for six months took effect. The national car maker said the prices would be effective for the duration of the incentive period, a measure designed to boost the economy as the country emerges from the Covid-19 induced lockdown.

Proton CEO Dr. Li Chunrong said for consumers looking for a new vehicle, the current zero sales tax period has never been a better time to own a new Proton car.

However, Proton has lost its sales by 14.8%, but it was the least affected brand in Malaysia by Covid-19. It has chosen a risky strategy, decreasing its price to cope with the new crisis situation in the middle of Covid-19.

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