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Going global

By Ibrahim Yahaya

PERUSAHAAN Otomobil Nasional Berhad (Proton) is embarking on a new phase in its corporate strategy. Nineteen years after manufacturing the first national car, Proton Saga, the company is well on its way to becoming a global market brand name.

The journey started when Proton first exported the Saga to the United Kingdom (UK) in 1989 and established Proton Cars UK Ltd (Proton Cars). It then bought Group Lotus plc (Group Lotus) in 1996, and sponsored Proton Team KR (PTKR). The latest brand building exercise involves sponsoring Norwich City Football Club (NFC), which incidentally, will be playing in the English Premier League next season.

Setting up Proton Cars, a wholly-owned subsidiary handling its UK operations, enabled Proton to place the national car in a very important market. Since the Saga made its British debut, it has established a name and reputation of its own. For the record, the first Saga is still fetching a good price in the UK used-car market.

Proton Cars Managing Director Brian J Collier, tells Malaysian journalists on a visit of the company's headquarters in Hethel, Norfolk, in May, that the sales of the Malaysian-made cars could double in 2005 from the forecasted 3,000 units this year.

Several factors contribute to this optimism; introduction of new models in the third quarter of this year like the Gen.2, the availability of the Satria Replacement Model and Tiara Replacement Model (TRM) towards the end of the year or early next year. Jumbuck's full year sale, the sub-one ton pick-up truck (known as the Arena in Malaysia) which was introduced in July 2003 is another contributing factor.

The Gen.2, scheduled to launch in the UK market in September, is billed as the product to revive British's consumer interest in Malaysian-made products based on its trendy design, distinctive styling and excellent features.

Proton Cars has set a high target, anticipating sales to rev up to 11,500 units in 2006 and 15,000 in 2007. 'We have done 15,000 before. We just don't have the right products for the British market at the moment,' he says.

At present, Proton Cars sells the Impian (Waja in Malaysia), Wira, Satria, Satria GTI and Jumbuck. A total of 2,300 cars were sold in the year ended March 31, 2004. This means Proton Cars has only clinched 0.15% of the total UK new car market of about two million vehicles and 0.25% of the UK's new private car buyer market.

Collier is very optimistic with the sales of the national car in the years to come. 'We believe we can do 20,000 cars a year like Daihatsu and Suzuki. Back in 1990, we sold 16,000 units, thus, we have the experience to do it. With the Gen.2 available from July, we believe we can do better,' he says. 'At (the projected) 20,000 units, that will give us 0.8% of the total UK market and 1.8% of the private buyers market, which is what we are aiming for,' he adds.

In 2003, over 200 new models were launched in the UK and this meant that a car was launched every other day.

Proton Cars has a network of 71 full dealers, 26 service dealers, 17 jumbuck dealers and four agency dealers with 50% of the dealers selling only Proton vehicles. Proton Cars has 35 parts warehouses and centres.

Acquiring Group Lotus, the financially-troubled but technologically

sound company, was a very significant move. The timing was right. The ailing sports car manufacturer needed a financier that could help revive it. With this bold move, the Norwich community today, remembers Proton as 'the company that saved Lotus'. Buying Lotus had in turn provided Proton with the much needed support in its design engineering process, a major achievement of which were the Proton Satria GTI and the production of the camshaft and profile engine for Gen.2.

Sponsoring PTKR, a world motorcycling racing outfit, provided Proton with the platform to promote the company's brand name globally. PTKR's owner Kenny Roberts says, Proton should capitalise on its brand, image and the technology, which had been developed by PTKR over the last few years, to produce street motorcycles that would be much sought after. Proton would be able to move into the top ranks fairly quickly as there are only three major motorcycle manufacturers in the world - Honda, Yamaha and Suzuki.

The 52 year-old Roberts, a former 500cc world motorcycling champion is amazed to know that many people recognise Proton's name as the company that manufactures cars and grand prix motorbikes. He says, 'In the United States (US), they've (racing fans) heard of Proton. How did they know about that? Of course, that comes from the wide exposure that Proton has received.' Proton must continue to sponsor the team to enable it to promote its product at the international level. 'Furthermore,' he says, 'Malaysia has one of the best racing facilities in the world. If they want to sell the product only in Malaysia, they won't be able to achieve this.' Malaysia is the only country outside Japan and Italy that builds grand prix motorbikes.

Roberts, also known as 'King Kenny' during his heyday as a champion racer for Yamaha, says Proton has demonstrated that it could build good quality cars and it could do the same with motorcycles.

Proton should also harness the goodwill from its brand name which has been enhanced through its acquisition of Group Lotus. He says a random survey by Proton Team KR showed that people usually associate Proton and Malaysia as quality brands and not 'something from a Third World country'. PTKR could work with Proton Cars and Group Lotus to produce world famous street motorbikes.

On sponsoring NCFC, First Division Champions, Proton Cars would get greater exposure as the club would be playing in the English Premier League with big names such as Manchester United, Arsenal, Liverpool and Chelsea, next season. This season alone, some 15 million people have seen Proton's brand name on television and some 500 newspaper and magazine articles has been written about Proton's involvement in English soccer. The Malaysian soccer scene can benefit from this sponsorship too if its players have a stint at NCFC.

These four branding strategies will boost Proton competitiveness in the global market and improve domestic sales which has eroded by foreign competitors. The recent appointment of Tun Dr Mahathir Mohamad as the company's adviser, whose idea it was to create Proton in 1983, will certainly help further improve the performance of the company. His vast experience will definitely steer Proton to greater heights.

Proton's RM18 billion new plant in Malaysia is designed to produce a million cars a year by 2010. But with a local demand of around 200,000 units, export is the key to the car maker's survival. With a cash pile of more than RM3 billion, it is moving aggressively to expand its assembly unit overseas, including China, India and Indonesia and has plans to put up to 20 new models on the road in the next decade. The company is shaping to face the looming global competition. Proton is a major contributor to the Malaysian economy and one of the top employers with 9,500 people in

its payroll - 8,000 locally and 1,500 abroad.

Proton Chief Executive Officer Tengku Tan Sri Mahaleel Tengku Ariff, once said that Proton's mission is to build world-class industrial capacity, in the form of Proton Cars, and sell Malaysian-made cars globally. Proton has definitely come a long way, from a project of national importance to one of international success.

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