

Proton and Hyundai face off
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Tiger pits Proton against South Korean rival Hyundai in what may be seen as a futile exercise because Proton never comes out of a fight unscathed. With luck, comparing Proton to Hyundai might serve as a wake up call to the national car industry. The South Koreans may be way ahead of us in the game, but there are still valuable lessons to be learnt.

Loyal readers may remember Tiger announced to the world some months back he was entering the lucrative corporate world. How's business, you may ask?

Not too bad, not too bad at all. Tiger expects to close a few big deals in a few weeks time if negotiations go according to plan. And, seeing as on a typical working day Tiger travels across town multiple times, Tiger is seriously considering getting himself a set of wheels.

An automobile is certainly no replacement for Tiger's powerful legs and boundless stamina. But nothing makes a statement quite like turning up at a networking event about town in a head-turning Bentley Continental.

Alas, Tiger is a good few years away from being able to pay half a million ringgit for a car. Tiger conceded to go a step down the other day. Perhaps the latest Audi A6? Nah, can't afford that one either.

Tiger needs a slick executive sedan to suit his relatively meagre budget but still befitting of his up-and coming corporate bigwig status. Something swish and cool without much damage to the wallet.

On patriotic Tapir's advice, Tiger checked out the latest Proton Perdana. Despite the latest Perdana being nothing more than a rebadged Honda with new trim, it will take another two years before it is available to the general public. Scratch that one off the list.

It was not until earlier this week that Tiger sauntered into a Hyundai showroom and saw with his own eyes their offerings. What caught his eye was the bread-and-butter Sonata model.

Just last week a revamped Hyundai Sonata was unveiled in South Korea, the seventh generation in about 30 years. This is the same car Hyundai plans to sell 228,000 units of this year, which should be a cinch, as the target is conservative given global deliveries last year of 476,103 units.

To give some idea of the scale of Hyundai's global automobile sales let Tiger share some numbers he fished out of Hyundai Motor's informative and well designed corporate website.

Because rattling off a chain of sales numbers is no good if we have nothing to compare them to, Tiger turns to the proverbial punching bag – let's tell it like it is – of this regular column, none other than national carmaker Proton. Unlike Hyundai, Proton's corporate website is devoid of financials (after privatisation to DRB-Hicom in 2011) and has little information of value aside from the usual launch and carnival announcements. Yawn.

Last year Proton sold a total of 138,753 cars in Malaysia with exports thought to not exceed 15% of domestic sales. This is lower than the number of Sonatas Hyundai expects to sell this year at 228,000 which is turn is lower than Hyundai's global sales of just over 4.7 million vehicles in 2013. Of this number, just 640,690 units or 13.5% were sold in South Korea.

What lessons can we draw from this comparison?

First, success in automobile manufacturing can be found only with scale of production. Note that Proton has repeatedly said its current production volume is under the 350,000 units per annum threshold to achieve economies of scale.

Second, if you have a small domestic market, as in both South Korea and Malaysia, you have to grow export markets and do so in a big way. If Hyundai's domestic sales account for only 13.5% of global deliveries, this means a whopping 86.5% or 4 million vehicles were exported last year.

If concern over foreign exchange outflows from Malaysians buying imported cars is reason enough to have our own national car industry, as former prime minister Dr Mahathir Mohamed alleges, then the South Koreans have managed to have their cake and eat it too.

Not only has South Korea succeeded in getting its own citizens to buy national cars (money stays in the local economy instead of leaving), the North Asian country also pulls in huge foreign exchange inflows from automobile exports. How much? Well Hyundai alone reported revenue of 84.5 trillion won or RM259 billion last year, the bulk of it due from overseas sales.

The icing on the cake for the South Koreans, meanwhile, is being able to buy a mid-range car like the Sonata for a mere 22.55 million won or approximately RM68,500. Yes you read that right, pre-orders for the car in its native South Korea start at that price.

For that kind of money Malaysians will need to add at least RM10,000 to buy the Proton Suprima S, the national carmaker's latest hatchback model. Proton models that are within that price range are the Preve and the Persona.

Perhaps, like Tiger, you are not looking for a vehicle with an adult diaper namesake. To drive the Sonata on Kuala Lumpur streets you will need to pay double the price South Koreans pay, at least RM137,919.

At this point, clued-in readers might be questioning Tiger's motives for making a sweeping comparison without mention of the much higher excise taxes on foreign makes.

To that Tiger would like sceptical readers to consider that excise duties would not have been so high in the first place if not to protect Proton. To look at it another way, excise duties on non-national cars are a "penalty" for not buying Malaysian, whereas the higher prices Malaysians pay for Proton cars (compared to international equivalents) are an "indirect subsidy" to make up for Proton's high cost of production. More on this at the link [here](#).

South Korea's Hyundai should serve as a reminder of what a real national car industry should look like; industrious and export-driven. Take that Proton.

GRRRRR!

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