Executive Summary

Over dependence on the domestic market and weak brand image are the weaknesses of the two Malaysian car companies. Trade liberalisation under the auspices of WTO, APEC and AFTA presents both opportunities as well as threats. They can no longer depend on Government support for their survival and growth. The two companies also need to lower their dependence on foreign partners by speeding up their localisation programme. This is essential to reduce cost and be competitive when trade barriers fall. Merger or strategic alliance between the two companies may be one of the ways to remain competitive in the future. Proton can consider entering small car and SUV segments which are the fastest growing segments. It should ensure that the quality of its cars and logo is the same in all markets. Perodua has a long way to go before it is taken as a serious player. Its model range is too small and also needs to get itself listed as soon as possible.

India represents several opportunities for the two Malaysian Auto manufacturers. The two companies should enter India given the huge domestic demand and a well-established infrastructure. Even though, it is difficult to frame an exit strategy for companies in India, the advantages of going in outweighs the risks. The study found that the threat of New entrants, and bargaining power of suppliers were low, while bargaining power of customers was rated as medium and is rising. On the other hand, the threat of substitutes and rivalry between existing firms was found to be quite high. The two companies, if they decide to enter India, have to take into account, the inherent difficulties and uncertainties of operating in the Indian market while designing a marketing strategy. They should enter India through a joint venture with a partner primarily to benefit from the distribution network and local knowledge of the Indian market conditions. Regarding place of entry, Tamil Nadu was found the most attractive. Ultimately, Proton and Perodua should look at long term plans of manufacturing in India. Many of the big auto manufacturers of the World have are already in India. Maruti Udyog Ltd., a joint venture between the Indian Government and Suzuki, is the biggest potential competitor, offering the maximum models in different segments. It is necessary for the two companies to adapt their marketing mix including product specifications, to the Indian conditions by making necessary modifications. The companies should follow a competitive pricing strategy as they are new entrants to the market.