
ANALYSIS OF THE COMPANIES

I have carried out Strength, Weaknesses, Opportunities and Threats (SWOT) analysis of the two companies. I will examine those issues are common to both companies, so I will first examine these first. Then I will examine those factors, which are unique to each. I have also looked at Proton's product offerings using the BCG matrix. This is essential in order to find out whether the two companies are ready for international marketing.

4.1 SWOT ANALYSIS (COMMON ISSUES)

4.1.1 STRENGTHS

4.1.1.1 GOVERNMENT SUPPORT

The Malaysian Government with the direct support of YAB Dato' Seri Dr Mahathir Mohamad, Prime Minister of Malaysia initiated the national car project. In order to develop and promote the industry, high tariff and import quotas were imposed on completely built up units (CBUs) and completely knocked down (CKD's) units whereas preferential treatment was given to Proton with lower tariffs on imported parts. Legislation such as hire purchase limits on cars costing above RM40,000, introduced in 1991 also helped the car sales of Proton and Perodua.

Incentives such as the Generalised System of Preferences (GSP) and Local Material Content Policy (LMCP), provided by the government also helped to develop the component and parts industries in the country further. This was done in order to increase the local content and thus lower the dependency on the foreign suppliers.

The existing import duty on CBUs is about 300%. If the import duty were not there then the Toyota Camry, Nissan Cefiro and the Honda Accord would be

selling at about RM80,000. The Renault Megane, Citroen Xsara, Opel Astra, Ford Focus and VW Golf would sell at about RM65,000, while the 1.5cc Korean (Hyundai and KIA) models and small Italian cars would sell at about RM45,000. Though this is a strength now, the future will see this strength being eroded as the various trade agreements come into play. The two companies cannot afford to depend on the Government for their future growth and profitability.

4.1.1.2 CERTIFICATIONS AND AWARDS

Certifications and recognition from reputable organisations can help the two companies in better marketing and also in being recognised as a World Class Brand. This can be achieved only by improving quality in R & D and in service. Both the companies have received **ISO 9002** certifications from SIRIM and the Vehicle Certification Agency (VCA) of the United Kingdom. Perodua on 20th Jan. 1998 and Proton in February 1998. Other awards and certifications include:

A. PROTON

- Australia's most prestigious motoring magazine "Wheels," has named the Proton Satria GTi among its "Top Ten '99" cars.
- In a survey conducted by the United Kingdom Consumers' Association, this year, Proton also ranked third among the others car brands in terms of fewer breakdowns, faults and other mechanical faults. Proton ranked eight among the other brands, with 80% of Proton owners saying that they would recommend the car to their friends. It even ranked higher than other car brands such as Toyota, Honda, Mitsubishi and Volvo among others.

Note: No such consumer survey results were available for Malaysia. Which is surprising considering that Malaysia is the biggest market and Proton cannot afford to rest on the past sales record.

B. PERODUA

- European Community Whole Vehicle Type Approval (ECWVTA) and Conformity of Production (COP) Certification by Vehicle Certification Agency (VCA), UK on 28th April 1997.
- ISO 9001 certification by Vehicle Certification Agency (VCA), UK on 24th Aug. 1998.

4.1.2 WEAKNESSES

4.1.2.1 OVER DEPENDENCE ON THE DOMESTIC MARKET

Over dependence on the domestic market is one of the greatest weaknesses of the two Malaysian car companies. The automobile industry in Malaysia is highly susceptible to the economic cycles in the country and as shown by the recent Asian crisis, which dealt a blow for the two companies. Though sales are picking up, it is still a long way from the previous peak figures. According to a regional car industry analyst based in Singapore, Proton needs to sell about 30% of its output abroad but it is only exporting less than 20% (Jayasankaran, 1999). The export figures for 1998 and 1999 were 18,422 and 15,643 units respectively, which represents a decrease from the 1997 figures when 25,686 units were exported (appendix 8). Perodua also benefited from favourable tariff structure and government support and established itself in the domestic market by targeting the small car segment. Its market share in the domestic market stands at second now but its export activities are negligible. This position is not secure in view of the fact that it depends on one market, viz., Malaysia, which is quite small and is likely to become highly competitive.

4.1.2.2 BRAND IMAGE

A weak brand image is one of the most serious problems of the two car companies. In most of the international markets including the UK and Australia, **Proton** is perceived as a low end brand. "Bargain basement" as Robin Cobb (1999) puts it. As Proton targets the small low cost niche market segment in these countries, changing its image in the future would be quite

difficult. Some of the Proton models including Iswara and Tiara, has reached the end of their product life cycle. It also has different symbols in different markets. While it uses a star and crescent moon in the domestic market, it uses only a star in other markets like UK and Australia. Branding is very important for a car company and having different symbols in different markets may confuse customers.

Perodua brought out the Kancil with the view of creating a new market segment for people preferring a compact, less expensive and easy to maneuver car. However, the image that stuck in the minds of many people was that of an inexpensive brand. I feel that this would not help in the future as the market opens and is flooded by foreign models of comparable if not cheaper prices. The new look Perodua Kancil recently launched in Oct. 1999 was a mere facelift. It needs to focus on its primary target market- young people including students. For that it needs a more fashionable, sporty image.

Even in the domestic market, the two brands are looked down upon and many present owners told me that they would gladly trade in their cars if there were other brands in the market with comparable pricing. They need to build up on its "value for money" image and add design and engineering. As a car is a major purchase decision and is often related to the prestige factor, being associated with the 'Cheap ' image can be harmful in the long run.

Another bad perception of the Malaysian cars is that they lag behind in safety features, design and in comfort. Safety features such as air bags are still not standard in Proton and Perodua cars. Many also complain that interiors look too plain and cheap. Many agreed that the suspension was one of Protons weakest points. This is a critical issue if Proton is to enter India, considering the badly maintained roads over there.

4.1.3 OPPORTUNITIES: TRADE LIBERALISATION

With the AFTA agreements, the two car companies will have free access to the car markets in other ASEAN countries. Both of them have a presence in

these countries already. Proton has plants in Vietnam and Philippines and trade liberalisation presents opportunities to expand further. The companies have to prepare for market liberalisation by tackling the three main aspects, viz., i) Cost effectiveness; ii) Quality and iii) Indigenous design and content, which would further reduce the cost of production. Competitiveness in term of pricing and quality would be a big issue as many big companies have established their plants in these countries. The two companies can take advantage of the lower cost of production and supply of raw materials in these countries.

4.1.4 THREATS

4.1.4.1 TRADE LIBERALISATION

As the two companies grow, they will have to introduce new cost cutting measures to remain competitive when the protectionist barriers of its home market are dismantled under the auspices of the WTO and AFTA. This is a threat because it means that they can no longer depend on preferential treatment from the government. Ford, General Motors, Toyota and Honda have already opened up plants in Thailand. Due to economies of scale, the vehicles would be much cheaper than those being presently produced in Malaysia would. This has enormous implications for the two car companies. If they do not take drastic strategies to come up to world standards at competitive prices, they could see their customers going for brands other than their own. Many of these companies like Suzuki, Hyundai, Daewoo and Daihatsu are specialised in small cars and would give the Perodua Kancil a hard fight for market share. They are also known for their aggressive marketing and promotions which the two companies' lack in the domestic market.

4.1.4.2 MERGERS AND ACQUISITIONS

In the World Auto market, the mergers, acquisitions and consolidations are a sign of things to come. First of these high profile mergers was that of Daimler-Benz and Chrysler to form the fifth largest auto company in the World with

7.5% of the World's market share. General Motors, the largest automaker with 16.4% market share, owns Opel, Vauxhall, 50% of Saab and has partnerships with Suzuki, Isuzu and Toyota of Japan (which is the third largest car company in the World). Toyota also owns 51.1% of Daihatsu Motor Co Ltd. Ford, which is the World's second largest company with 13% market share owns Jaguar, Aston Martin and Volvo. It also has minority shares in Mazda and KIA. Another company taking similar actions is Volkswagen, which is the fourth largest company with 8% market share. It has taken over Rolls Royce, Audi, Bugatti and Lamborghini. In view of these developments it is necessary for the two companies to plan ahead in order to survive. Strategic alliances may be a way to remain competitive. The acquisition of Lotus by Proton was a good strategy. Maybe in the future we can see a merger or alliance between the two Malaysian car companies, which I believe, would be in the best interest of both.

4.2 ANALYSIS OF PROTON

4.2.1 PROTON AND THE FOUR P'S

Given below is an analysis of the four P's of marketing viz., Product; Pricing; Promotion and Place of Proton.

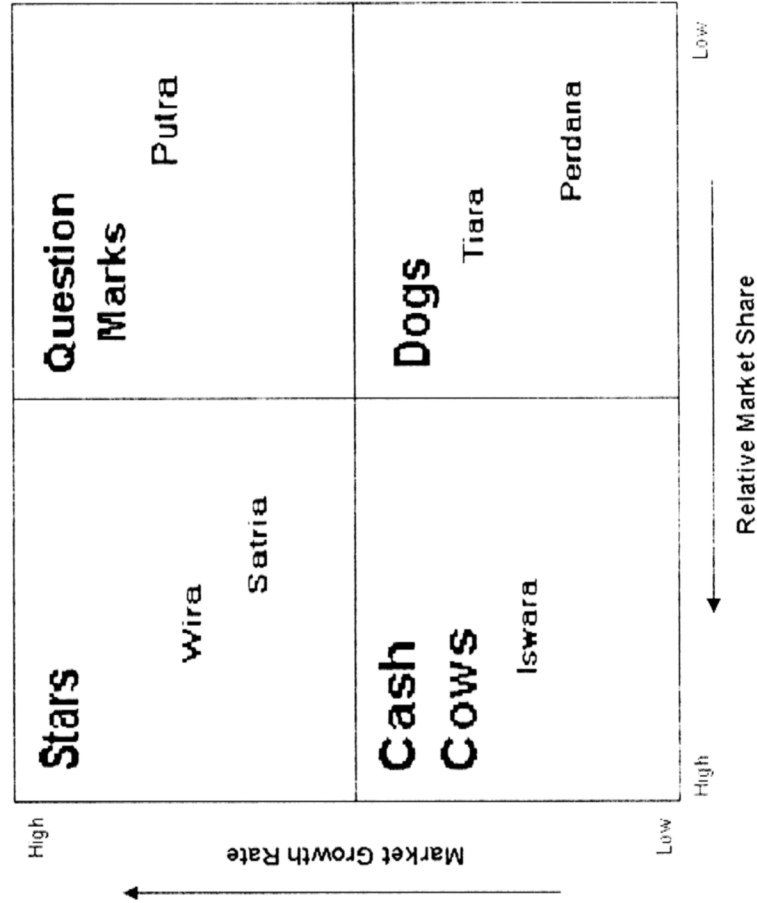
4.2.1.1 PRODUCT

The product analysis was done with the help of the Matrix developed by Boston Consulting Group, more commonly known as the **BCG Matrix**. Thus a balanced business is ensured over time, particularly in terms of investment requirements (**Fig.3.1**). The idea is to fund the growth of promising and launch of new products from the profits of successful products in the product portfolio. This was based on data from Asian Auto, MMTA and those provided by the Proton Company (**appendix 4.1, 4.2 and 4.3**).

- **STARS**

The products under this category which have a relatively high market share and are successful products that need to be sustained. Under this category

FIGURE 3.1 The BCG Matrix Analysis of Proton Cars



comes the Wira (available in coupe as well as aeroback models) and **Satria** models. It is noted that the demand of the Wira Aeroback is growing at a fast rate while that of the Wira Sedan models has more or less stagnated. The new **Satria GTi** is the focus of attention and has huge potential. At present, they are ranked second and third in both in terms of Market share as well as Market growth rate respectively. When the market growth stagnates, and if these products maintain a high market share, then Proton is ensured of high profits. Thus, it is worthwhile for Proton to increase funding to build Star products.

- **Cash Cows**

The **Iswara** models are placed under this category. They have attained market dominance with a high relative market share (ranked first) besides providing a steady source of income. They are at the late stage in their life cycle and their growth is slowing down (ranked fifth). New marketing gimmicks and cosmetic innovations can extend their life cycle.

- **Question Marks**

Also called as Problem Child, the models under this category show promise but have relatively low market share. Under this category comes the **Putra** (2 variants). In spite of a poor start, it showed a drastic increase in growth and as such is ranked first in terms of growth. Still it is ranked last in terms of market share among all Proton models. It needs heavy investment to provide future growth for the business. Proton needs to consider whether it is worth digging into profits of other products to build up the market share.

- **Dogs**

The up market **Perdana** comes under this category as it has a low relative market share with low growth. I have placed the **Tiara** under this category due to a drastic fall in sales after showing some promise initially. It has been the target of criticisms, especially with regard to faults in design. Sales of the Perdana have picked up in 1999, which is most probably due to the introduction of the **Perdana V6**. Except for this model, in my opinion, the other

models are candidates for cutting back investment, as trying to improve market share would be very difficult and costly. PROTON would be at a competitive disadvantage and it might even consider dropping some of the models entirely.

Note:

- Proton should be careful to consider the effect of market saturation, as my analysis is a proxy forecast based on past data.
- It is also based on data in the domestic market and as such the analysis will somewhat vary from one foreign market to other and also ignores possibility of profitable market niches in foreign markets. The Putra is reportedly doing well in the UK and Australian markets and in the Australian market, the Satria is the best seller.
- As shown by the data, the sales of cars fell during 1998, which was due to the effect of the Asian crisis. Only sales of the **Iswara Hatchback** picked up most probably due to various promotions by the distributors. Moreover, the full figures for 1999 has not been released yet. So, I looked at the figures from 1995 to 1997 and that of 1999 subjectively but sales of Putra and the Tiara fell too drastically to be ignored.
- Proton started work on its "all Malaysian effort" in 1997 and plans to come out with the new model this year.

4.2.1.2 PRICING

In the domestic market, Proton and Perodua cars are among the cheapest due to the Governments policies and legislation. Even in the overseas market, their strategy is to target the lower end of the market. This is true in UK where the Proton Persona (Wira new model) undercut every other mid-size saloon car in its class when it was introduced. The only one to match its price was Hyundai's Lantra (comparative prices given in **appendix 5**). In Australia, to keep up with the competition, especially Hyundai, they had to cut prices. The recently released Satria GTi is priced at retail of A\$26,450 (approx. RM64,165), where as in Malaysia; it is priced at around RM68,000. The prices

of cars in UK, Australia and Malaysia are given in **appendices 6.1, 6.2 and 6.3**. Subsidising prices overseas in order to increase market share is quite common. On the other hand, if competitors also undercut their prices in the domestic market, Proton may lose the loyalty of the home customers. Then it may not be profitable or possible to subsidise the cars overseas.

4.2.1.3 PROMOTION

In Malaysia, EON or USPD, depending on the Proton model handles all marketing activities including promotions. Its distributors had to resort to heavy promotion during the economic crisis to maintain their market share. This included coming out with basic models with minimum accessories, attractive pricing and so on. The Internet discussion channels were full of criticisms of the poor services offered by the distributors, especially relating to buying a new car. Proton needs to improve in this department.

For its overseas partners and subsidiaries, Proton sets certain guidelines. Never the less they are given freedom to come up with their own marketing strategies. Marketing programmes associated with new model launches are developed with its foreign partners and subsidiaries at least six months to one year in advance. Its promotions overseas especially in UK and Australia have been spectacularly successful considering that it is a relatively young company with less international experience.

In the **UK**, Proton made up for deficiencies in their products with other elements of the marketing mix, namely Price. Proton competed with its 'value for money' appeal against other brands. Its guarantees were among the most generous in the history of motor cars; this included a six-year guarantee for power train and bodywork and a two-year guarantee on parts and materials. The promotional budget for 1999 was about £1 million.

The wholly owned Australian subsidiary has also been quite creative with regard to promotions. New models introduced there were the 1.5 Satria GLS and the GTi released in October, which were competitively priced. According

to a new concept, which they are trying out in Australia involves a direct marketing concept, where PCA will recruit people who are interested in selling Proton cars as sales persons.

4.2.1.4 PLACE

IN Malaysia, Proton's two distributors viz., USPD and EON, are responsible for the distribution strategies. Proton has no share in EON and as such had little say in the way that they dealt with customers. Customer dissatisfaction with the distributor's service, availability of spare parts, or financing was eventually linked to Proton. The ongoing deal with Petronas requires Proton to acquire HICOM's share in EON. Hopefully, with Proton's acquisition of EON, Proton can get direct feedback from its customers and be more responsive to the changing needs. In the overseas market, Proton's strategy differs from place to place. The UK and Australian markets are Proton's only 100% owned foreign subsidiaries. In others, locally appointed distributors handle the distribution. Proton should be more responsive to customers in the domestic market. Given a choice, customers would always go for a company with superior service.

- **UK Marketing Experience**

Britain is Proton's most important export market and sales began in 1988. Its wholly owned subsidiary, Proton Cars UK Ltd. imports and distributes proton vehicles and parts. 119,592 units have been sold since 1989 with the 5 door Persona emerging as the favourite (60 % of all Protons sold in the UK in 1999). According to Colin Low, Managing Director of Proton Cars UK Ltd., there has been an improvement in the general perception of Proton cars in the UK. This was the result of aggressive promotions and improvement in marketing and sales strategies including the acquisition of Lotus by the company and the subsequent introduction of the Proton GTi model. Proton cars also retained their position as one of the most reliable cars in Britain for the second consecutive year. One of Proton's greatest marketing success has been the decision by the British Police to use Proton cars (Persona and now

the GTi) for their squad cars. Things will get tougher as other players begin to see it as a serious competitor.

- **Australian Marketing Experience**

Proton cars Australia Pty. Ltd. (PCA) was incorporated on 16th Sep. 1996 to import and distribute Proton cars in Australia, after Inchcape Motor Australia and Proton jointly announced a realignment of distributorship in August 1996. In 1999 there was 37 Proton car dealers there. Sales of the M21 coupe (Putra) improved markedly, but it is the Satria, which is the company's best seller there. One interesting marketing technique was utilising brightly coloured cars as mobile billboards to advertise their cars. Proton Cars Australia is also pioneering an innovative marketing strategy called 'Proton Direct' aimed at increasing sales and improving the image of Proton. This consists of 3 elements- i) Presenting Proton's products, ii) projecting the company's commitment, sensitivity and flexibility; and iii) the 'Customer referral programme' discussed earlier. If successful in Australia, Proton can turn this marketing concept into a global strategy.

4.2.2 STRENGTHS

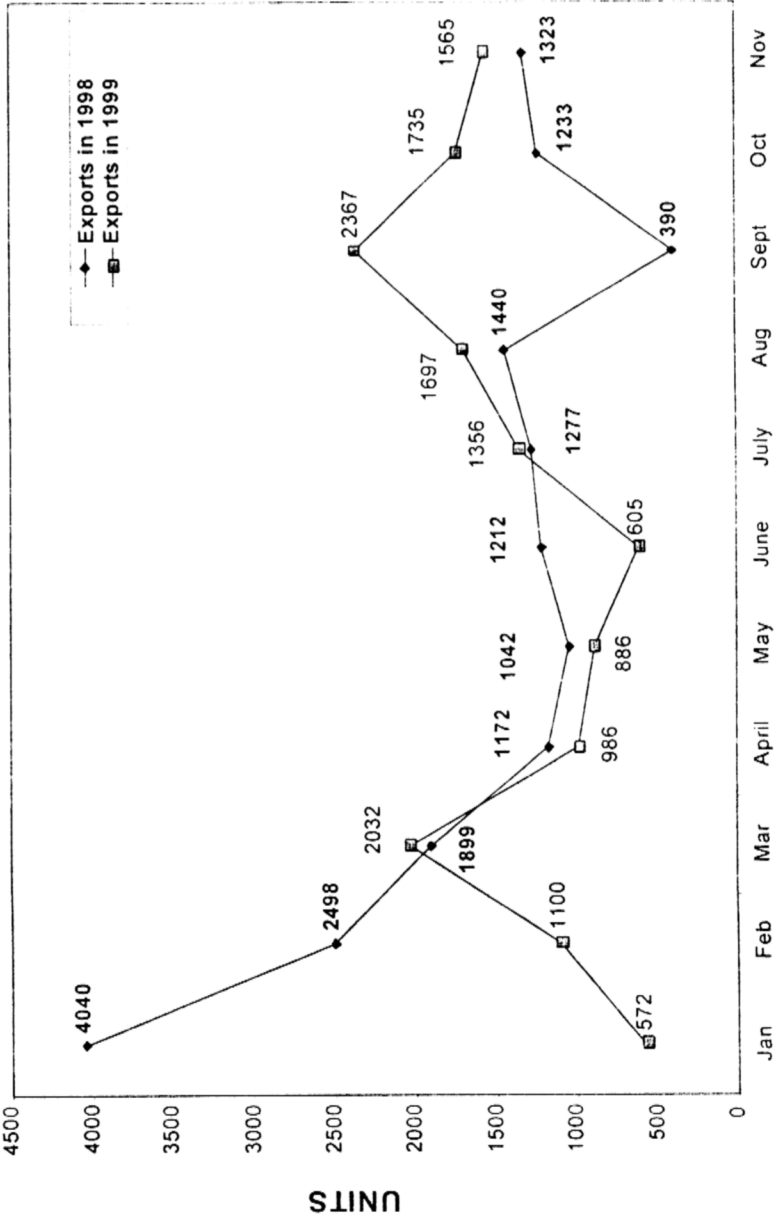
4.2.2.1 ALLIANCES WITH FOREIGN COMPANIES

Proton has initiated joint ventures, technical alliances and purchase agreements with several foreign companies. Maximum collaborations are from firms in Japan. The collaborative arrangement with different companies worldwide is given in **appendix 7**. The relationship with its two most important collaborators are discussed below:

- **Alliance with Mitsubishi Motors Corporation**

Initially, Proton was an assembler of cars manufactured by Mitsubishi. After Proton initiated its manufacturing activities, Mitsubishi Corporation and Mitsubishi Motors Corporation, being major shareholders, provides Proton's with technical assistance and also supplies components. Most of Proton's models are based on older Mitsubishi models. For example, the Wira is a

FIGURE 4.1 Exports Of Proton Cars



copy of an older generation Mitsubishi Lancer. One important thing to note in their alliance is that, there is no clause in their agreement, which prevents Proton from being exported to any part of the World. In fact the two companies compete for the same market share in some markets and will in case of India where Mitsubishi Lancer has already been launched.

- **Acquisition of Lotus Group International Ltd.**

Proton also made a major step in upgrading its engineering capabilities with the acquisition of Lotus Group International Limited, a British automotive engineering company and manufacturer of Lotus sports car. It acquired an 80% stake in the company for about 51 million (US\$85.1 million) on 29 October 1996. Proton and the Malaysian government had been frustrated by the level of technology transfer from the company's partnership with Mitsubishi. According to analysts, the acquisition was a good strategy, as Lotus' strength lies in engineering (Johnstone, 1997). At present, Proton owns 64% of this UK based company and they have worked together in developing the Satria 1.8GTi and the Perdana V6 models. These models were boosted by suspension (one of Proton's weakest point, according to critics) and engines developed by Lotus engineering.

4.2.2.2 INTERNATIONAL BUSINESS STRATEGIES

The stated strategic vision for Proton is to be a global automotive manufacturer, able to compete with car producers in all markets. The first international venture was to Bangladesh in late 1986 when 25 units were sent there. Their cars are currently being exported to 51 countries and have plants in Vietnam and Philippines. Proton has plans to set up plants in India, Egypt and China in the near future. As shown in **fig 4.1**, exports have been climbing gradually. It reached a high of 2,367 units in September last year as compared to 390 units in the same month in 1998. Even though, the peak figures of the past have not been reached yet, the figure indicates that the company has coming out from the effects of the Asian crisis and also that the companies are working to meet the demands of the international market. This

of course, would pave a way for the company to embark on other new projects involving new products to be marketed in overseas countries.

Proton cars are making significant headway as a competitive and innovative brand of automobiles internationally. Its largest overseas market are UK, Australia and Singapore, all of which are highly competitive markets (refer to **appendix 8**). Proton's strategy has been to subsidise its products its products and target the lower end niche market, which is the right strategy in order to increase its market share initially. On the other hand as they increase their share in these markets, they cannot continue with this strategy, as it won't be profitable in the long run. I believe that in the future, Proton should focus on the new emerging markets such as India, China, Asean countries, the Middle East, Africa and Latin America, where the markets are less competitive and growth rates are high. The brand awareness is also not as high in these countries as in the developed countries.

4.2.3 WEAKNESSES

4.2.3.1 DEPENDENCE ON FOREIGN SUPPLIERS

Although Proton has increased its local content to about 70%, many of the parts bought locally are built mainly with components from Japan. The rest of the components are still imported from other countries. This has exposed the company to risk of currency fluctuations. The appreciation of the Yen against the Malaysian ringgit can mean lower profits for the company. The development of local parts and components industries is a major advantage for them and they can now source most of their parts locally at a cheaper price. The Own Vendor Development Programme resulted in the establishment of the Procurement and Vendor Development Division. Proton needs to reduce the company's dependence on Mitsubishi by negotiating lower prices with other parts manufacturers in Japan and elsewhere. Developing a strong R&D environment is essential in order to fulfil their aim to have a fully indigenous model with 100% local content, Where ever they go, I believe that Proton should take consider economies of scale and also take

advantage of presence of suppliers capable of supplying them quality components at cheaper prices.

4.2.3.2 TENSION BETWEEN VARIOUS PARTNERS

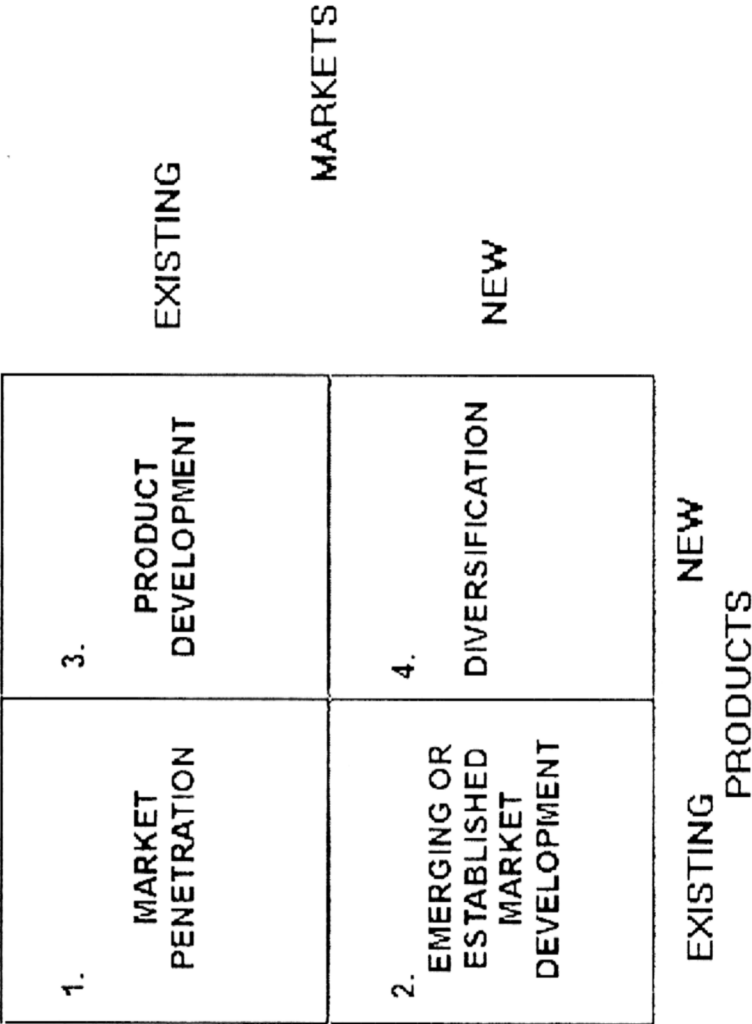
Though it is rarely mentioned, I feel that bringing together people from Japan's Mitsubishi Motor, France's Citroen and Britain's Lotus to work together is obviously a serious and difficult issue. This is natural, considering the different national as well as work cultures. Mitsubishi was quite slow in the transfer of technology. Mitsubishi will not be happy with Proton's acquisition of Lotus, as its dependency is reduced. Another problem is the relationship with France's Citroen. The company recently threatened to pull out from a new car project due to foot dragging by the national Car Company. It is understandable considering the fact that their previous collaboration, the Tiara didn't do that well. On the other hand if Proton delays the decision-making regarding the project it may lose the cooperation of Citroen. This would also affect its credibility with other future collaborators. Proton needs to work hard with its partners in order to develop a mutual beneficial and harmonious relationship. Some steps to bring the partners together can include:

- **cultural training;**
- **discussion sessions; and**
- **quick effective decision making process.**

4.2.4 OPPORTUNITIES: NEW MARKET SEGMENTS

Entry into new market segments such as the **sub-compact** and **Sports Utility Vehicle (SUV)** segments, which are the fastest growing, segments. There has been speculation that Proton intends to bring out a Multi Purpose Vehicle (MPV) model in the near future but officials contacted declined to reveal any information regarding this matter. Bringing out new models would result in a diversification of Proton's Product range and a change of image from a passenger carmaker to a true automobile company with product offerings in different segments. This is in line with the overall directional

Figure 5.1. Directional Strategy from the Ansoff Matrix



strategy suggested by the **Ansoff Matrix (Fig. 5.1)** i.e., from Market penetration to Market development and finally to Product development so that new needs of existing markets and customers are fulfilled by bringing out new products and services.

4.2.4 THREATS

4.2.4.1 PROBLEMS WITH SHAREHOLDERS

Besides the general threats to the two companies in general, Proton faces an additional threat, that of its Shareholders. HICOM Holdings Bhd, one of the major shareholders of Proton, is facing a debt to the tune of \$68 million. Disclosure of its intention to sell its stake in Proton to Petronas, Malaysia's state owned Oil Company, is a cause of concern. It brings back memories of earlier deals by Petronas and may bring up accusations of bailout. If indeed Petronas takes over Proton, many believe that it would benefit the latter as Petronas is cash rich and would be able to finance Proton's expansion plans. How this deal would be structured or whether it will come through, remains to be seen. It is said that various issues are keeping the deal from going ahead. Mitsubishi also holds a substantial stake in the company and I foresee some conflict of interest in the future when Proton matures and goes face to face competition with Mitsubishi motors in different markets. This includes the lucrative Indian market where Mitsubishi already has a presence.

4.3 ANALYSIS OF PERODUA

4.3.1 STRENGTH: AFFORDABILITY

Perodua has been successful in targeting itself as an affordable and economical car brand. Prices of its cars are given in **appendix 9**. It is targeted to young people, students, and the lower income groups and also as a second car. It even managed to wrest away market share from Proton and at present has about 29% of the market as compared to 15.2% in 1997. The new Kembara is also the cheapest 4-wheel drive in the market and has managed to capture 69% of that market segment. It needs to find ways to lower its cost of production further and also to differentiate itself from potential competitors,

which will come into the country once trade barriers are lowered. Looking to other markets, searching for cheaper suppliers, increasing local content and going to overseas production may be ways to retain this strength.

4.3.2 STRENGTH: INTERNATIONAL EXPERIENCE

The Kancil is now exported to 15 countries of which the most important markets are the UK and Egypt. Kancil was first exported to Negara Brunei Darussalam on March 4, 1996. Perodua Nippa, the British version of the Kancil was launched in UK on 8th Aug. 1997, in Singapore on 15th January 1998 and in Egypt in 29th March 1998. At present the Nippa, sold at £5000 (approx. RM30,000) only meets the British standards and has 0.4% of the British market. It is represented there as a franchise, Perodua (UK) Ltd. The Nippa is expected to achieve the European standard by the end of the year 2000. This is essential to penetrate the European market and would benefit Perodua in the long run as the European standards are among the strictest in the World. Perodua's success in UK and other countries such as Egypt has given it the experience needed to establish itself as a major automobile manufacturer and exporter. Still, the company has a long way to go before it really becomes a serious player in the World Car market.

4.3.3 WEAKNESSES

4.3.3.1 NOT PUBLICLY LISTED

At present, Perodua is not publicly listed on the KLSE. By not giving public offering, Perodua's shareholders cannot diversify their holdings thus increasing the risk of their personal portfolios. Not public means that the company does not have to fulfil the government requirements of public disclosure of information. On the other hands, this is a factor, which keeps away investors. A public listing can help increase its cash flow, thus increasing the liquidity of the company.

4.3.3.2 DEPENDENCE ON FOREIGN PARTNERS

Perodua has upgraded its manufacturing capabilities and has increased local content to a large extent. For example, Kancil has achieved 75% LMCP (local material component points) i.e. an optimal level for localization given economies of scale requirements. Still, several components and engine parts including piston and connecting rods are still obtained from foreign suppliers. Perodua relies heavily on its biggest foreign partner, Daihatsu Motor Co. Ltd of Japan for transfer of technology in engineering and design. This is evident from the fact that improvements on its models have been mere face-lifts. Even the new Kembara is also built up on the Daihatsu platform. This shows that the R & D capabilities of the company are still poor and have still got a long way to go before they are considered World Class.

4.3.5 WEAKNESS: LIMITED MODELS

The number of models offered by Perodua is limited and this is one of the major weaknesses. Its offerings in the Passenger car segment are basically different variants of the 'Kancil' mini-car model. Available in 660cc and 850cc, there are 4 'Kancil' variants, viz., Kancil EX (Standard Version); Kancil GX (Deluxe Version); Kancil EZ Auto (Limited Edition) and Kancil ERA (Limited Edition). It also offers the other models Kembara 4x4 and Rusa Van, which fall in different market segments. Though the Kancil models has been quite successful, there is a need for Perodua to look beyond the Kancil and come up with newer models. I don't think that it has the finances to take over another company and take the short cut method to obtain World class technology like Proton.

4.3.6 OPPORTUNITIES: PUBLIC LISTING

There are several implications if the company decides to go public and gets listed in the KLSE. This move can increase the liquidity of the company. It also means that the company would have to fulfil the government requirements of public disclosure of information. As this makes people more

willing to invest in the company, and thus makes it easier for the firm to raise capital. Being listed will give the Company more weight and prestige to compete in the international market.

4.3.7 THREATS: PUBLIC LISTING

On the other hand, the cost of reporting would increase when the company goes for a public listing. The company must file regular reports with the government agencies. Also this means that the company can no longer maintain a low profile. Various questionable but legal internal dealings including the payment of high salaries, nepotism, personal transactions and not essential fringe benefits would be much harder to arrange if the company is publicly owned.