

Chapter 6

Conclusion and recommendation

Under the present situation, it is clear that the short-term economic outlook for Malaysia and the ASEAN region is not promising. Demand for plastic products and injection moulding services are lower than the present injection moulding capacity available in the industry. Fortunately, economic slowdown will not last forever. Within the next 2 - 3 years, the economic crisis will become a history. The next economic boom may happen at a much faster speed than the last 10 years. Medium term economic outlook for Malaysia and Asean countries should be encouraging.

Malaysia Government is determined to support the plastic industry. There is great potential for plastic to replace conventional materials. The future of plastic injection moulding business for Malaysian companies is still bright. After the year 2003, the potentials of the ASEAN market alone promise greater market potential. The future outlook for plastic injection moulding sector in Selangor should be good provided they adopted the right strategy. Malaysian plastic industry needs to be prepared for such a change. Good human resource is a crucial factor to ensure the survival of the industry. Plastic companies should provide more training for their staff.

To survive through the economic crisis, here is some recommendation,

(i) Avoid heavy capital investment

Under the current economic situation, most of the injection moulding companies will face tight cashflow problem. It is wise to freeze the injection moulding

capacity in the industry. In this way, the industry helps to avoid additional capital outflow from Malaysia because all the injection moulding machines are imported.

(ii) Take advantage on the current monetary policy

Companies which have access to export markets should take the opportunities of relative low financing cost (compare to Thailand or Indonesia), low labour cost and processing cost (our energy cost has reduced in US\$ term) by increasing their export market share. At this moment export business to developed markets i.e., Europe and United State markets, should promised good returns. Should a particular company be unable to fulfil the export order, it can always purchase from local company, which has excess capacity. This will benefit the injection moulding sector as a whole.

(iii) Add value to your business

Custom moulders who have excess moulding capacity should take this opportunity to export their moulding services to overseas markets.

Otherwise, they can take initiative by recommending customers for replace metal components with plastic for cost cutting. This will help to increase business opportunities as well as help their customers to become even more competitive. In the industrial business, you can only have the chance to make profit if your customers make profit.

Alternatively, it is advisable for them to diversified and manufactured own innovative plastic products for the local as well as the export markets.

In this way, the chance for surviving through the economic crisis is better.

(iv) Be competitive

Plastic injection moulding companies should keep a healthy competition among them. Competition encourages players in the industry to add value to their business. This is important for facing future challenges especially when trade barriers for plastic parts and plastic products are being lowered to the minimum with AFTA coming into effect.

(v) Merging

At this difficult period co-operation among the injection moulding companies is important. Small injection moulding companies may consider merging as an option to increase market strength. Merging may provide a better chance for small companies to survive the present economic situation. When AFTA come into effect in 2003, chances for small injection moulding companies to survive are not high. Within the next 1 – 2 years, it is very unlikely that small plastic injection moulding companies could generate sufficient fund for expansion.

The AFTA will become effective in the year 2003 when the import protection for plastic products will no be longer available. Competition will be intensified. Under such environment, plastic moulding companies in Selangor must ensure their competitiveness in the long term. Considering that the future of the injection moulding sector is bright in the long term and there is an opportunity to benefit from the economic of scale for successful companies. The industry sector is recommended to adopt cost leadership strategy. To achieve this objective, small firms should merge in order to gain economic of scale. Adding value is always the right thing to do for the business. The industrial sector is recommended to add value into their business process, i.e., tap the new business opportunities by adopting new plastic application, that are already developed in foreign countries. In addition, local companies should engage in R & D and develop new plastic applications for Asean markets. Furthermore, plastic firms should intensify their marketing effort to explore the export markets in the region as well as the developed countries.