

## Letter to Editor

### **How will the market players in the automotive industry strengthen their market positioning during the pandemic Covid-19 outbreak and recession**

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#### **Introduction**

The current situation today, pandemic Covid-19 outbreak, and affecting all around the world. The worst case is when this pandemic was hit hard by the business and economy around the world. The economy is paralyzed, and many people were lost their job. This recession also affected the automotive industry, which is the industry that helps a lot to the economy. Some challenges and problems already identified were facing the automotive industry, which is the disruption of the supply chain, the shutdown of manufacturing, employee effect, decreases of profit, and others. Even though the challenges were hit this industry, but their market players can overcome and manage this situation as well as using the right strategy. The market player can strengthen its market positioning in a few ways, focusing on an employee, marketing, price, and so on. Seem that this pandemic Covid-19 has a potential long-term impact on the automotive industry; this study will give an overview to overcome these challenges.

Nowadays, in the emerging economy, most people afford to buy their transportation, such as cars, motorcycles, and so on. The automotive industry was essential to meet customer need and want. Nowadays our transportation seems to be necessary for our daily lives because it gives many benefits to people such as easy-going, saving time, saving money, and more. The automobile industry also has a positive impact on the economy in a country. At the same time, it also gives a profit to other sectors such as the oil and gas industry and other industries. The automobile industry also seems to be a profitability industry and secure enough in the market. The automotive sector consists of a wide variety of companies and organizations that include design, manufacturing, marketing, development, selling, and buying. The automotive industry was the primary importance in the economic sector.

Because of today's current situation, a pandemic Covid-19 was spread out around the world, and it was hardly affecting all human beings in the world. It is not an ordinary recession in the economy because not only the reseller but also all the human being type was affected by this pandemic Covid-19 and lead to recession. The pandemic Covid-19 was hit the world, and it was altered by all the businesses that cannot be operated usually. The economic growth in this situation was slowing down due to the lockdown that to avoid the spread of the pandemic. The range of the virus from China made some countries in Southeast Asia make a step to do a lockdown or movement control order (MCO), and economies are moving into recession because of the pandemic Covid-19. Restrictions on the movement control of people and the sudden shutdown of economic activity are expected to cause a severe contraction in sector output and GDP (ILO, 2020).

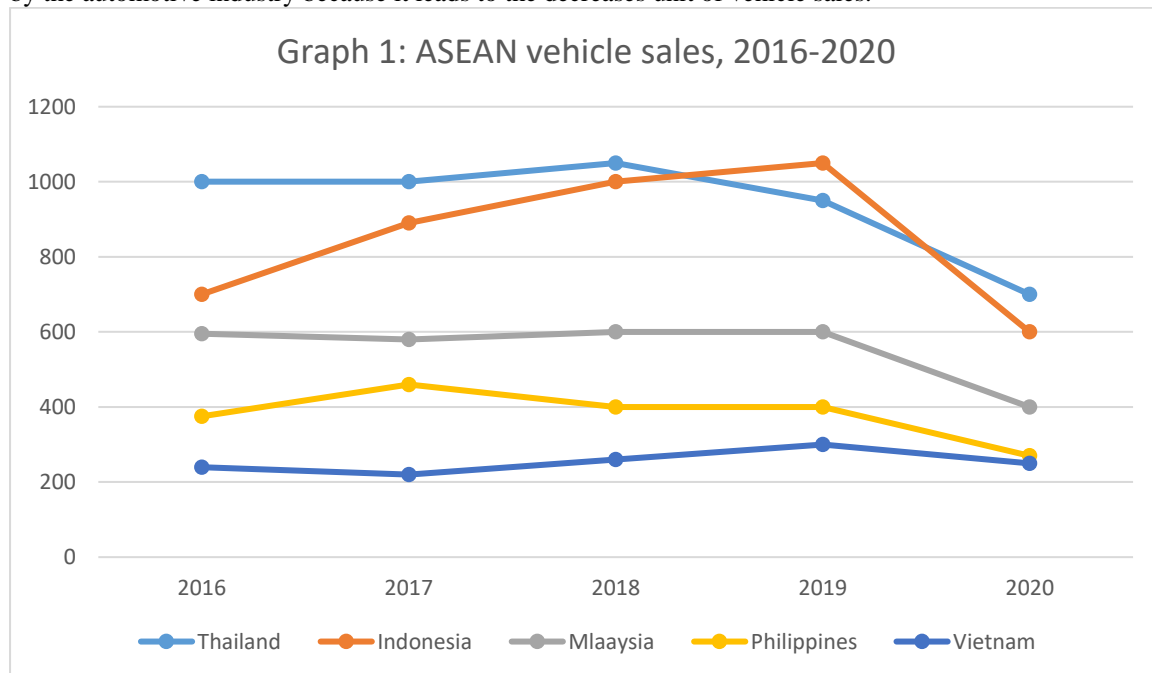
The automotive industry remains the worst affected, with its large-scale development and closely integrated global supply chain. The automotive sector that was focused on the impact of the pandemic Covid-19 is an ASEAN country, Thailand, Philippine, Malaysia, Indonesia, and Vietnam. Nevertheless, as the crisis escalated and lockdowns ensued, millions across the country soon started to lose jobs as a business came to a halt. As immediate countermeasures, central banks across the region introduced rate cuts and more straightforward lending terms to ensure liquidity. Governments also announced fiscal support measures, including direct disbursement, soft loans, and tax cuts, to mitigate the potential economic crisis's impact. To a better understanding, the result of decreases profit in the automotive industry was stated in table 1 below.

Table 1: ASEAN Vehicle Sales, Q12019 & Q12020, '000 Unit

Country	Vehicle sales		% change
	Q1 2019 (*000 Units)	Q1 2020 (*000 units)	
Thailand	264	200	-24.2%
Indonesia	254	237	-6.7%
Malaysia	143	106	-25.9%
Philippines	107	90	-15.9%
Vietnam	73	50	-31.5%
Total	841	683	-18.8%

Sources: Counterpoint, (2020)

The auto sector has been hit hard, with overall Q1 vehicle sales in ASEAN, Indonesia, Malaysia, Philippines, Thailand, and Vietnam were falling to 683,000 units. Based on table 1 it shows that all the country was having a decrease in profit. The first column was from Thailand states that in 2019, the total vehicle sales were 264,000 units, and compare to 2020, it was decreased to 200,000 units. It shows that the automotive industry in Thailand was having -24.2% of the decreasing number of vehicle sales. Meanwhile, Indonesia was stated that 254,000 was sold in 2019, and in 2020, it said it decreased to 237,000 units of sales. The result shows that they are having -6.7% of the decrease in vehicle sales. The next country was from Malaysia, which is, was one of the worst-performing markets in the region, with sales falling by over 26% to 106,000 units in 2020 from 143,000 in 2019. The government implemented its Movement Control Order (MCO) from mid-March, prohibiting all interstate and international travel, and sales of non-essential items, including automobiles. With no new vehicle production and all dealers in the country closed, zero vehicle sales have been reported for April. Counterpoint estimates Malaysia's vehicle market this year to fall by over 29% to 426,000 units. Therefore, the Philippines was having 15.9% of decreases, and Vietnam was -31.5% decreases. The table shows that the pandemic Covid-19 was affected by the automotive industry because it leads to the decreases unit of vehicle sales.



Graph 1: ASEAN, vehicle sales 2016-2020

Sources: Counterpoint, (2020)

According to Vinay, P. (2020), the graph was about outlook from the ASEAN vehicle sales from 2016 until 2020 that to show the real picture of the pandemic Covid-19 effect to the automotive industry. The graph above it shows that five countries were affected by this pandemic. When the figures are shown in 2020, they have significant decreases, and the chart shows that in 2020 all of the countries was fall. It is the real evidence that the automobile industry was facing challenges in this hard situation. However, to get a clear picture, this study was to investigate the problem and challenges to the automotive industry during the pandemic Covid-19 and the recession.

### **Impact and problem facing by the automotive industry**

First, the study shows that the automotive industry was having several problems during this pandemic Covid-19 and recession situation. The automotive industry was facing challenges with the disrupted supply chain since this industry was responsible for the manufacturing the transportation. The pandemic Covid-19 was identify come from the Wuhan, China, which is the largest manufacturing and supplier country. Because of that pandemic outbreak, China was taken steps to do immediate lockdown to all its people. All the operations were received to stop activities immediately and affect all the businesses and suppliers. The worst situation is when the pandemic Covid-19 was spread out around the world, changing the people and the markets. Because of that, the automotive industry was facing a disrupted supply chain that would not arrive just in time. Having a problem with the supply chain will affect the whole operations that they cannot operate usually, and it will affect the business and customer as well.

The second challenge is when, because of the pandemic Covid-19 outbreak, the automotive industry was facing the need to shut down manufacturing. This is because of the problem with the supply chain, and it will affect the production while there are not enough materials or tools to continue the operations. Besides, government restriction also influenced them to shut down their production. Because of that, more problems will hit them, especially to their employees. Because of this situation also, the company in the automotive industry was in an uncertain case, which does not know when it operates its business.

The third challenge was hit the automotive industry is a profitability decrease. Because of this situation, people tend to save their money rather than spend it. Because of the recession, many people were losing their job and facing a profit decrease in the business. It will have a significant impact on the company in the automotive industry. China is still the world's largest market for light vehicles. The sales show drop in February 2020 of more than 80 percent compared to January is a reliable indicator of the direction the global market is heading, and the impact is already visible. Forecasts for global light-vehicle sales in all major regions predict that the market will drop by around 12 percent in 2020, and it is doubtful that these circumstances will change soon. Sales forecasts for the US estimate a decline of 9 percent annually that consumers are not buying new vehicles due to the pandemic. Changes in customer behavior in response to being on lockdowns, such as less mobility and more online shopping, might remain after the crisis passes.

### **Suggestion to strengthen its market positioning**

After going through this situation, the investigation shows that the market players in the automotive industry can strengthen their market positioning during the challenging period. There are a few strategic planning to overcome this problem and challenges. From the first problem, which is a disrupted supply chain, the market players can manage using connected ecosystems, big data, or intelligent systems to evaluate the risk and prepare all the consequences. Next is mobilize a command center to orchestrate the response and configure the risk response and, all the while, operate with agility. After the crisis, serve risk mitigation as usual, which integrates risk mitigation workflows, scenarios, and response protocols into daily operations to quickly switch from regular to disruption response if needed. Besides, they can find another local or another supplier. It not only can help the automotive industry but also help other businesses to maintain their business and help gain improve the economy in their own country.

The second solution is to keep in close contact with your suppliers to ensure a quick ramp-up can occur when the market begins to recover and adjust your production levels and schedule accordingly. Consider increasing precautions to ensure worker safety, physical distancing, and hiring specialized cleaning companies. Modern concepts are embraced to increase efficiency and prepare for future shock protocols. Establish manufacturing resilience to accelerate the change when switching on emergency mode.

Next is to increase profitability; they should stay connected with customers via online and mobile channels. Focus efforts on generating leads through online car customization tools used by prospective buyers and consider utilizing virtual event platforms to compensate for canceled trade shows. Consider implementing a contactless sales process to meet health and hygiene safety requirements. Rethink about sales models for the future, embrace digital channels, and consider direct sales models. In the post-crisis phase, prices are likely to come under significant pressure, given that dealers will need to reduce their inventories. However, evaluate discount policies to balance volume and market share, profitability, and brand image. The market players in the automobile industry can have a good relationship with the customer, which does not forget to contact the customer even though it is in a hard situation. They also can ask or suggest to the customer. For example, they are using social media or any devices to stay connected to the customer.

The automobile industry can lower the price to overcome the decrease in profit. When the price is too high or as usual, in this hard situation, the recession, people were focusing more on saving others that spend to buy a new thing such as transportation. For example, in Malaysia, the Malaysian automobile company, Perodua Company,

was doing a strategy that lowers their price to attract more people and benefit people. This strategy was not will giving decreased profit but will help to gain the profit loss again from the pandemic Covid-19 outbreak.

Other than that, the market player in the automotive industry can engage in digital transformation to create a strategy in marketing. This is making a creative approach, such as in social media, while people committed to their smartphone almost 24 hours a day. The percentage of people will see the marketing on social media was increased that other day. They also can drag the operation time, which operates longer to help customers and give the best service to the customer. The situation was pressure everyone to work hard double to compete with these challenges.

Furthermore, they also can do a CSR or corporate social responsibility to engage more with the people and making the right brand name. For example, in Malaysia, PETRONAS Company is an oil and gas business doing a CSR from the new pandemic Covid-19 outbreak and until the situation was in control. After that, people were together to spread the news and ask everyone to help the PETRONAS choose that brand to fuel their transportation. It shows that people will remember and giving respect when we were doing good things and help others in this situation even though that business also suffers in this situation. It will provide a lot of positive impact on the company.

Besides, market players in the automotive industry should pay attention to their employees. In this hard situation, because of the decreasing profit was causes of termination of employees. The automotive industry should help its employees firstly, which is to make a strategy to keep or avoid termination of employees. For example, giving tasks and doing work from home, joining the online meeting, reschedule the time table for all the employees, taking turns to the employees enter the workplace, giving mental and physical advice and help, or listening to the idea from employees. It this hard time, everyone was affected, and if the company were taking care of their employees, they would also give the best as they can to appreciate the company.

## **Recommendation**

Based on the investigation, I would like to recommend a few solutions to the automotive industry in this current situation affected. Firstly is how the automotive industry should respond to the ongoing crisis. The company in this industry should start by implementing immediate measures for people's safety and setting up a digital workplace, a digital transformation to ensure effective collaboration across the company. Other than that, to make effective decision-making, the company or organization should make sure to create transparency.

The second recommendation is to reset their ways of working in the company of the automotive industry, which is to identify the hidden and trapped value, especially in operating costs. The company should consider a flexible supply chain to pivot the portfolio of products and ultimately remain sharp in terms of risks across all functional areas.

The last recommendation is a company in the automotive industry should renew for the new normal. They should investigate and review the strategic planning for investment and reprioritize them. Other than that, they should scan further market growth and take the opportunity to expand the business. At the same time, it should create cost-efficient operational strength by redesigning towards intelligent operations and requires digitally enabled people and back-office processes. Since the situation will become still ongoing, the company in the automotive industry should implement strategic planning to ensure stability in the market.

## **Conclusion**

In conclusion, the company still needs to find a strategic solution to overcome these challenges. This is not a typical recession, and then it should work harder to compete not in the market but compete to find a way to implement a new normal in parallel with the pandemic Covid-19 affected. The automotive industry should able to fight in maintain in the market because modern transportation seems not necessary in this current situation. The automotive industry company should find a creative way to meet customer satisfaction and make the customer attractive to their product and services. The pandemic Covid-19 seems not going to end soon, so it is time company to move in the next step to help the business and the economy.