

Why is ISUZU winning the COVID-19 war in Thailand?

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WHITE PAPER

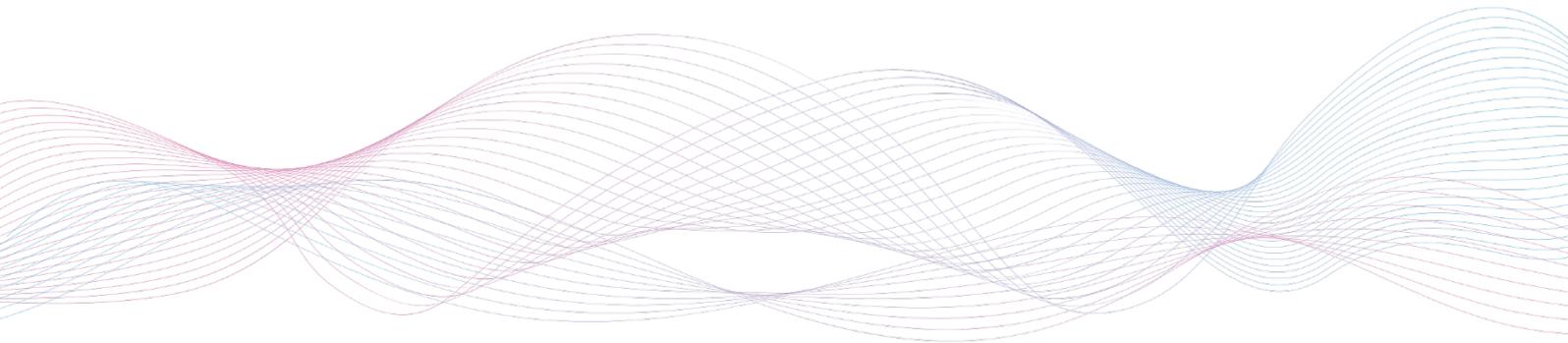


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Summary

During the pandemic the automotive industry saw an overall slump in sales and production across the world that reduced total sales in Thailand by roughly 22% from 2019 to 2020. While most automakers struggled to maintain their total units sold, ISUZU managed to increase their sales numbers by 9% to a historic high.

ABeam Consulting conducts periodic Customer Behavior market studies for the Thai market, designed specifically to focus on the most influential factors for choosing a car brand and how it relates to the overall customer journey. With a representative data set across all major economic hubs in Thailand and three major car segments; Luxury, passenger and pick-up, ABeam matched ISUZU's latest success story with its own customer insights.

ISUZU leverages the main influential factors identified by ABeam in line with Thai customer behavior, specifically for the pick-up segment. Timing for the latest product was a favorable factor, but also its pricing strategy that meets the current need of the market played a substantial role. Due to the lost jobs in the pandemic, customers required pick-up trucks to start new businesses and were looking for low front-end investments. Despite being more expensive over a 5 year period, ISUZU offered a pricing scheme that made them the cheapest during the start of the new business to keep cost as low as possible, but with a higher end price that can be paid off easily by an expected economic upturn or success in the newly established business.

ABeam can support distributors and OEMs who manage their own nationwide dealer networks to identify those influential factors early through solutions like ABeam DRIVE that provides its users with a tool to easily and quickly collect data from customer interactions, increasing data visibility to adjust campaigns, processes and more.

Overview

During 2020 the automotive industry saw an overall slump in sales and production across the world, with Thailand following the same overall pattern. During the same period, **ISUZU managed to increase its market share** and units sold compared to 2019.

ABeam Consulting analyzes **how ISUZU managed to achieve this feat despite the pandemic**, while all other pickup selling brands saw a decrease in their yearly sales compared to 2019 by up to 45%.

Besides leveraging brand value / reputation, vehicle design and driving experience, an aggressive localized pricing strategy and an **initial lower investment despite total higher cost of ownership** over 5 years, played a significant role in moving the odds in favor of ISUZU compared to Toyota.

Customer relatable and dealership region-specific promotions are considered to have influenced the buying decision of pickup buyers, when choosing between the two major pickup brands in the Thai market.



ISUZU pickup sales increased by

9%

from **153,000** to **167,000**



ISUZU pick up market share rose to

42%

from **30%** in **2019**



Out of surveyed pickup buyers

83%

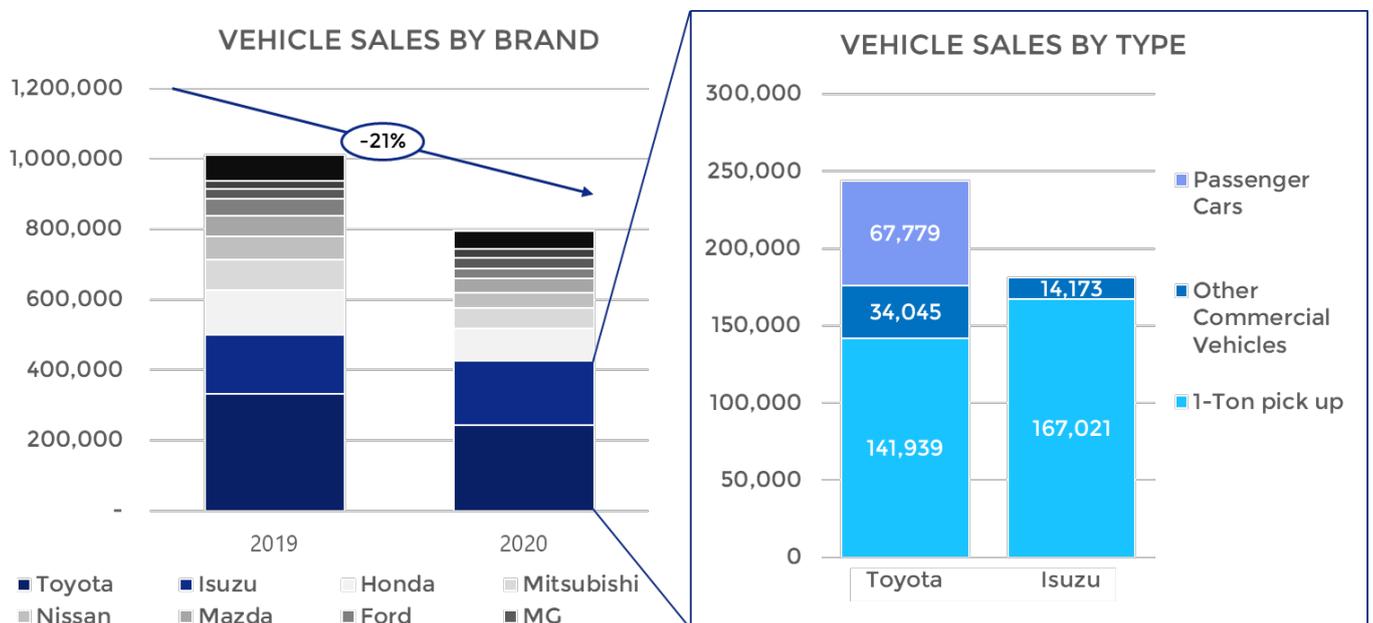
agreed that ISUZU has the **lower cost of ownership**

The rise of ISUZU's one-ton pickup truck sales in Thailand

Most vehicle sales in Thailand come from one-ton pickup trucks; from 2000 to 2020, the average sales of one-ton pickup trucks covered about 54% of total vehicle sales in Thailand, mostly due to its flexible multi-purpose nature. Toyota and ISUZU have always been the prime rivals in the race for pickup sales in Thailand, having similar market

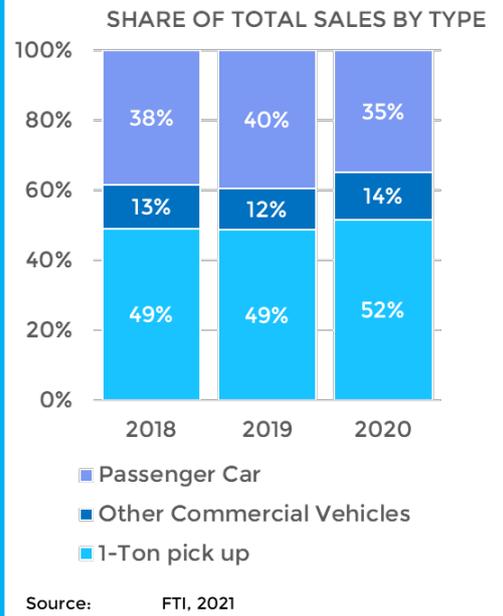
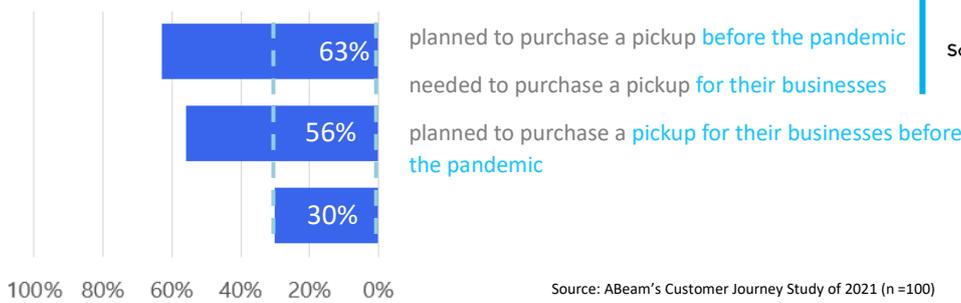
Rank	2019		2020	
	Brand	Share	Brand	Share
#1	Toyota	38%	▲ Isuzu	▲ 42%
#2	Isuzu	30%	▼ Toyota	▼ 36%
#3	Ford	10%	▲ Mitsubishi	▼ 8%
#4	Mitsubishi	10%	▼ Ford	▼ 7%
#5	Nissan	5%	- Nissan	▼ 4%
-	Others	7%	- Others	▼ 4%

shares over the past decade and controlling around two thirds of the total pickup market. During 2020, all brands except for ISUZU lost significant pickup market share, with ISUZU beating Toyota and claiming the number 1 spot in Thailand for the pickup vehicle market.

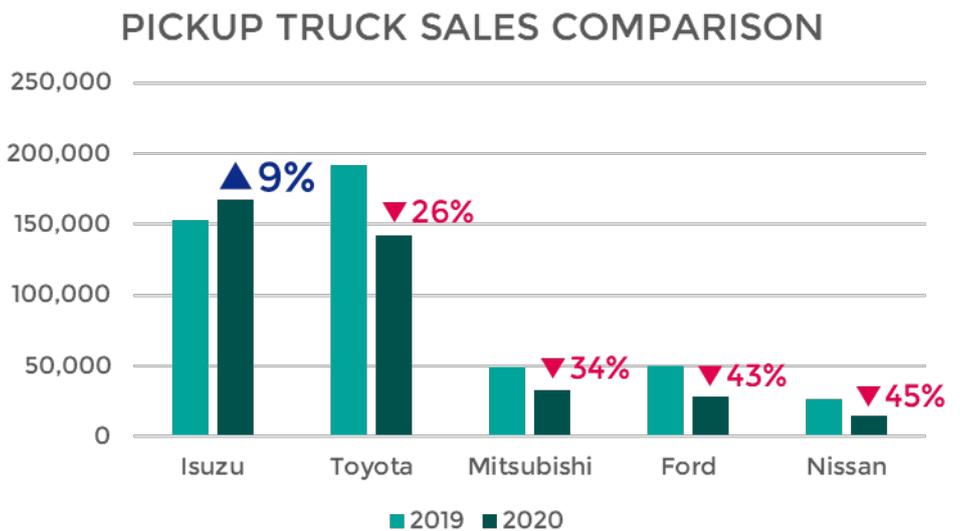


Source: Toyota, 2021

Due to the COVID-19 pandemic, the Thai automotive domestic market shrank by 21% from 2019 to 2020. However, the vehicle sales market share of the pickup segment increased from 49% in 2019 to 52% in the same year. Mr. Toshiaki Maekawa, president of Tri Petch ISUZU Sales Co, stated that at first, ISUZU expected that COVID-19 would impact consumer income and that vehicle sales would drop dramatically, but in practice, many unemployed people went back to their hometown to start new businesses. The Japanese Chamber of Commerce also revealed that the sales of pickups were from the higher needs of logistics. The same point has also been confirmed by **ABeam's Customer Journey Study of 2021**, which found that pickup buyers

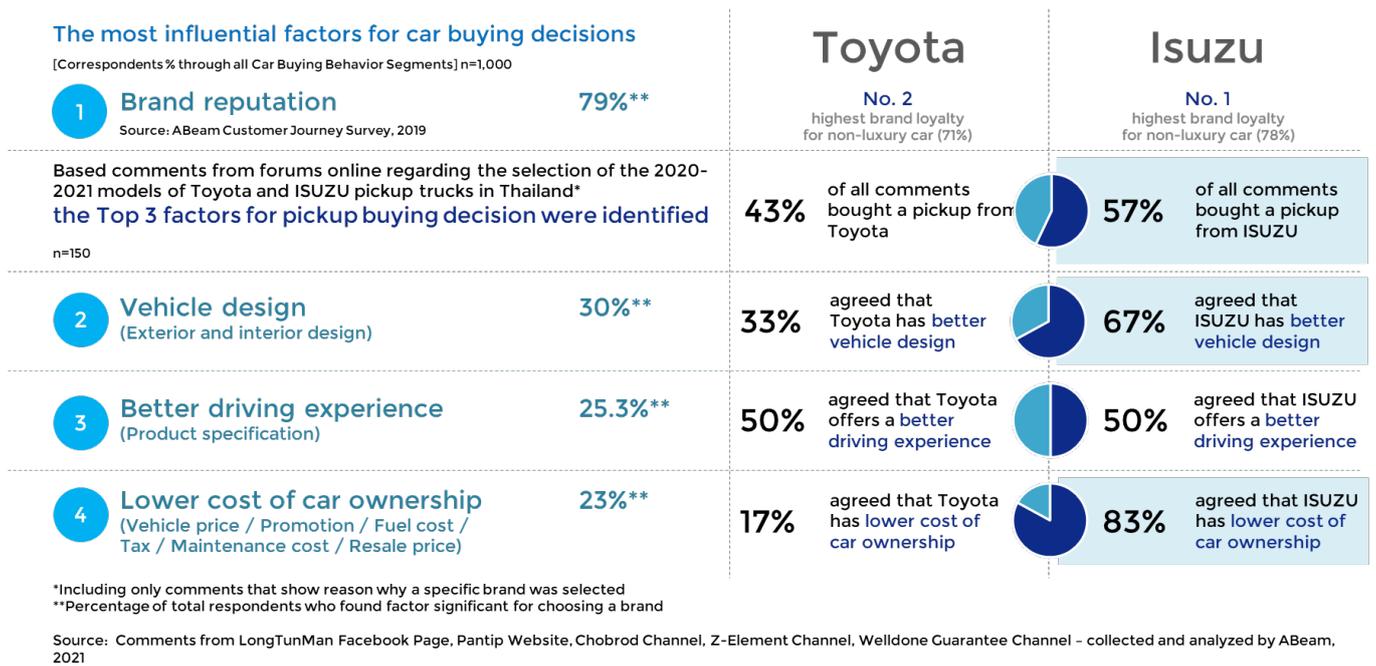


However, while pickup truck sales of other brands declined from last year, ISUZU's pickup truck sales grew by 9% in 2020, selling more than before the pandemic, making ISUZU the top selling pickup brand in 2020. ABeam's research identified the main factors behind the success of the ISUZU D-max over any other pickup in 2020.

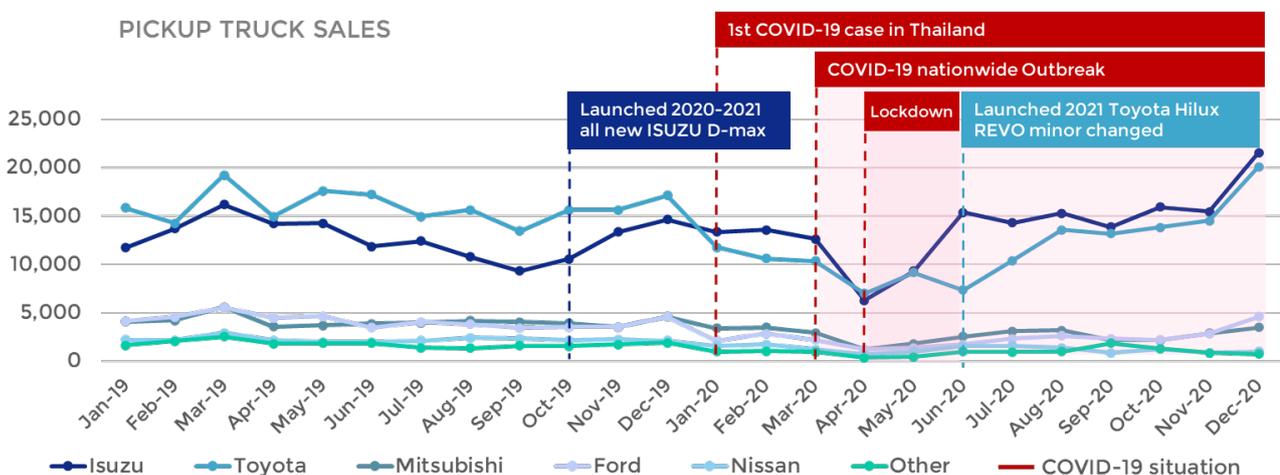


Why buy ISUZU during the pandemic?

ABeam’s market study looked at different factors that impact consumers when choosing specific brands and models; ABeam’s survey concluded that a combination of brand reputation, vehicle design, driving experience, and cost of total car ownership can significantly affect the vehicle purchasing decision among other factors.



Another significant reason is that ISUZU had launched the new ISUZU D-max in October 2019 after the last minor change in late 2018, which when consumers compared pickup models, especially for the vehicle design, lead them to feel that the new ISUZU model looked more modern than the current Toyota Hilux model, which launched its latest design in 2018. After Toyota launched the minorly changed Hilux in June 2020, the sales of Toyota started recovering.

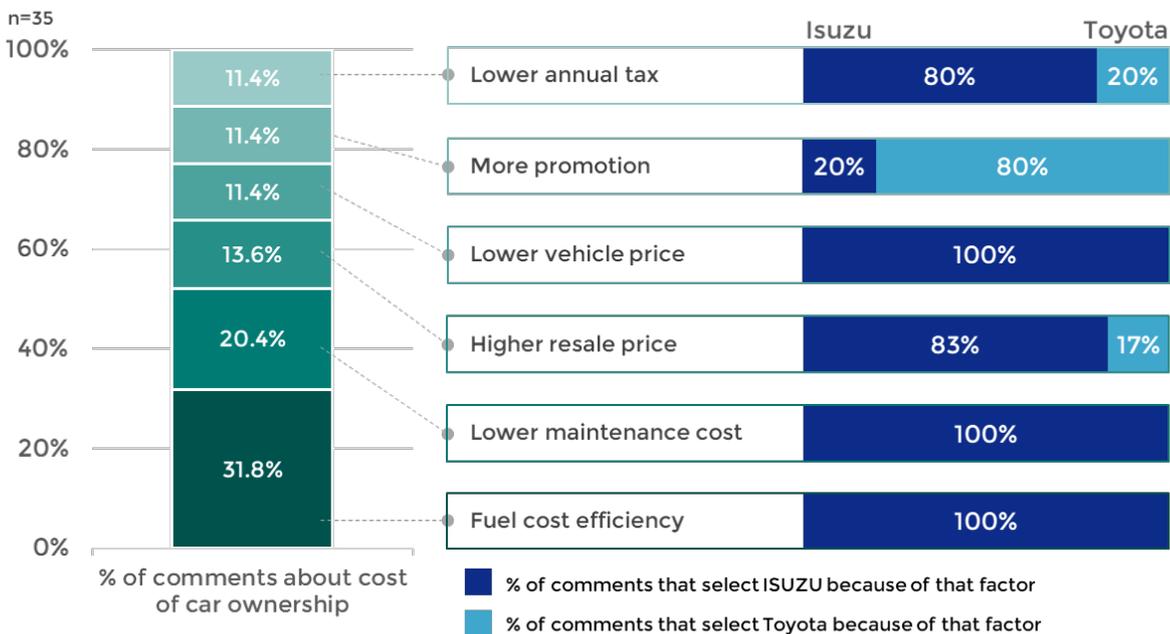


Source: Toyota, 2021

Perceived lower cost of total car ownership

From the Top 3 most significant factors for pickup buying decision mentioned earlier, 23% of all comments stated that they chose the pickup brand based on cost of total car ownership, which shows the largest gap when comparing people that chose between the Toyota Hilux Revo (17%) and the ISUZU D-max (83%). From all comments related to the cost of total car ownership, the cost can be broken down further into 6 smaller categories that influence the decision.

LOWER COST OF OWNERSHIP



Fuel cost efficiency

From a Thai consumer perspective, ISUZU is the more cost-effective pickup; the smallest engine size of ISUZU starts at 1.9-liter, while Toyota's is a 2.4-liter engine, allowing its entry model to offer lower fuel cost. From the product line-up of both brands, it can be assumed that Toyota focuses more on pickup models with automatic transmission, which is preferred by new drivers, as well as female drivers, but usually results in worse fuel consumption. A gap for manual transmission can also be seen with ISUZU offering a 6-steps transmission system for all its models, while Toyota still uses a 5-step transmission system for some of its entry models like the 4x2 B-cab, which can result in a worse fuel efficiency perception for consumers.

According to Headlight Magazine's fuel consumption test between the models in comparable segments, there are some models from ISUZU that save more fuel than the Toyota models, but have a trade-off when it comes to acceleration.

Rank	Brand	Model	Fuel Range	0-100 km/h	80-120 km/h
#1	Isuzu	D-max Cab4 1.9 Hi-lander M 6AT	14.79 km/liter	12.56 sec.	9.46 sec.
#2	Isuzu	D-max V-Cross 4dr 3.0 4x4 6MT	13.60 km/liter	11.33 sec.	8.13 sec.
#3	Toyota	Hilux Revo ROCCO DC 2.8 4x4 6AT (204PS)	13.48 km/liter	10.35 sec.	7.31 sec.
#4	Isuzu	ISUZU D-max V-Cross 4dr 3.0 4x4 6AT	13.23 km/liter	9.67 sec.	7.92 sec.
#5	Toyota	Hilux Revo Double cab 2.8 4x4 6AT	12.52 km/liter	11.63 sec.	8.55 sec.
#6	Toyota	Hilux Revo ROCCO DC 2.8 4x4 6AT	12.35 km/liter	11.64 sec.	8.55 sec.

Source: HeadlightMag, 2020

In terms of cost fuel efficiency, the ranking shows that at least 2 models of ISUZU rank before any other Toyota models for best fuel efficiency, further increasing the perception of ISUZU pickups being the more economic choice.

General maintenance cost

One area where all comments pointed strongly towards ISUZU were the lower maintenance cost. While it is lower, the cost over 5 years is almost negligible and only different during the first year, while reaching almost the same level later into the lifecycle. ABeam expects that the perception of the early lower cost is enticing for most decision makers, without looking into the overall 5 year calculation.

Maintenance cost (baht)	10,000 km or 6 months	20,000 km or 12 months	30,000 km or 18 months	40,000 km or 24 months	50,000 km or 30 months	60,000 km or 36 months	70,000 km or 42 months	80,000 km or 48 months	90,000 km or 54 months	100,000 km or 60 months	Total cost in 5 years
Toyota	1,483	1,943	2,248	3,173	1,483	2,708	1,483	3,173	2,248	1,943	21,885
Isuzu	778	1,126	2,135	3,560	778	2,779	1,623	4,245	2,959	1,853	21,836

Source: Toyota, 2021; ISUZU, 2021

Vehicle price

Prices of the ISUZU D-max are slightly cheaper than the comparable Toyota Hilux Revo for almost every model. ISUZU puts more focus on the commercial purpose of its vehicle such as pickups with few features and with refrigerator systems for cold-chain logistics. ISUZU provides less automatic transmission type vehicles, which is not a problem when it comes to commercial use, because manual transmission is preferable as it results in most cases in a better fuel economy, less maintenance, and high-heat endurance.

Lowest Price	4x2	2x4	4x4
B-cab 	Isuzu Starting from 510,000 (34,000 baht cheaper)	No models available	Isuzu Starting from 682,000 (22,000 baht cheaper)
C-cab 	Isuzu Starting from 605,000 (14,000 baht cheaper)	Toyota Starting from 707,000 (but lower grade) However, ISUZU price is 64,000 baht cheaper, comparing to the direct competitive model.	Isuzu Starting from 852,000 (10,000 baht cheaper than Toyota's lower grade and 107,000 baht cheaper than the direct competitive model.)
D-cab 	Isuzu Starting from 686,000 (13,000 baht cheaper)	Toyota Starting from 807,000 (but lower grade) However, ISUZU price is 40,000 baht cheaper, comparing to the direct competitive model.	Toyota Starting from 957,000 (but lower grade) However, ISUZU price is 135,000 baht cheaper, comparing to the direct competitive model.

Resale price

By gathering the resale price of vehicles from each brand after 5 years, we found that

ISUZU's average resale price decreases by from the original price **30%**

while Toyota's average resale price decreases by from the original price **35%**

Source: One2car, 2021; ISUZU, 2021; autodeft; 2020

Because both ISUZU and Toyota are well-known brands, the most significant factor that affects the resale value are the vehicle's mileage and/or the vehicle condition. However, the gap is not that different between both brands.

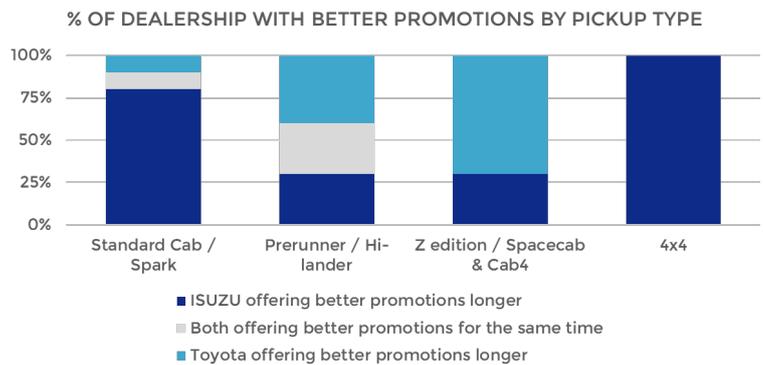
Annual tax

The yearly pickup tax in Thailand is categorized into two groups: 2-door and 4-door pickups. The tax is calculated by vehicle weight for 2-door pickups, while for 4-door pickups, the tax is calculated based on engine size. The ISUZU D-max 1.9 has a lower tax rate than the Toyota Hilux Revo 2.4 for almost all types. However, for the 4-door pickups with 2.8 and 3.0 engines, Toyota can save their owners 16.5% more money on annual tax when compared to ISUZU.

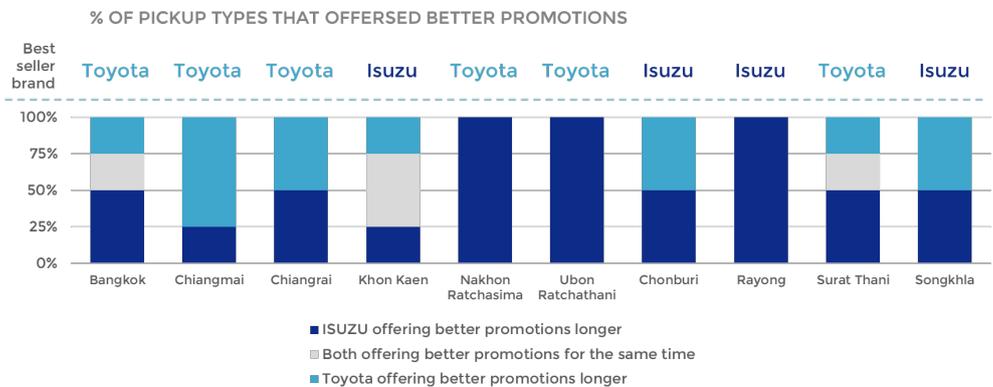
Annual tax (Baht)		Toyota		Isuzu	
Doors	Type / Engine	2.4	2.8	1.9	3.0
2 doors	4x2	1,350	1,350	1,050	1,350
	2x4	1,350	1,350	1,350	1,350
	4x4		1,350		1,350
4 doors	All	4,472	5,920	2,492	6,896

Promotion

Due to COVID-19, ISUZU and Toyota have offered very competitive promotions since March 2020; low down payments, low interest rates, small installment amounts per month, and 3-months credit limits were provided to customers. By observing the promotions posted on dealership Facebook pages in 10 provinces (including Bangkok, Chiangmai, Chiangrai, Khon Kaen, Nakhon Ratchasima, Ubon Ratchathani, Chonburi, Rayong, Surat Thani, and Songkhla), ABeam found that most dealerships offered better promotion deals in 2020 than in 2019. Promotions from ISUZU focused on the 4x2 B-cab Spark model, which is widely used for commercial purposes, and the 4x4 pickup, which is used for agricultural businesses. On the other hand, Toyota offered strong promotions such as 0% down payment for several months for its 2x4 Prerunner and 4x2 Z edition (C-cab and D-cab). 2x4 pickups are well-known for driving on mountains and are capable of driving through flooded areas, while 4x2 C-cab and D-cab can be used as a passenger car and for logistic purposes.



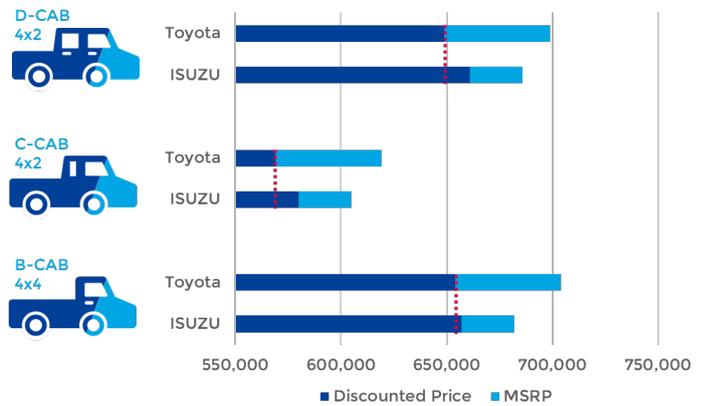
The promotions from ISUZU matched the customers' needs more than Toyota's did as COVID-19 raised the pickup demand for business usage. Nevertheless, as can be seen in Nakhon Ratchasima and Ubon Ratchathani, where ISUZU provided even more attractive



promotions, consumers still opted mostly to go for Toyota. This means that the better promotion alone does not always sway the buying decision, but to have good sales, promotions must match the customers' needs across different regions, which have different usage and preferences as well. Through ABeam's study, we identified that most of Toyota dealers usually offer the same standard promotions countrywide, while the promotions from ISUZU dealerships are different from each other. This makes ISUZU's promotions in most cases more suitable for their local customers by understanding their needs.

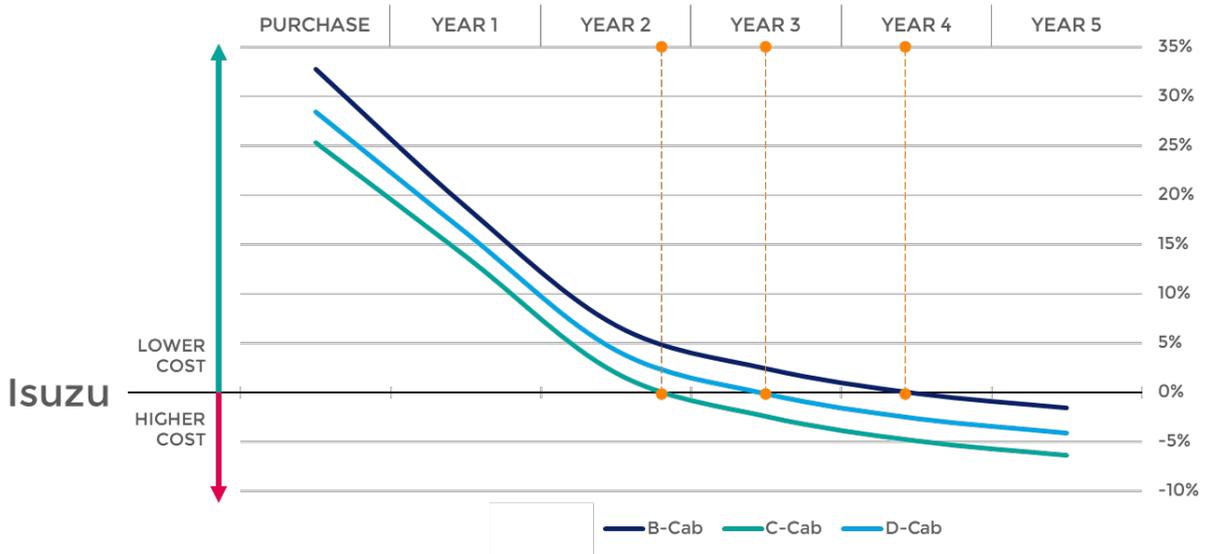
Total Cost of Ownership Summary

Overall, all the individual items that contribute to the total cost of ownership for ISUZU trucks look to be cheaper when compared to Toyota, including the tag price. But the moment discount is applied to the tag price, ISUZU trucks have the higher actual price when purchased. So why do 83% of pickup buyers have the perception that ISUZU is the overall cheaper brand to buy? When analyzing the purchase cost together with all payments (tax, interests, insurance) and variable costs (fuel, maintenance) over 5



years, we can see that most ISUZU pickups are cheaper during the first few years thanks to ISUZU's pricing strategy. Despite the actual higher purchase price, promotions, lower down payments, delayed payment starts and more, the initial investment for an ISUZU pickup will be lower compared to Toyota. From the third or fourth year onward the ISUZU pickups become accumulatively more expensive, showing how ISUZU is gaining benefit from short-term benefit pricing; especially during the pandemic, when many unemployed people went back to their hometown to start new businesses the initial investment of the pickup is probably more important than the long-term investment. Starting a business as cheap as possible with the plan to run it successfully can offset the higher cost over the following 5 years.

TCO RATIO OF TOYOTA OVER ISUZU (5 YEARS)

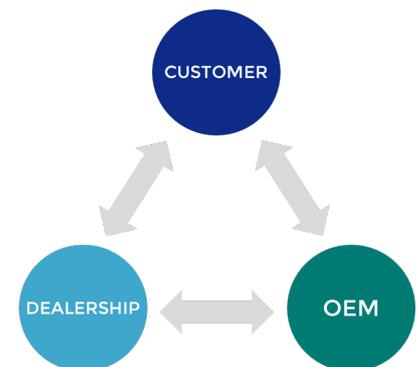


Next steps

With COVID-19 there are several challenges for the pickup trucks market, but one thing that remains significant is the customer's voice; the products and services that match the customer's needs the most will push the scales in favor of that brand, as it did for ISUZU's pickup in 2020. From the customer's perspective, we can conclude that good brand reputation, preferable pickup design, driving experience, and localized pricing strategy made ISUZU's pickup sales rise in 2020 when more people considered to use the pickups for their businesses. A quick reactive and specific pricing strategy paired with an overall strong ISUZU Brand Reputation & Customer Loyalty (highest among non-luxury cars) allowed ISUZU to come out on top during the pandemic.

Demand changes quickly and can vary by location as well. Only real-time analysis of interactions with customers, starting from their first walk-in all the way to their aftersales services experience can help make better decisions. Full understanding of customer journeys and preferences will enable dealerships to

know their local car buyers better and allow them to offer the right experiences and campaigns. Having that data connected with the OEMs, so that OEMs can quickly and seamlessly adapt products, pricing and promotions will improve the brand's overall customer experience and retention.



How can ABeam support dealerships and OEMs?

ABeam is introducing **ABeam DRIVE**, a supplement to pre-existing dealer management systems that enhances customer interaction and collects data more effectively, enhances its utilization, and provides valuable insights into the performance of customer facing processes & operations.

Contact us if you are interested in our research and more information https://www.abeam.com/th/en/contact_th

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