MBSA's' confidence in SA survives as revenue rises 28%

By David Furlonger

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Mercedes-Benz SA (MBSA) overcame a crippling industry strike and general market slowdown in new vehicle sales to post a 28.7% revenue increase last year.

The 2014 Mercedes C that will be built in South Africa and launched in June. Image: E-Mercedes

A stronger focus on used trucks, plus a concerted push by its vehicle finance division, helped the company grow revenue from 2012's R33.8bn to R43.5bn last year.

The results are a welcome send-off for chief executive and president Martin Zimmermann, who will return to Germany next week to become head of global service and parts for the Mercedes-Benz and Smart brands.

Zimmerman will be replaced by East London assembly plant boss Arno van der Merwe.

MBSA is the only one of South Africa's major vehicle manufacturers - all of which are wholly foreign-owned - to publish its financial results.

It is also the most diversified, so is less dependent for its success on the vagaries of the new vehicle market. Most companies limit their activities to vehicle manufacture, distribution and financial services.

Retail and fleet business

MBSA, however, also owns its biggest retailer, Sandown Motors, plus the Debis fleet management company and Atlantis Foundries, which makes automotive castings, cylinder blocks and crankshafts.

Mercedes-Benz is selling used trucks through its TruckStore retailer. Image: Mercedes-Benz South Africa

MBSA is in the final stages of a four-year, R5bn manufacturing investment primarily to build the next-generation C-Class sedan. The plant has just completed its first prototypes and Van der Merwe said it is on target for the vehicle's market launch in June.

Like the old model, the new C-Class will be produced mainly for export, with more than 50 foreign markets due to take more than 80% of production.

German confidence in East London appears to have survived last year's eight-week industry shutdown caused by successive strikes at vehicle manufacturers and then components suppliers.

Van der Merwe said intensive overtime once the strikes had ended, enabled MBSA to meet its 2013 production targets. With a quarter of the year lost to model change, the plant is expected to build about 50,000 cars this year.

Truck sales higher

Thanks to a wide range of imports, MBSA increased new car sales by 4,8% last year. The new truck business did even better, growing by 8%. There was also a significant input from MBSA's TruckStore used-vehicle business, which improved volumes by more than 50%.

Imported Western Star trucks are showing strong sales in South Africa. Image: Fleet Watch

Truck companies have traditionally neglected used sales but the local TruckStore, based in Centurion, is already among the biggest in Mercedes' international network.

The group's financial services arm has made a big market push. Motor companies' in-house finance and insurance arms usually lose out to commercial banks. However, last year MBSA financed one in three Mercedes-Benz cars and half of the group's commercial vehicles, including the Mercedes, Freightliner, Western Star and Fuso brands.

Despite the positive results, Zimmermann said long-standing problems in South Africa's motor industry - such as transport costs to and from the northern hemisphere, limited economies of scale and supplier inefficiencies - still bedevil the sector.

"The effects of the weak rand have yet to be fully felt by an industry that continues to rely heavily on imported vehicles and components," Zimmermann added.