SCHWARZMÜLLER VEHICLE CONSTRUCTION AND TRADING LTD HUNGARY

A case study by Gabor Túry

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The Germany-based Schwarzmüller group founded its first ‘eastern’ trading company in Hungary in 1989. This was followed in 1993 by the construction of a manufacturing plant in Dunaharaszti. In the period since 1993, as a result of several stages of development, the company has become a vehicle factory covering the entire production process and a strategic producer of its group of companies. Currently, the Hungarian factory is the largest in the group (there is also one production plant in Czechia and another in Germany). Here, flatbed semi-trailers are mainly produced for long-distance freight transport.

The company has more than 600 employees, almost 400 of them in the production unit (assembly). The company has peace production (i.e. not a mass production), with significant consumption of raw materials and labour-intensive input. As a result, the most significant costs and expenses are material ones. The materials are mostly sourced from EU countries (Austria, Germany, Czechia) and to a lesser extent from Hungarian suppliers. The company’s procurement system is centralized, the parent company provides the raw materials, parts and components needed for production through long-term contracts.

In 2020, due to increasing market competition, economic difficulties and due to the Covid-19 pandemic, the company’s sales volume decreased compared to previous years. According to the financial report for 2020, revenue is 9.4% lower than in 2019. In 2020, the sales revenue of the productive activity accounted for 96 percent of the total revenue. The company produces largely for export, with export sales accounting for nearly 70 percent. The main markets are Austria, Germany and Poland.

During the pandemic, the company’s most serious problem was the shortage of raw materials (steel), supply chains came to a standstill, which significantly jeopardized the production. Procurement was centralized, therefore the Hungarian subsidiary did not have the opportunity to look for alternative (multi source) sources of procurement. In the case of steel products, demand is dominated by China and the US, therefore supplies to other countries are pushed into the background. To prevent supply chain disruptions, the company does not have the ability to stockpile / accumulate. This would require a storage capacity that is not available to the company.

Workers who fell out due to Covid-19 disease accounted for 10 percent of the total workforce. The company has introduced standard virus protection measures to reduce the number of contacts and locate infected workers. For office workers, the home-office was preferred. Anti-virus measures (social distance, sanitation) slowed down the assembly and causing an efficiency problem for the company.

The interviewee thought, that the Covid does not cause profound long term changes in the operating environment of companies, either in the supply chain or in the way they work. At the same time, the (negative) impact of the crisis on domestic SMEs will only be felt in the longer term. In terms of liquidity (cash), domestic companies differ from companies owned by foreign investors with strong capital.

Due to the company's unique production, which is a labour intensive process, the introduction of robots for mass production is limited, but the company tries to automate every work process that is possible. The first automatic welding robot was introduced in 2019. Covid amplifies this automation process.

The decline in production due to Covid-19 was resolved by the company, partly through layoffs and compulsory leave. The number of redundancies was determined on the basis of performance. The Hungarian subsidiary does not take loans and does not seek public job retention assistance during Covid's time.

As a result of Covid, there is a significant price increase in this sector. Steel prices have been rising by more than 50 percent in the past year, and shipping costs for containers shipped from China have more than quadrupled. Not only the price of raw materials but also products has been rising. Due to the increase in demand in the freight transport sector, there are encouraging forecasts for both revenues and the workforce in the coming period.

The Case Study was made based on the interview with Valéria Boros from HR department of the "Schwarzmüller Járműgyártó és Kereskedelmi Kft" 14 July, 2021