

Study of six big players

CHAPTER-6

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Manufacturers and their product strategies

The high growth in the Indian economy has resulted in many foreign car manufacturers entering the Indian market. Rolls Royce, Bentley and Maybach are examples of the few high end automobile manufacturers to enter India in the recent years.

Market has grown with over 20 manufacturers and hundreds of models and variants. The Tata Nano is at the lower end of the price range costing 1,00,000 Indian rupees (approx US \$2,000) and Bugatti Veyron at the other with a price tag of Rs.12.5 crore (\$2.7 million).

The major car manufacturers in India are Maruti Udyog, Hyundai Motors India Ltd., General Motors India Pvt. Ltd., Honda Siel Cars India Ltd., Toyota Kirloskar Motor Ltd., Tata Motors etc.

Established auto manufacturers and new entrants in the Indian auto market are expanding their production capacities on a large scale. Companies undergoing expansion include Maruti-Suzuki, Ford, GM, Tata, Toyota, Honda and Hyundai. Renault and Nissan have agreed to build a new auto plants. With various car manufacturing companies setting up their units in different parts of the country, the production of the cars will increase at a very fast rate.

Cars have till now been affordable to only a small section of India's over 200 m households. Tata Motors and Renault/Nissan together with Bajaj Auto plan to launch low-priced mini cars in the next couple of years. Other auto manufacturers such as Hyundai have also announced mini car plans.

Tata's minicar, the Nano, which gets top marks for its styling and design, with retail price at approx. USD 2,500 and therefore has created a completely new segment in the car market and make these vehicles affordable to a substantial segment of the approx. 50 million current 2-wheeler owners and first time car buyers. The Maruti 800 (based on the Suzuki Alto from the early eighties) is currently the cheapest car available in India at a price of approx. USD 5,500.

With various manufacturers expanding their capacity and reach in the market it's become more complicated to study and analyze the market as a whole. Thus to gain better understanding of manufacturers strategies and their future goals we have studied six companies, their products and their product's position in the current market. This part of the research is focused on finding the reasons to why a company who is doing exceedingly well in one segment fails to register a similar impact in the market while spreading its reach in the other segment.

Table 6.1: Top 10 car companies in India – 2009-2010

Companies	Total domestic sales (in units)	
	2008-2009	2009-2010
Maruti Suzuki	722144	870790
Hyundai Motors	244107	315036
Tata motors	231540	287077
Mahindra & Mahindra	108043	142308
GeneralMotors	61645	87127
Toyota	46890	63899
Honda	52454	61885
Ford India	27967	36923
Fiat	8191	24976
Skoda	13891	17599

Source: www.wikipedia.org

Analysis and interpretation for table 6.1

Table 6.1 gives us the list of top ten companies in India in 2010. These companies are ranked on the basis of their sales volume in the financial year 2009-2010. Maruti India has been dominating the volume's in passenger car market of India since more than a decade so it's no surprise to see it on the top of the table. Other companies are climbing the ladder fast but are still very far from challenging Maruti's leadership and overall growth.

Maruti Suzuki India Limited

Maruti cars need no introduction. Maruti Udyog Limited, established in 1981 under the provisions of the Indian Companies Act, 1956 as a joint venture of Suzuki Motor Corporation of Japan.

Maruti Suzuki India Limited (MSIL, formerly Maruti Udyog Limited), is India's largest passenger car company, accounting for 46 per cent of the domestic car market (2009-2010). Maruti offer's 14 brands and over 150 variants ranging from people's car Maruti 800 to the newly launched hatchback Ritz.

The small car segment in India has attracted the most attention. Maruti 800, one of the first city cars, is the largest selling car in India. Maruti holds a major share of the Indian market and caters to almost every market segment with economic models.

Since commencement of its operations in India, Maruti Suzuki has gone way ahead in providing almost 7.5 million vehicles in India. Today it is capable of selling 500,000 cars in India's domestic market.

Table 6.2: Comparative sales figure of Maruti India's various brands

Brands	Sales in units	% change from 2008-2009
800	33028	-33.1
Alto	235212	7.8
Estillo	41624	27.3
Wagon R	144898	7.5
Swift	116174	5.5
A-Star	32186	104.5
Ritz	63096	NA
Dzire	83601	34.9
SX4	15714	12.4
Grand Vitara	91	-66.3
Omni	92529	20.9
Eeco	8796	510.8
Source: Autocar India May 2010		

Analysis and interpretation of table 6.2

Maruti rules India's small car market. The Original peoples car "Maruti 800" declined in popularity particularly in urban area as people preferred to go in for more sophisticated models from B-segment.

As a result the one time best seller managed only a little over 33000 units compared to 49000 in the previous year. Current year will see even more decline as the company has stopped selling it in 13 top cities from April this year since it has not been upgraded to meet new BS IV emission norms.

B-Segment had the most number of new models including Beat, Ritz, Polo, Figo, Punto, Jazz. These stylish and modern models created a real buzz among buyers; however Alto continued to rile the roost, selling a little over 235000 units making it the best selling single model in Indian market.

Maruti continues to do well with its boxy Wagon R (144898 units) finishing second to Hyundai i20 (149242 units) by a very small margin.

Ritz has also done extremely well managing to rack up sales of over 63000 units in its very first year.

Dzire topped its segment thanks to its frugal diesel engine and Maruti's badge.

Although SX4 did better than its previous years performance its still no competition for its segments (Upper C-segment) best seller Honda City.

Although Maruti rules the Indian passenger car market with a huge share of 46% it still has never managed to create impact in segments other than A & B. Maruti had success in C-segment in the name of Esteem. Esteem was launched at a time when there was next to no competition in that segment. As soon as the segment got new and better models Maruti had to phase out its once popular car as it could not remain competent with its outdated design and technology.

Maruti has attempted to spread its popularity in C & D segments as well. It had launched Versa a MUV in the range of 6-8 lakhs. Versa failed to generate any success for the company thus forcing Maruti to pull it back from the market. Vitara was Maruti's entry in the SUV market. Before Vitara Maruti had tried achieving success in the MUV segment with its Baleno, both these products couldn't help Maruti's record of failing in the segments other than A&B.

Maruti's exceptional performance in the small car segment was not enough to draw buyers to its expensive cars. Maruti has the biggest dealer network in India and largest service centers network spread across the country. Maruti through its advertisements and promotions has always tried to generate trust among the buyers in its product quality and service network. All these factors have made Maruti a huge success in the small car market but was not enough to please the consumers in the other segments of the market.

With opening up of the economy and re-entry of foreign competitors in the domestic car market, Maruti cars face a tough challenge and the company is continuously improvising Maruti car models to maintain its lead.

Maruti's success is over shadowing its efforts to spread its reach

Consumer associate Maruti to low budget, low maintenance and high fuel efficiency cars. These are the features consumers are looking for in A&B segment. Thus explaining the tremendous success it has got in the small car market. C&D segment is ruled by cars giving better features and are technologically advanced. Consumers in these segments are driven by comfort and style more than price.

Brand Maruti is trapped in its image.

Maruti is still to learn from its past mistakes. Till date company's advertisement and promotions are focused on showing it to be the most trusted car. Branding department at Maruti needs to realize that it is time to shift from its old image and present a more modern and technologically advance face. Maruti needs to change people's perception about it without harming its image in the small car market. SX4 is companies only successful model in the mid range cars. Although it is doing well for itself it by far has not received the response a "Maruti" would otherwise receive from the market.

Hyundai Motors India Limited

Hyundai Motor India Limited (HMI L) is a wholly owned subsidiary of Hyundai Motor Company (South Korea) and is the second largest car manufacturer in India.

Hyundai Motor India Ltd.(HMIL), recorded a hike of 28.1% in its domestic sales segment for the month of April 2010. The company sold 28,501 units in April 2010 as compared to 22,247 units in April last year.

HMIL total sales stand at 52,020 units as compared to 44,370 units in the same period for the year 2009.

Hyundai Motor India markets a great number of Hyundai passenger car variants in six segments. These include the Hyundai Santro in the B segment, the Hyundai Getz Prime in the B upper segment, the Hyundai Accent and Hyundai Verna in the C segment, the Hyundai Elantra in the D segment, the Hyundai Sonata Embera in the E segment, and the Hyundai Tucson in the SUV segment. Hyundai car models in India include

“HMIL’s positive performance is a reflection of its strong product portfolio. The recently launched refurbished i20 has further strengthened its position, as it has received a tremendous response from the market and has become the growth driver for the segment,” HMIL Director (Marketing and Sales) Arvind Saxena said.

The segment-wise cumulative sales for April are: A2 segment (Santro, i10, Getz and i20) 46,059 units; A3 Segment (Accent and Verna) 5,944 units; A5 Segment (Sonata Transform) 17 units; and SUV Segment (Tucson) 0 units.

Table 6.3: Comparative sales figure of Hyundai India’s various brands.

Brands	Sales in units	% change from 2008-2009
Santro	86272	-5.7
i10	149242	40.6
i20	42128	744.1
Verna	17955	-7.2
Source: Autocar India May 2010		

Analysis and interpretation of table 6.3

Santro the once star performer of the Hyundai group has been slowly losing ground. It managed to sell only 86272 units. However Hyundai has new winners in the name of i10 & i20. i10 sold just over 149000 units, an increase of 40% compared to last year. i20 with a sale of 42128 units has jumped 744.1% as compared to its previous years sale.

Hyundai has seen huge success in Santro. Hyundai came to Indian market without a high brand franchise. Good quality product backed by ample promotional activity gave Hyundai the success it was hoping for. Hyundai when launched Santro it was one of the early entrant in the segment. Maruti was its only competitor. Thus lack of competition gave Hyundai enough ground to build a strong foundation on.

Although it received huge success in the B-Segment market, Hyundai whenever tried to reach out to other high-end market it has always received a clod response from the consumers.

In 2006, Business Standard Motoring Magazine and NDTV Profit - Car & Bike declared the Hyundai Tucson as the 'SUV of the Year 2006' and Sonata Embera as the 'Executive Car of the Year 2006'.

The Hyundai Verna has received the title of "Car of the Year 2007" by India's leading automotive publication - Overdrive. Business Standard Monitoring has declared it as the 'Performance Car of the Year 2007'. The Verna also won the "Best Mid-size Car of the Year" award by the NDTV Profit Car & Bike Awards 2007, and the "Best Value for Money Car" by the CNBC Autocar Auto awards.

All these awards prove that Hyundai had good quality products. But these awards were not backed by sales figure. All these models did not receive a warm response in their segment.

Hyundai had left no stone unturned while launching these models; it had roped in celebrities to promote the brand. But all these efforts could also not change the fate of its products in their segments. Non performing models of Hyundai were Sonata and Tuscon.

General Motors India Private Limited

General Motors India Private Limited is a wholly-owned subsidiary of General_Motors USA. It is the 5th largest automobile manufacturing company in India after Maruti Suzuki, Hyundai, Tata Motors and Mahindra.

GM USA does business in some 157 countries. GM and its strategic partners produce cars and trucks in 31 countries, and sell and service these vehicles through the following brands: Buick, Cadillac, Chevrolet, FAW, GMC, Daewoo, Holden, Jiefang, Opel, Vauxhall and Wuling. General Motors acquired operations from General Motors Corporation on July 10, 2009.

General_Motors began doing business in India in 1928, assembling Chevrolet cars, trucks and buses, but ceased its assembly operations in 1954.

GM brought brand differentiation to the world back in the 1920s, when Alfred Sloan created the price ladder of GM marques that offered “a car for every purse and purpose.”

Today the GM product revolution again is strengthening its brands, with more innovative marketing that better understands the customer.

GMIPL began construction of a second vehicle assembly plant in Talagaon in 2006, which began production of Chevrolet vehicles in September 2008.

In late 2009, General Motors announced that it would put its India operation into a 50-50 venture with Shanghai Automotive Industry Corporation of China, which is the partner of GM's main venture in China.

Table 6.4: Comparative sales figure of GM India's various brands

Brands	Sales in units	% change from 2008-2009
Aveo U-VA	5255	-13.8
Spark	42295	2
Beat	12614	NA
Aveo	4692	11.4
Cruze	4072	NA
Captive	1124	-47.3
Tavera	15334	13.8
Source: Autocar India May 2010 issue		

Analysis and interpretation of table 6.4

General motors got a warm response from consumers initially when they launched their Opel Astra and Chevrolet Optra. Both these cars did well in the market giving GM success and the desired start in the Indian market.

GM when came in India it was world's biggest car manufacturing company. Thus GM had a good reputation to bank on and they succeeded in leveraging their brand franchise. Good quality modern looking cars where in demand and that is exactly what GM offered.

Since its intial success GM has received mix reaction from the market. Chevrolet saw good response in B-upper and C-lower segements. But when GM decided to enter the small car segment it was not received on a welcoming note.

GM launched its U-VA model first which did not do well in numbers. People from A&B segment failed to relate to the brand. Chevy was perceived to be a upper segment brand hence it carried the tag of high maintenance and low fuel efficiency cars. People in the small car segment did not experiment with the brand in-order to avoid heavy maintenance cost. This segment has always been price sensitive.

After the failure of U-VA GM brought another budget car called "Spark". Spark was a new birth of Matiz. People gave a cold response to it due to similar apprehensions they had for U-VA. This time GM did some damage control in time.

GM did not only back its product by giving good advertisement with celebrities endorsing the car but also backed it with extended warranties and a 3 years maintenance free package.

These efforts paid-off as the sale of spark has picked up and is changing peoples perception about Chevrolet being a high maintenance and a fuel inefficient cars. In 2009 spark has reached a respectable figure of over 42000. GM's efforts are finally yielding results.

Volkswagen group

German translation ' Peoples car '

The Volkswagen Group is the largest car manufacturer in Europe and is also a global giant of the auto industry. VW annually provides customers with an average of more than 5 million cars—giving it a 12% share of the world car market.

VW Group has two separate groups of brands – Audi and Volkswagen. Its aim is to offer attractive, safe and environmentally friendly cars of various classes. The Audi group includes the brands Audi, Seat and Lamborghini. The Volkswagen group comprises the brands Volkswagen, Škoda, Bentley and Bugatti. Each brand has its own specific character and is quite autonomous on the market.

VW group cars are produced in 45 factories in 11 European countries and in another 7 countries in America, Asia and Africa. More than 336,000 VW group employees produce 21,500 cars around the world in one working day. VW Group models are sold in more than 150 countries around the world.

With its headquarters in Pune, Maharashtra (India), the Volkswagen Group is represented by three brands in India: Volkswagen, Audi and Skoda.

The Volkswagen Group is completing 10 years of its India journey which began with the entry of the Skoda brand in 2001, Audi brand and Volkswagen brand in 2007. Each brand has its own character and operates as an independent entity in the market.

Volkswagen Group India is a part of Volkswagen AG, which is globally represented by 9 brands- Audi, Bentley, Bugatti, Lamborghini, Scania, Seat, Skoda, Volkswagen Commercial Vehicles and Volkswagen Passenger Cars.

The product range extends from low-consumption small cars to luxury class vehicles and trucks. The Group operates 60 production plants around the world. In total more than 370,000 employees produce more than 26,600 vehicles or are involved in vehicle-related services each working day.

The highest volume brand of the Group is Volkswagen. Europe's most successful car brand has made successful inroads into the Indian market. Volkswagen presents itself in a variety of segments as a premium manufacturer of high-volume models. As a first step, the Volkswagen brand launched the globally successful Passat in 2007. To expand its portfolio and cater to the mid segment, Volkswagen launched one of the brand's bestselling models, the Jetta, in India in July 2008.

Both the sedans are being assembled locally. The iconic New Beetle and the high-end SUV Touareg were introduced in December 2009. Also available is the high-end automobile Phaeton.

Audi offers high-end models of interest to Indian customers. With the A8 and the Q7, the A6, the A4 and not forgetting the R8, the TT and the recently introduced Q5, Audi offers top-quality, technically brilliant cars with an exclusive flair in the relevant luxury segments. Audi's positioning as a leading manufacturer of such high-class vehicles, both assembled in India and imported through Audi India, will be systematically pursued in future. At Auto Expo 2010, Audi also unveiled the Audi Sportback Concept – a five-door model offering a glimpse into Audi's future design vocabulary.

Recognizing the importance of an extensive dealer network towards scripting a long-term success story, the brands of the Volkswagen Group are setting up dealerships spanning the entire country with Volkswagen, Skoda and Audi having in total around 120 dealerships across the country today. They are not only laying the foundation for a substantial increase in sales but also doing the groundwork for offering a first-class all-round service, taking customer satisfaction to the highest level.

Keeping this in mind they launched their first Group Logistics Service facility recently that would help make their dealer network become more efficient and smoothen the entire process of service. In the period between January 2009 and December 2009, the three brands of the Volkswagen Group have together sold around 19,000 vehicles in India, an increase of 1.4% over 2008 in a year marked by recession in the auto industry.

A crucial element of the Volkswagen's strategy is to establish a long-term presence in India is the Group's production facility near Pune in the Chakan Industrial Park. The investment with a total sum of around INR 3,800 crore (580 million Euros) is the biggest investment of a German company realized in India so far. The plant, one of the most modern in the Volkswagen Group.

Tabel 6.5: Comparative sales figures of Volkswagen group's various brands

Brands	Sales in units	%change from 2008-2009
Polo	505	NA
Jetta	1921	NA
Passat	515	NA
Touareg	48	NA
Beetle	168	NA
Source: Autocar India May 2010		

Analysis and interpretation of table 6.5

This was the first financial year for the company thus its products sales figures cannot be compared to the last year. Company has received a good opening for its entire range in their debutant year.

Skoda Auto India: Skoda entered the Indian market in 2001. For Indian customers, the name of Skoda stands for high-quality, robust yet affordable cars in the compact, lower mid-size and mid-size ranges.

In terms of models, the Skoda product offering in India ranges from the Fabia, Octavia, the Laura to the Superb. Skoda lifted the veil off its international bestseller SUV Yeti for the first time in India at the Auto Expo 2010. Skoda Auto India started its operations in India on November 16, 2001. They opened their manufacturing unit in Shendra, on the outskirts of Aurangabad. Thus setting their foot on the Indian soil. Skoda is based in the Czech Republic and was established in the year 1895.

However, in 1990, the Czech Government decided to collaborate with a foreign brand and so in 1991 Skoda Auto became a subsidiary of Volkswagen and accordingly became its fourth brand along with Volkswagen, Audi and SEAT. Entering the Indian market in 2001 was highly beneficial for both Skoda and Volkswagen. Volkswagen, for long was waiting for an opportunity to enter the Indian automobile market.

So finally they entered the Indian market with one of the premier automobile manufacturers of Europe and a brand which is equally popular throughout the world called "Skoda". They deal in the luxury cars segment. They are of the opinion that having a strong foothold in the Indian automobile market will allow them to prosper further in the South and East Asian markets. They want to make the Aurangabad manufacturing unit an exporting hub for the South and East Asian markets.

Table 6.6: Comparative sales figures of Skoda group's various brands

Brands	Sales in unit	% change from 2008-2009
Fabia	6541	14
Superb	3170	356.8
Laura	5663	24.5
Octavia	2225	-23.5
Source: Autocar India May 2010		

Analysis and interpretation for table 6.6

Skoda received good response from the market as soon as they launched in India. Especially Skoda Laura and Superb were an instant hit. Internationally VW cars are priced higher than Skoda cars but when VW entered the Indian market Skoda was already an established product. To avoid colliding in the same segment VW strategically priced themselves lower than the Skoda cars.

VW carefully studied their Brand franchise position in the new market and planned their strategy accordingly. This wise move from the company has helped them to not only create a strong ground for themselves but also to carefully distinguish between the customers of both its successful brands.

This proves companies change their core strategies while entering a new market based on its product's Brand Franchise.

Toyota:

Toyota is a joint venture between Kirloskar Group and Toyota Motor Corporation, Toyota Kirloskar Motor Private Limited. 2009-2010 was a great year for Toyota as it managed to sell a whopping 64000 units. Toyota has a good range of products to offer to C-segment customers. Although they cater to luxury segment they have still managed to do good volumes unlike any other player in this segment.

Toyota models include Altis, Camry, Fortuner, Land crusier and Innova. Almost all these products have got instant success among the customers. It has never been hard for Toyota to gain customer confidence in India. None of their launches have ever flopped or failed to please the masses.

Table 6.7: Comparative sales figures of Toyota group's various brands

Brands	Sales in units	% change from 2008-2009
Corolla Altis	9767	21.1
Camry	366	-28.8
Fortuner	6280	NA
Land cruiser	129	18.3
Innova	47357	24
Source: Autocar India May 2010		

Analysis and interpretation of table 6.7

Newly launched Fortuner has done well to add glory to Toyota's portfolio.

Toyota was not ready for a small car till now. Thus unlike its competitors (GM had launched U-VA and Honda launched Jazz, both received cold response) they did not launch any model although their Yaris has received a good response internationally.

Toyota had price constrain in launching Yaris in India. Small car segment is price sensitive, knowing this Toyota wants to wait till the market is ready to for it.

Toyota now plans to bring their Etios (small car) by indigenizing it heavily to reduce cost. Thus making it meet the expectation of the consumers not only by product but also by price.

These careful studies of the market and its customers have helped Toyota in being the only brand to have all successful products in its kitty.

Tata group:

Tata Motors Limited is India's largest automobile company, with consolidated revenues of Rs. 92,519 crores (USD 20 billion) in 2009-10. It is the leader in commercial vehicles in each segment, and among the top three in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments.

Tata is the world's fourth largest truck manufacturer, and the world's second largest bus manufacturer.

Over 5.9 million Tata vehicles ply on Indian roads, since the first rolled out in 1954. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand) and Dharwad (Karnataka).

Following a strategic alliance with Fiat in 2005, it has set up an industrial joint venture with Fiat Group Automobiles at Ranjangaon (Maharashtra) to produce both Fiat and Tata cars and Fiat powertrains. Tata Motors also distributes and markets Fiat branded cars in India.

Tata Motors, the first company from India's engineering sector to be listed in the New York Stock Exchange (September 2004), has also emerged as an international automobile company.

Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand and Spain. Among them is Jaguar Land Rover, a business comprising the two iconic British brands that was acquired in 2008.

Table 6.8: Comparative sales figures of Tata group's various brands:

Brands	Sales in units	% change from 2008-2009
Nano	30350	NA
Indiigo / Marina	56634	15.2
Sumo	23049	-5.8
Safari	9480	24
Indica	114415	2.8
Source: Autocar India May 2010		

Analysis and interpretation of table 6.8

In January 2008, Tata Motors unveiled its People's Car, the Tata Nano, which India and the world have been looking forward to. The Tata Nano has been subsequently launched, as planned, in India in March 2009. The standard version has been priced at Rs.100,000 (excluding VAT and transportation cost). Its mono-volume design will set a new benchmark among small cars.

Although Tata has received a good success in the form of Indica, which is the star performer in its portfolio it has tasted failure in the past due to poor product quality. Tata had launched Tata Sierra & Tata Estate in the premium segment at a time when the competition in this segment was next to nothing. Tata failed to capitalize the open market advantage as the product quality did not match people's expectation. Ever since Tata has gradually improved its standards to meet peoples requirements. With Indica, Sumo and Nano Tata has managed to please more than a few in the market place.