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Indian Passenger Vehicle Industry: Strategic Analysis with Focus on the Big Four Firms

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Abstract

India's automobile industry is one of the largest in the world with an annual production at 23.96 million vehicles in FY 2015-16 accounting for around 7% of the country's Gross Domestic Product (GDP). The automobile industry comprises of two wheelers, three wheelers, passenger cars, multi-utility vehicles and commercial vehicles.

The focus of this research paper is on the Indian Passenger Vehicle (IPV) industry. The Five Forces that shape competition in the IPV industry is elucidated taking into consideration the government policies. The specifics of the IPV industry have been understood through the value chain with focus on the segments and product lines offered by IPV firms.

The segmentation and value proposition of a typical IPV player is explained through its product portfolio and positioning. The strategy of the big four Indian firms (Maruti Suzuki, Hyundai Motors, Mahindra & Mahindra, Tata Motors) in terms of product development, marketing, sales, distribution and services, is discussed. A comparative study is made and concludes with a perspective on the road ahead.

Keywords: *Indian Passenger Vehicle Industry, Five Forces Framework, Value Proposition, Positioning, Strategy, Value Chain Analysis*

(I) Introduction

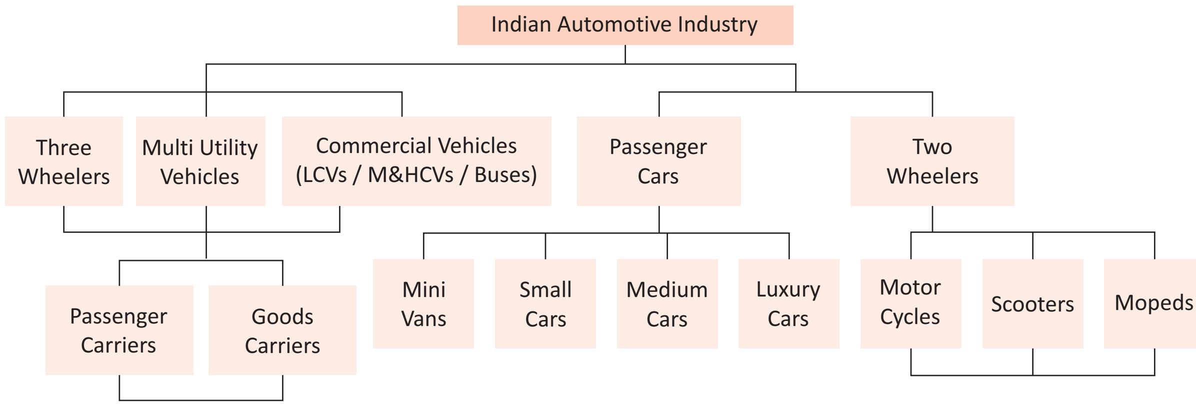
The automobile industry in India is one of the largest in the world with an annual production at 23.96 million vehicles in FY 2015-16 compared to 23.37 million vehicles in FY 2014-15, registering a growth of 2.58 per cent over the previous year. It accounts for around 7% of the country's Gross Domestic Product (GDP).

The automobile industry comprises of two wheelers, three wheelers, passenger cars, multi-utility vehicles and commercial vehicles (Please refer to Figure 1). The two wheelers' segment, with 80 per cent market share, is the leader of the Indian Automobile Market; this segment has been witnessing a growing demand from a young middle class population. Moreover, the growing interest of companies to explore the rural markets aided the growth of the sector.

The Passenger Vehicle (PV) segment has 14% market share and Commercial Vehicles (CV) is at 3%. The PV segment grew at a CAGR of 2.7% over the last 5 years whereas the growth rate of the CV segment has been almost flat, growing at a CAGR of 0.5%. Only the two wheeler segment has grown at a healthy rate of 7% over the last 5 years.

India is also a prominent automobile exporter. In FY 2015-16, automobile exports were 3.64 million relative to 3.57 million in the previous year with a growth rate of 1.90%. On the export front, there was growth aided by an upswing in the global auto industry, especially in the European Union and Africa.

Figure 1: Indian Automobile Industry



Source: https://www.google.co.in

The automotive sector is one of the core industries of the Indian economy, whose prospect is reflective of the economic resilience of the country. Continuous economic liberalization over the years by the government of India has resulted in making India one of the prime business destinations for many global automotive players.

Global automotive sales stood at a record 88.2 million vehicles in the calendar year 2014, a growth of around 3% over the previous year. This growth was primarily driven by China, USA and Japan, which collectively account for 52% of the global automotive market.

(II) Overview of the Indian Automobile Industry

The Indian market, before independence, was seen as a market for imported vehicles while assembling of cars manufactured by General Motors and other brands was the order of the day. The Indian automobile industry mainly focused on servicing, dealership, financing and maintenance of vehicles. After a decade from independence, manufacturing started. Till the 1950s, it was primarily the Indian Railways that met the country's transportation requirements.

Since independence, the Indian automobile industry has faced several challenges. The main focus of the government was development through heavy, long gestation and capital intensive projects like steel manufacturing. Priority was given to the quality of finished goods and customer feedback. Setting up manufacturing capacities required license from the government. The industry grew in spite of these challenges.

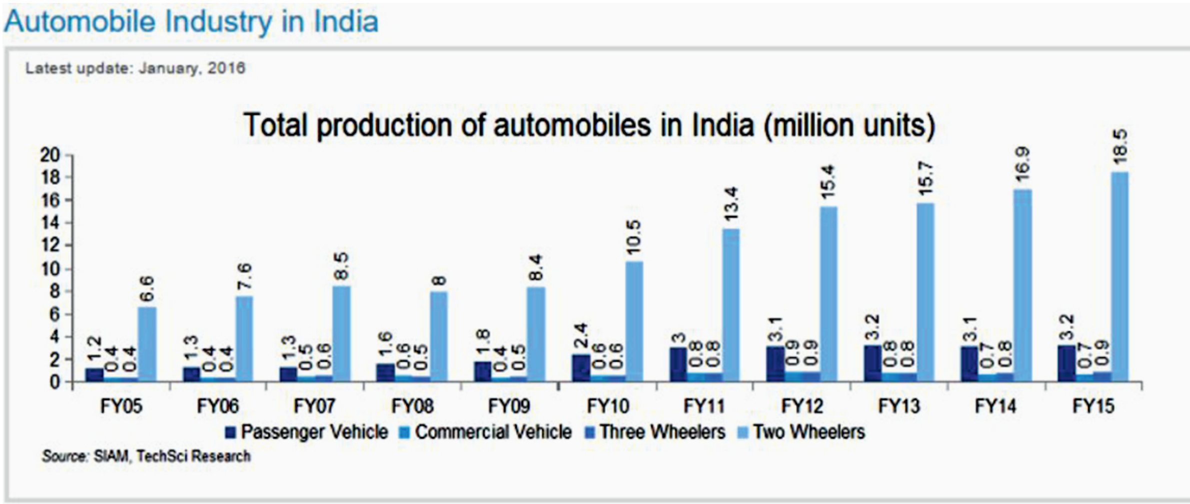
For nearly three decades since independence, the total annual production of passenger cars was limited to 40,000 units. The production was confined to three main manufacturers - Hindustan Motors, Premier Automobiles and Standard Motors. The industry saw no research & development or specialization. Initially, labour was unskilled and had to go through a process of learning through trial and error.

In the 1950's, Morris Oxford was renamed as 'Ambassador' and Fiat 1100 was renamed 'Premier Padmini'. In the 1960's, nearly 98% of the vehicles were developed indigenously. By the end of the 1970's, there were significant changes witnessed in the automobile industry. Strong initiatives like joint ventures for light commercial vehicles did not succeed. Contessa, Rover and the Premier 118NE, which were the new models, hit the market. Till the later part of the 1980's, India broadly followed a socialist system and did not open up her economy.

The Indian automotive industry started its new journey from 1991 with delicensing of the sector and subsequent opening up for 100 per cent FDI through the automatic route. Economic reforms and deregulation have made India an attractive destination for investment. India has already become one of the fastest growing automobile markets in the world. The Indian automobile industry went through a technological change where each firm engaged in changing its processes and technologies to maintain the competitive advantage and provide customers with optimized products and services. Starting from two wheelers, trucks, and tractors to multi-utility vehicles, commercial vehicles and luxury vehicles, the Indian automobile industry has achieved commendable results in the recent years.

The total production of automobiles in India during the fiscal year 2005 – 2015 is shown in **Figure 2.**

Figure 2: Total Production of Automobiles



The total production of automobiles in India during the last six years is shown in **Table 1.**

Table 1: Total Production of Automobiles from 2010 till 2016

Category	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Passenger Vehicles	29,82,772	31,46,069	32,31,058	30,87,973	32,21,419	34,13,859
Commercial Vehicles	7,60,735	9,29,136	8,32,649	6,99,035	6,98,298	7,82,814
Three Wheelers	7,99,553	8,79,289	8,39,748	8,30,108	9,49,019	9,33,950
Two Wheelers	1,33,49,349	1,54,27,532	1,57,44,156	1,68,83,049	1,84,89,311	1,88,29,786
Grand Total	**1,78,92,409**	**2,03,82,026**	**2,06,47,611**	**2,15,00,165**	**2,33,58,047**	**2,39,60,409**

Source: http://www.siamindia.com/statistics.aspx?mpgid=8&pgidtrail=13

The growth of the Indian middle class along with the growth of the economy over the past few years has attracted global auto majors to the Indian market. Moreover, India provides trained manpower at competitive costs making it a favoured global manufacturing hub.

The attractiveness of the Indian markets in terms of improving infrastructure, robust growth prospects on one hand and the stagnation of the auto sector in markets such as Europe, US and Japan on the other hand, have resulted in shifting of new capacities and flow of capital to the Indian automobile industry.

Global automobile manufacturers - Suzuki and Honda of Japan and Korean car giant Hyundai - are increasingly relying on their Indian operations to add weight to their businesses. Nine of the top ten global automotive manufacturers present in the country clearly indicate the importance of India as a strategic automotive market. Global competitors are increasingly becoming India-focused, developing India-centric products by actively investing in new product development and product technology upgrades. Further, with increased local sourcing and development taking place in India, cost structures of multinational corporations are becoming competitive. Earlier, many MNC OEMs entering India were focused on hatchbacks/sedans. Now they have an active presence in the UV segment, leading to intense competition in this space. With global competitors bringing with them decades of international experience, global scale, advanced technology and significant financial resources, competition is expected to intensify further in the future.

Since establishing a manufacturing base in India more than a decade ago, MNC OEMs have garnered 84.9% share of the domestic Passenger Vehicles (PV) market and are also increasingly using India as an export base with 22.1% of their production exported. However, in the Commercial Vehicle (CV) space, Indian OEMs continue to dominate the industry with 96.1% market share.

In the Indian automotive industry, there is a clear leader in each market segment with a commanding share of over 40% except in the case of three wheelers as reflected in **Table 2.** The numbers in brackets represent the market shares. The data is for FY 2014 except for motorcycles where the data is for FY 2015.

Table 2: Market Leader and others

	Market Leader	Others		
Passenger Vehicles	Maruti Suzuki (42.0%)	Hyundai (15%)	M&M (10%)	Tata Motors (8%)
MCVs & HCVs	Tata Motors (54.9%)	Ashok Leyland (25.8%)	M&M (2.6%)	
LCVs	Tata Motors (53.7%)	M&M (31.8%)	Force (5.5%)	Piaggio (4.6%)
Three wheelers	Bajaj (39.0%)	Piaggio (32.5%)	M&M (13.1%)	
Motorcycles*	Hero (41.4%)	Honda (25.6%)	Bajaj (16.6%)	TVS (12.9%)
Scooters	Honda (54.8%)	Hero (16.9%)	TVS (15.1%)	Suzuki (6.5%)

Source: www.ibef.org (Jan 2016); SIAM, Company annual report TechSci Research

Note: Data is for FY14 except * Motorcycle: Data is for FY15

SIAM (Society of Indian Automobile Manufacturers) has forecasted that the potential size of the Indian vehicle market (PV + CV) by the Financial Year 2018-19 will be as large as ~5.8 million vehicles (current size is 3.8 million vehicles) which is an annual growth rate of 11%.

India is fast emerging as a global R&D hub with global majors setting up R&D base because of educated English speaking manpower at comparative lower costs. There is a strong support from the government with setting up of NATRiP (National Automotive Testing and R&D Infrastructure Project) centres. Global majors like Suzuki, Hyundai and GM are keen to develop their R&D centres.

FDI inflows in the automobile sector aggregated to USD13.5 billion (5 per cent of the total FDI) over April 2000 – June 2015. With strong export potential in the ultra-low cost segment to neighbouring emerging markets and the sizeable market within India, global majors like GM, Nissan and Toyota announced to make India their small car manufacturing hub.

With expected future innovations from the automotive players on CNG and hybrid cars in the medium term, electric cars and cars running on compressed air that would not require any fossil fuel with almost zero emissions in the long term, there would be a sizeable market in India.

Government Policy: Strong policy support by the Government of India has been crucial in developing the automobile industry. In 2002, the government introduced Auto Policy 2002 that provided automatic approval for foreign equity investment up to 100 per cent with no minimum investment criteria and encouraged R&D by offering rebates on R&D expenditure. With the change in government from UPA to NDA, the "Make in India" programme of the government will be a key driver for the growth of the automobile industry. In April 2015, the government unveiled FAME - a plan to implement Faster Adoption & Manufacturing of Electric Hybrid Vehicles (FAME) - till 2020 that would cover all vehicle segments - all forms of hybrid and pure electric vehicles. Subsidies through this scheme should provide the necessary push to make EV technology more affordable and popular.

The government aims to develop India as a global manufacturing as well as a research and development (R&D) hub. In January 2016, the Automotive Mission Plan (AMP) 2016–26 targeted a four-fold growth in the automobiles sector in India that included the manufacturers of automobiles, auto components and tractor industry. It envisages setting up a technology modernisation fund focused on Small and Medium Enterprises (SMEs) NATRIPs (National Automotive Testing and R&D Infrastructure Project) with an aim to boost the auto components sector. There would be 9 R&D centres of excellence with focus on low-cost manufacturing and product development solutions and set up at a total cost of USD 388.5 million to enable the industry to be on par with global standards. The centres would operate from Ahmednagar, Indore, Manesar, Rae Bareilly, Silchar, etc. It has set up a National Automotive Board to act as facilitator between the government and the industry.

Diesel – Petrol price parity: In January 2013, the Government of India announced a policy for partial deregulation of diesel prices and complete deregulation by October 2014. As a result, the gap between petrol and diesel fuel prices has narrowed significantly. The reduced price gap has resulted in a preference for petrol vehicles, especially in the passenger car and van segments. In the Financial Year 2012-13, diesel cars accounted for 47% of the total cars sold in India, whereas in the Financial Year 2014-15, it came down to 37%. In the UV segment, diesel UVs accounted for 90% of total UVs sold as against 97% in the year 2012-13.

New Regulation for Safety and Emission: Concerns over sustainability and environment protection is driving the Government of India to introduce the next level of safety and emission regulations. With greater awareness to reduce air pollution and the need to reduce dependence on fossil fuels, there is a trend towards adopting greener and more sustainable fuels for automobiles. Conforming to tighter regulations will, however, impact costs. The increased costs are unlikely to have an impact on vehicle demand as the customers have an increased awareness of safety and environment issues.

Tax and Excise Duty Regulations: There is a large differential between taxes levied on small and large vehicles in India. With the resulting lower price tag for small vehicles, many customers may opt to postpone large vehicle purchases or buy a small vehicle, thus impacting the sale of large vehicles.

Post the implementation of GST (Goods & Services Tax), the effective indirect tax incidence is expected to decline due to the removal of the cascading effect arising from the non-availability of input tax credits across the value chain and between states, and removal of tax-on-tax (eg. VAT levied on excise inclusive price).

The proposed GST is expected to have a favourable impact on the automobile sector with lowering of taxes from the current levels of 30-47 % to a lower tax rate of 18% which will give a significant boost to consumption.

Since the GST subsumes most of the state level taxes, it would reduce the need for reconciliation at state borders. This could lead to a dismantling of the web of check-posts around the country, thereby speeding up the movement of goods and reducing logistics and inventory management costs.

Bilateral Free Trade: Following are the recent framework agreements executed by the Indian government - Framework Agreement for establishing Free Trade between India and Thailand; India-Sri Lanka Bilateral Free Trade Area and the Proposal for Comprehensive Economic Partnership Agreement; Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations (ASEAN) and India; Agreement on South Asian Trade Free Trade Area (SAFTA); India-SACU (Southern African Customs Union) Framework Agreement; India-GCC (Gulf Cooperation Council) Framework Agreement; India-Singapore Comprehensive Economic Cooperation Agreement (CECA); Joint Study Group between India and Republic of Korea, and India and Japan.

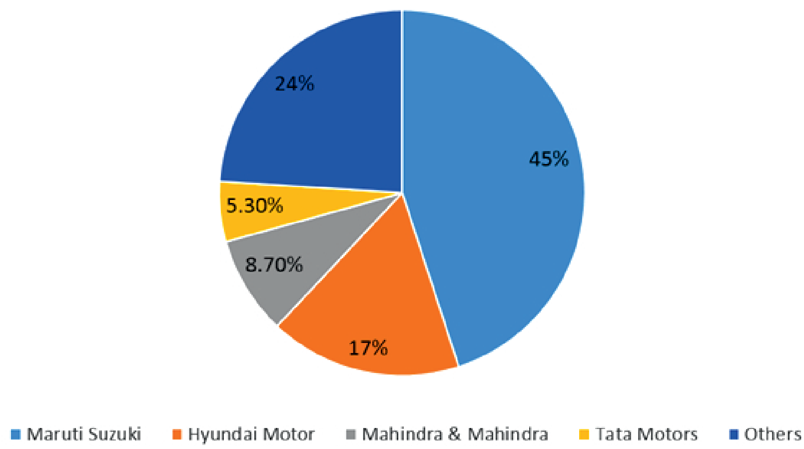
(III) Indian Passenger Vehicle Industry

Sales in the passenger vehicles industry in India increased from 3,087,973 vehicles (FY 2014) to 3,221,419 vehicles (FY 2015) to 3,413,859 vehicles (FY 2016), a growth of 5.97% compared to a growth of 4.3% in the previous year.

The growth in sales volumes was reflected across both passenger vehicle categories and was primarily attributable to reduced fuel prices, improved consumer sentiments and lower interest rates. The growth was driven by economic recovery, overall positive sentiment in the country and increased investment in infrastructure. This is despite the low agriculture sentiment because of below normal monsoons that impact demand in rural India. Hatchback sales remained flat, but sedans continued to show significant growth with new launches. The utility vehicle segment has also shown growth, mainly with strong performances in soft-road SUVs and multi-purpose vehicles.

In the passenger vehicle industry, Maruti Suzuki is a clear leader with a commanding share of 42% as shown in **Figure 3**. The data is for FY 2014 and the numbers in % represent the market shares.

Figure 3: Market Shares in the Passenger Vehicles Industry in Fiscal 2015



Source: Company annual reports; Author's research

The Passenger Vehicle Industry has backward and forward linkages with the following sectors:

Backward linkages: Steel, Aluminium, Copper, Plastics, Paints, Glass, Electronics, Capital Equipment, Trucking and Warehousing

Forward linkages: Dealership retails, Credit and Financing, Logistics, Advertising, Repair and Maintenance, Service parts, Petroleum products, Gas stations, Insurance

Five Forces Analysis: Five forces shape competition and determine the overall industry profitability. Individual firm profitability will vary depending on its resources, core competencies, business model and network to achieve a profit above the industry average.

A typical automobile manufacturer has a Press Shop, Body Shop, Paint Shop, Engine & Transmission Shop and Assembly Shop.
Press Shop: A computer controlled manufacturing line that converts sheet metal to body panels with high dimensional accuracy and consistency.

Body Shop: It is a hi-tech manufacturing line that builds full body shells from panels. Automated robotic arms are used for intricate welding operations that ensure superior and consistent build quality.

Paint Shop: It helps deliver extensive colour range to meet the customer preferences.
Engine & Transmission Shop: This is the shop where the core of the car i.e. the engine and transmission is manufactured.

Assembly Shop: Here, all the engine and suspension parts, the electrical parts, the under body parts, etc. are fitted into the car and complete testing is done. This shop comprises the Trim Line, the Chassis Line, the Final Line and the OK Line.

The five forces analysis is presented below.
Barriers to Entry - Not any firm can enter and start manufacturing automobiles. It is only the global competitors with decades of international experience, scale, required technologies, management skills and capital that started to undermine the market share of the Indian automobile companies. Globalization is a major factor affecting the domestic auto market. It has become increasingly easier for foreign automakers to enter the domestic market because of liberalized policies.

Competitive Rivalry - The auto industry has Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Hyundai, Toyota, Honda, Nissan, Ford, GM, Volkswagen, etc. and is considered to be an oligopoly (a market condition in which sellers are so few that the actions of any one of them will materially affect price). Highly competitive industries generally earn low returns because the cost of competition is high. The automakers understand that price-based competition does not necessarily lead to increases in the market share while undermining profitability. Historically they have tried to avoid price-based competition. But more recently, the competition has intensified - rebates, preferred financing and long-term warranties have helped to lure in customers. But they also put pressure on the profit margins for vehicle sales. Every year, car companies update their cars. This is a part of normal operations, but there can be a problem when a company decides to significantly change the design of a car. These changes can cause massive delays and glitches that result in increased costs and slower revenue growth. While a new design may pay off significantly in the long run, it is always a risky proposition.

There is intense competition from global brands in India (especially in the B segment), reflecting in competitive offering at a lower price for the same level of features. There are regular product innovations and frugal engineering from competition. Foreign firms have aggravated competition by changing their traditional designs and customizing them to suit Indian needs.

Bargaining Power of Buyers – Indian customers have a strong bargaining power since they have a choice of several alternative products from different manufacturers in the same price range. On the other hand, while consumers are very price sensitive, they do not have much purchasing power as they never purchase a large number of cars.

Increasing fuel prices reduce the demand for cars from buyers. Energy efficient cars that provide value for money step up the demand from buyers. Government policies also affect the demand and supply side of the automobile industry.

Bargaining Power of Suppliers – Suppliers are fragmented. Most suppliers depend on one or two automakers to purchase a majority of their products/auto components. In case an automaker decides to switch suppliers, the situation could be detrimental to the supplier's business. As a result, suppliers are extremely vulnerable to the demands and needs of the automobile manufacturer and hold very little power. Bargaining power of suppliers is low as most of the auto component manufacturers are specialised in some segments related to only one client. Suppliers, in turn, depend on them. For parts suppliers, the life span of an automobile is very important. The longer a car stays operational, the greater the need for replacement parts. On the other hand, new parts are lasting longer, which is great for consumers, but is not such good news for parts makers. When, for example, most car makers moved from using rolled steel to stainless steel, the change extended the life of parts by several years.

Threat of Substitutes - The substitute for travel by car is the likelihood of people taking the bus, train or airplane to their destination. The higher the cost of operating a vehicle, the more likely people will seek alternative transportation options. The price of gasoline has a large impact on a customer's decision to buy vehicles. Time, personal preference and convenience of the car versus the substitute are also influencing factors when assessing the threat from substitutes.

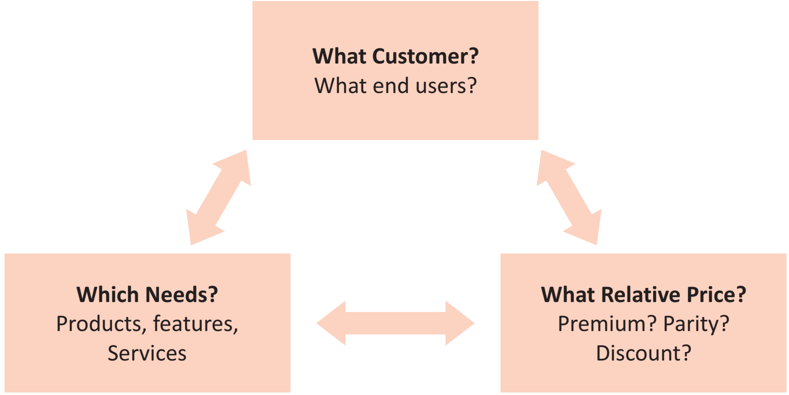
(IV) Segmentation and Value Proposition

Having analysed how the five forces impact the passenger vehicle industry, let us understand what creates a successful strategy for an automobile firm. The basis for a successful strategy is two-fold:

(1) A unique value proposition compared to other firms.
(2) A distinctive value chain embodying choices about how the firm will operate differently.

To define Value Proposition, the automobile firm has to ask WHAT customer/business user, WHICH needs to address in terms of products, features and services and at what relative PRICE as shown in **Figure 4**.

Figure 4: Value Proposition



- WHAT customer maps to the segments in the Indian passenger vehicles industry.
- WHICH needs of the customer correlates to the products, features and services.
- WHAT relative price means whether the pricing is at parity, premium or discount.

To succeed, it is imperative for the automobile manufacturer to segment the car market, target the chosen segment, plan and position their car models for sales in the targeted segment. Government of India also requires a proper segmentation of the different car models so as to levy proper taxes.

There are different parameters based on which the cars available in the Indian market are categorized. The technically defining parameters are based on the length of the car, engine capacity, features offered, seating capacity, structure of the car, etc.

SIAM (Society of Indian Automobile Manufacturers) divides the Indian passenger vehicles in the segments A1, A2, A3, A4, A5, A6, B1, B2 and SUV. The classification is done solely based on the length of the automobiles. The details of the segments are mentioned as below in **Table 3.**

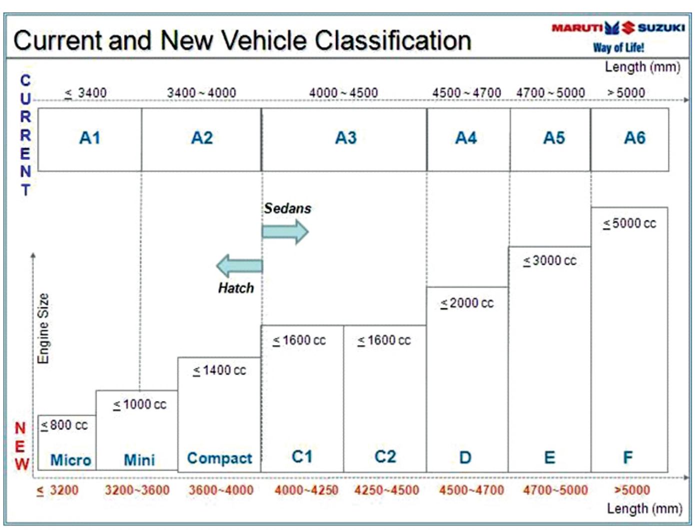
Table 3: Classification of Indian passenger vehicles

Segment	A1	A2	A3	A4	A5	A6
Type	Mini	Compact	Midsize	Executive	Premium	Luxury
Length	< 3400 mm	3401 – 4000 mm	4001 – 4500 mm	4501 – 4700 mm	4701 – 5000 mm	>5000 mm

Source: http://www.prokerala.com/automobile/cars/ & http://www.team-bhp.com/forum/indian-car-scene/105442-siams-new-vehicle-classification-system.html

The SIAM's Current and New Vehicle Classification system is shown below in **Figure 5.** Examples of car models are illustrated for the different segments.

Figure 5: SIAM's Current and New Vehicle Classification



Source: http://www.team-bhp.com/forum/indian-car-scene/105442-siams-new-vehicle-classification-system.html

Table 4: Hatchback /S edans

Type	Mini	Compact	C1 – Super Compact	C2 – Mid-Size	D – Executive	E - Premium
Length	< 3600 mm	3601 – 4000 mm	4001 – 4250 mm	4251 – 4500 Mm	4501 – 4700 mm	4701 - 5000 mm
Engine Displacement	< 1.0 Litre	< 1.4 Litre	< 1.6 Litre	< 1.6 Litre	< 2.0 Litre	< 3.0 Litre
Body Style	Hatchback	Sedan/Estate /Hatch/Notch Back	Sedan/Estate /Hatch/Notch Back	Sedan/Estate /Hatch/Notch Back	Sedan/Estate /Notchback	Sedan/Estate
Seats	Up to 5	Up to 5	Up to 5	Up to 5	Up to 5	Up to 5
Example	Nano (Tata)	Alto K10 (Maruti) Wagon R (Maruti)		Dzire (Maruti) Amaze (Honda)	Corolla (Toyota) Cruze (Chevrolet)	Accord (Honda) Camry (Toyota)

Source:http://www.team-bhp.com/forum/indian-car-scene/105442-siams-new-vehicle-classification-system.html

In Type F, with car length more than 5000 mm, the examples are Audi A8L and Jaguar XJL.

Vans: Vans are mainly used for personal transport. They generally have 1 or 1.5 box, seats up to 5 to 10, hard-tops and priced up to Rs 10 lakh. One example is the model Omni from Maruti Suzuki.

Utility Vehicles: Utility Vehicles/Sports Utility Vehicles are again used for personal transport. They have 2 box, seats up to 5 to 10, 2x4 or 4x4 off road capability and generally ladder on frame. Examples include Toyota Innova, Safari Storme, etc.
UV1: Price up to Rs. 15 lakh with length < 4400 mm
UV2: Price between Rs. 15 and 25 lakh

The pricing of the vehicle is based on the type, engine capacity and the variant.

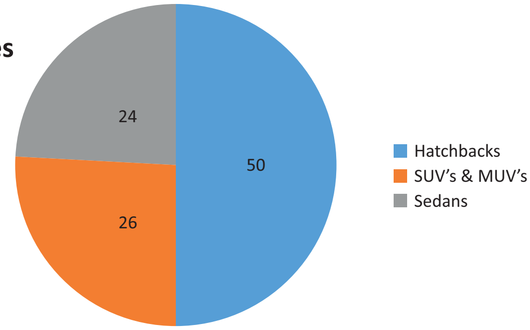
Buying Trends: Automobiles depend heavily on consumer trends and tastes. While car companies do sell a large proportion of vehicles to businesses and car rental companies (fleet sales), consumer sales is the largest source of revenue.

The Indian car market is a maturing market, with several new segments coming up and car manufacturers experimenting with it. The needs of an Indian car buyer are different from buyers in other regions in the world. Generally, sedans and SUVs are considered premium. Station wagon, a concept that has been a success in the European and American markets, does not seem to work well for India and even the Chinese market.

Hatchbacks: The Indian market is considered to be the market for hatchbacks. Compact cars are the need of the day, and even the government has implemented rules to allow the development of cars under 4 metres, as they attract lower duty and other taxes. Petrol engines smaller than 1.2 litres and diesel engines that are under 1500 cc, have lower excise duty. This helps to increase fuel efficiency and also reduce pollution. As hatchbacks have an advantage over sedans, more hatchbacks are sold in India. The hatchback market in India is about 50%, with approximately 26% going to entry-level hatchbacks like Hyundai Eon, Maruti Suzuki Alto, Maruti Suzuki Wagon R, and 24% of the contribution coming from premium hatchbacks like Maruti Suzuki Swift, Hyundai i20, Nissan Micra and Fiat PuntoEvo for the financial year 2015-16.

Figure 6: Segments in Indian Passenger Vehicles

Different Segments in India Passenger Vehicles Industry



Source: www.cardekho.com for the FY 2015-16

For cars under Rs 10 lakh bracket, the higher price differential between petrol and diesel cars leads to a greater pull for petrol cars. India is still primarily a hatchback market, even though the percentage has reduced from 70% in 2009 to 50% now. With a growing number of cars and bikes, parking is an issue and hence, a hatchback will be an ideal pick. With paucity for space, even in upcoming towns and cities, there will be a higher demand for hatchbacks, especially the petrol-driven ones. Diesel will be the choice for those who commute long distances.

Recent Trends: In the last couple of years, there has been a shift in buying trends as there are sedans and SUVs that are under 4 metres in length, availing the excise duty cut. This has boosted sales of these new emerging segments. The compact sedan market began with the Tata Indigo eCS. However, a couple of years ago, Maruti Suzuki introduced a sub 4-metre Swift DZire. This product changed the game for the company and since then, even Honda, Hyundai and Tata Motors have joined the bandwagon. In the SUV segment, there is the Ford Ecosport, which is the first mover in this segment and will be soon be joined by Fiat Avventura. There are several hatchback crossovers like the Toyota Etios Cross and Volkswagen Cross Polo, which are more of a cosmetic upgrade.

Expected Trends: The utility segment (includes SUVs and MUVs) has an approximate market share of 26%, while Sedans have 24%. But this was the scenario when diesel prices were much lower than petrol; now, both are similarly priced. Slowly again, the market is shifting to petrol and the demand for diesel cars will soon reduce and sedans will capture some of the SUV market. Compact sedans and mid-sized sedans will soon see a growth in their sales, especially for petrol cars. At the same time, even premium hatchbacks will grow in numbers, especially the petrol powered vehicles.

The domestic performance of the passenger vehicle segment is given below. The total industry numbers include sales in other segments but exclude V2 van sales.

Table 5: Passenger Vehicles Sales – Segment wise

Passenger Vehicles Sales	FY 2014	FY 2015	Growth %
Micro	21,130	16,903	-20.0
Compact	913,923	1,013,481	10.9
Mid-Size	158,842	186,580	17.5
Executive	18,249	20,372	11.6
Premium and Luxury	3,967	3,659	-7.8
Utility Vehicles	532,692	560,171	5.2
Vans	118,618	139,049	17.2
Total	**2,443,434**	**2,576,861**	**5.5**

Source: SIAM Report and Tata Motors Analysis (2014-15)

(V) Maruti Suzuki Ltd

Maruti Udyog Ltd. started in 1982 in Gurgaon, Haryana. At that time, India turned out 40,000 cars every year. Its first car, Maruti Suzuki 800, appeared on the Indian roads in December 1983 followed by its vans (Omni, Eeco) in November 1984 and multi-utility vehicles (Gypsy, Grand Vitara) in December 1985. It followed up with sedan (Maruti 8000) in 1990, premium hatchback (Zen) in 1993, sedan (Esteem) in 1994, hatchback/sedan (Swift) in May 2005 and hatchback (A-star) in November 2008. In 2007, the name of the company changed to Maruti Suzuki Ltd with the purchase of a majority stake by Suzuki in Maruti Udyog Ltd.

Today, Maruti Suzuki makes 15 lakh cars every year, comprising of 15 car models with over 150 variants. That's one car every 12 seconds. This output is generated with a team of over 13,200 professionals backed by a nationwide service network spanning over 1,500 cities and towns, and a sales network that spreads across 1,471 cities and 2 state-of-the-art factories.

(A) Segments, Product Portfolio and Positioning

The company targeted select segments with the objective of diversifying the firm's risk. Segmentation is based upon considerable evidence that a single marketing approach or formula will not work for all members of the community to be served. In evaluating the market segments, Maruti Suzuki looked at two factors - the segment's overall attractiveness and the company's resources.

Geographic: Maruti Suzuki's focus is pan-India with special emphasis on Type A and fast growing Type B cities.

Demographic: Age – anybody between 20 – 40 years of age; Income – Anybody with an income of over Rs 4 lakh per annum; Occupation – Millennials employed as professionals, managers and those who want to buy their first car; Social Class – Middle class, Upper middle, Lower Upper and Upper uppers.

Psychographic: Personality – Dreamers; those who want to achieve big ambitions; price conscious, took their first step towards success and value driven.

Behavioural: Benefits – Quality, Style, Price (economical); User status – Potential users and first time users; Buyer – Readiness Stage – Those who are aware, informed, interested and intend to buy.

Pricing is a function of not just size but specifications and features. Illustrated below are the car models of Maruti Suzuki vis-à-vis competition according to their prices.

Table 6: Maruti's Car Models for Different Segments

Car Segment	Price Of car	Car Model Type –Maruti	Competition
A	Hatchbacks (Less than Rs 4.60 lakh)	Alto 800, Alto K10 A-star Maruti 800 (outdated)	Tata – Nano Hyundai – Eon Chevrolet Spark
A1	Hatchbacks (Less than Rs 7.00 lakh)	Ritz, Wagon R, Swift, Stingray, Celerio Zen (outdated)	Hyundai –i10, Grand i10, Santro (Outdated) Tata - Indica, Vista, Tiago, Chevrolet Beat
A2	Between Rs 7.00 - 9.50 lakh	Swift, Baleno	Hyundai i20, Tata Bolt Ford Figo
B1	Vans	Omni, Versa Eeco (outdated)	
B2	MUV/MPV	Grand Vitara Gypsy (outdated)	Toyota Innova, Mahindra Bolero, Tata Sumo
C1	Sedans (Less than Rs 10 lakh)	Swift Dzire, Vitara Brezaa, Ciaz Esteem (outdated)	Tata Indigo eCS, Tata Zest Honda Amaze, Hyundai Xcent, Ford Fiesta, Nissan Sunny
C2	Sedans (Less than Rs 13 lakh)	SX4 S-Cross	Tata Manza, Hyundai Verna, Honda City, Fiat Linea
D1	Sedans (Less than Rs 20 lakh)		Hyundai Elantra Chevrolet Cruze, Renault Fluence, Toyota Corolla

Car Segment	Price Of car	Car Model Type –Maruti	Competition
D2	Sedans (Less than Rs 32 lakh)		Hyundai Sonata, Toyota Camry, Maruti Kizashi Skoda Superb
SUV	SUV	Ertiga	Toyota Fortuner, Mahindra XUV 500, Honda CRV, Tata Safari Storme, Safari Decor, Tata Xenon XT Tata Aria, Tata Venture

Source: Author's analysis based on inputs from https://www.cardekho.com/features-stories/different-segments-in-indian-auto-industry.htm, http://www.prokerala.com/automobile/cars/; Tata Motors Annual Report 2014-15, page 110

(B) Strategy

With many major players in the B-Segment, and the players coming out with more models, the rivalry is intense. Maruti Suzuki has been a **category creator** in the Indian passenger vehicle industry since the beginning. The company has been innovating and launching vehicles that meet the needs of the Indian customers leading to creation of new segments in the industry. Maruti Suzuki pursues the strategy of Cost Leadership.

(B.1) Product Development

Maruti Suzuki has consciously worked towards improving fuel efficiency of its models across all segments. Successive recent launches such as the new Alto K10, refreshed versions of the Swift and DZire, and new launches such as Ciaz and Celerio, offer class-leading fuel efficiency. The 'Best in Class' fuel efficiency ranged from 24.7 km/l (new Alto K10), 25.20 km/l (new Swift – Diesel), 26.21 km/l (Ciaz – Diesel), 26.59 km/l (new DZire – Diesel) to 27.62 km/l (Celerio – Diesel).

In 2015, Maruti Suzuki launched S-Cross, India's first premium crossover that is built on a brand new platform. S-Cross offers Maruti Suzuki's most powerful diesel engine - the 1.6 litre DDiS 320 engine, fuel economy, high performance suspension for manoeuvrability and the comforts of a sedan.

The product strategy that the company has adopted is dominance, mainly at the lower level segments like Swift in the B-Segment and Xcent in the C-Segment, and new model introduction with cosmetic and no major design changes. For instance, let's take the case of Swift. It underwent a lot of changes. First, it was Swift, then Swift VXI, and then came finally Swift VDI.

When Swift was initially launched, it was positioned as "The Complete Family Car". Since Swift was launched in the B-Segment, it had Santro and Tata Indica as its biggest competitors in that segment. The stylish 'Tall Boy' design of Swift, together with its slogan, helped it to position itself as one of the cars to look upon. With a constant change in its positioning, Maruti Suzuki has constantly tried to keep alive the buzz associated with Swift.

Maruti Suzuki repositioned Swift as the "Sunshine Car (smart car for young people)" from the earlier positioning of the "complete family car". This was done because the competitors were coming out with similar products. Maruti Suzuki then started what it called as 'Emotional Positioning'. This repositioning of Swift helped it to target the segment of first time car buyers. Even the print ads were designed to project Swift as the first car for the fastest growing consumer segment of India - the young professionals of the service industry. That, combined with various loan facilities, made the young only too eager to buy their first car. This led to a phenomenal growth in its sales, further strengthening its position as a brand in the consumer's mind. Thus, the repositioning of Swift gave it an edge over its competitors; it also emerged as a tough rival to Maruti 800 as 'The First Car'.

(B.2) Marketing and Sales

Advertisements: Maruti Suzuki promotes its products through various channels of advertisement - television, radio, print publications, etc. Through radio, it promotes its products by organizing quiz contests with the winner getting special discounts, gift vouchers, coupons, etc. Through television, it promotes its vehicles by showing the utility value, comfort level, etc.

Some of the compelling messages used for the cars were:
Baleno: “Missed the flight, catch Baleno”. The most comfortable car even in long drives.
Esteem: “My Daddy's Big Car”. Affordable mid-size car.
Alto: “Let's Go”. The fuel efficient and affordable car.

Display: It displays only 2-3 car models in its dealers' showrooms. The idea is to make people concentrate on only a few choices, thus avoiding distraction and confusion.

Car Loans: Maruti had tied up with many banks to promote growth through auto loans. Then in January 2002, Maruti launched Maruti Finance. Prior to the start of this service, Maruti had started two joint ventures – Citicorp Maruti and Maruti Countrywide with City Group and GE Countrywide respectively. Today, Maruti has tie-ups with ABN Amro Bank, HDFC Bank, ICICI Ltd, Kotak Mahindra Bank, Standard Chartered Bank, etc. It also joined hands with the country's largest bank, State Bank of India (SBI) in January 2002 to make affordable car finance available to multitudes. This mega alliance made car loans available at lower interest rates to a wider section of people, with transparent terms and conditions.

Exchange offers: Through its outlet TRUE VALUE, Maruti Suzuki has made available exchange offer schemes where a customer can replace his old vehicle with a new one at a marginal cost.

New Premium Sales Channel: Maruti Suzuki has launched NEXA, its new premium sales channel. NEXA provides a new experience of hospitality to the company's customers who desire and value personal care, warmth and attention in their car buying and ownership experience. While Maruti Suzuki certainly continues to enhance customer satisfaction with its current network, with NEXA, it will be able to cater to a broader range of customers who value pampering, innovation and a personal touch in their car-owning experience. Starting out in key metros, Maruti Suzuki aims to have more than 100 NEXA outlets across more than 30 cities by the end of FY'16.

(B.3) Service

“Kya yahan Maruti Service Station hai?” (Is there a Maruti Service Station here?) Maruti has always aimed to make available service stations even in the remotest place in the country.

Maruti has 3,086 service centres across 1,471 cities – the widest service and sales network coverage. It has worked with the objective to minimise the number of 'Vehicle Off-Road' (VOR) cases, defined as customers' vehicles held up at workshops overnight for want of parts. These efforts have been appreciated by its customers who have voted Maruti Suzuki No. 1 in the JD Power Customer Satisfaction Survey in India for 15 consecutive years.

Maruti Mobile Support (MMS): MMS was started with an objective to provide door-step service to customers in remote areas. Looking at customer response, the facility was soon extended to metro cities. The fleet of these service vehicles has gone up from 1,000 vehicles in FY'14 to over 1,250 units by the end of FY'15. While customers enjoy the convenience, dealers benefit by higher service reach, customer retention and profitability. Dealers are enhancing the awareness of the MMS facility to widen the service base. Presently, over 60,000 customers are benefiting from this initiative each month. To increase customer confidence in the services offered by MMS, the team prefers to attend to the vehicle in the presence of the customer. This helps to establish the capability of the MMS to handle regular maintenance needs.

Maruti Car App: It is a Service Mobile App launched in 2014. The app, designed to deliver convenience at the user's fingertips, includes features like locating the nearest dealer from one's current location, booking the car's service appointment, sharing one's service experience, tracking vehicle service history, maintenance cost, service due reminder and service tips.

(B.4) Future Plans

Promoting clean fuel, Maruti Suzuki was the first company to introduce factory-fitted CNG cars in India. It currently offers six dual fuel (CNG + Petrol) models namely Alto, Alto K10, Celerio, WagonR, Eeco and Ertiga. Maruti Suzuki is working with parent company, Suzuki Motor Corporation, on hybrid and electric vehicle technology. The objective of the technology is to reduce fuel consumption, thereby reducing the CO_2 emissions, which saves the environment. With its innovations in engine hardware, optimising transmission gear ratios, improved aerodynamic styling, enhancing the compression ratio, etc., the fleet emissions were brought down by 11.6% in 5 years. Maruti Suzuki continues its focus on investing in new technologies and strengthening its capability to bring down emissions per vehicle.

The manufacturing capacities in Gurgaon and Manesar were almost fully utilized in 2015-16. To augment its capacity, Suzuki Corporation, its parent company, is fully financing investment in a new plant in Gujarat, which is expected to start production in 2017.

(VI) Hyundai Motors

Hyundai Motor India Limited (HMIL) is a wholly owned subsidiary of Hyundai Motor Company (HMC). HMIL is the largest passenger car exporter and the second largest car manufacturer in India.

HMIL forms a critical part of HMC's global export hub. It currently exports to over 92 countries across Africa, Middle East, Latin America, Australia and the Asia Pacific. HMIL has been India's number one exporter for the last 10 years consecutively. To support its growth and expansion plans, HMIL currently has 445 dealers and more than 1,100 service points across India. In its commitment to provide customers with cutting-edge global technology, Hyundai has a modern multi-million dollar R&D facility in Hyderabad. The R&D centre endeavours to be a centre of excellence in automobile engineering.

(A) Segments, Product Portfolio and Positioning

Hyundai, a globally recognized and accepted brand, provides cars with comfort, features and fuel efficiency at affordable prices.

The company's cars are targeted towards upper middle class customers and positioned in segments including hatchbacks, sedans and SUVs.

Currently, it has ten car models across segments – Eon, i10, Grand i10, Elite i20, Active i20, Xcent, Verna, CRETA, Elantra and Santa Fe. HMIL's fully integrated state-of-the-art manufacturing plant near Chennai boasts advanced production, quality and testing capabilities.

Table 7: Hyundai's Car Models for Different Segments

Car Segment	Price Of car	Car Model Type – Hyundai	Competition
A	Hatchbacks (Less than Rs 4.60 lakh)	Eon	Maruti Alto, Tata GenX Nano, Chevrolet Spark
A1	Hatchbacks (Less than Rs 7.00 lakh)	I10, Grand i10, Santro (outdated)	Maruti Ritz, Tata Indica, Vista, Tiago, Chevrolet Beat
A2	Between Rs 7.00 -9.50 lakh	i20,i20 Active	Maruti Swift, Tata Bolt Ford Figo
B1	Vans		Maruti Omni, Eeco, Versa
B2	MUV/MPV		Toyota Innova, Mahindra Bolero, Tata Sumo
C1	Sedans (Less than Rs 10 lakh)	Xcent	Tata Indigo eCS, Tata Zest Honda Amaze, Ford Fiesta, Nissan Sunny
C2	Sedans (Less than Rs 13 lakh)	Verna	Maruti Ciaz, Tata Manza, Honda City, Fiat Linea
D1	Sedans (Less than Rs 20 lakh)	Elantra	Chevrolet Cruze, Renault Fluence, Toyota Corolla

Car Segment	Price Of car	Car Model Type – Hyundai	Competition
D2	Sedans (Less than Rs 32 lakh)	Santa Fe, Sonata	Toyota Camry, Maruti Kizashi, Skoda Superb
SUV	SUV	Creta	Toyota For tuner, Mahindra XUV 500, Vitara, Honda CRV Tata Safari Storme, Safari Decor Tata Sumo Gold, Tata Xenon XT Tata Aria

Source: Author's analysis based on inputs from https://www.cardekho.com/features-stories/different-segments-in-indian-auto-industry.htm, http://www.prokerala.com/automobile/cars/; Hyundai Motors Website

(B) Strategy

HMIL is the country's largest passenger car exporter. HMIL began exporting cars in 1999 when it shipped a batch of 20 Santro cars to Nepal and since then, it has maintained the esteemed crown position till date. By March 2014, it exported 20 lakh cars. It won the prestigious 'Top exporter' award by EEPC under 'Large Enterprises' for the year 2013-2014, in December 2015.

Keeping innovation and challenge at its core, HMIL has been able to cater to customers across the globe, be it the Middle East, Africa, Asia or Latin America.

With its strong product portfolio, it currently exports to more than 92 countries. The newly launched Creta in the compact SUV segment has received tremendous response worldwide (order book of approximately 24,500 units between Aug'15 and Mar'16) reflecting customer keenness and satisfaction with its products.

(B.1) Manufacturing Hub for India and Exports with New Product Development*:*

The company, which launched its first product – the Santro – twenty years ago, has 10 models on sale in India today. Hyundai has a total of 17 manufacturing plants in 8 countries. The importance of its Indian operations can be gauged by the fact that it contributes 13% of the carmaker's global volumes.

Hyundai has invested a total of US$ 3.1 billion (Rs 19,582 crore) in India since inception and has sold a cumulative 41,89,875 cars in the domestic market and exported 23,56,805 made-in-Chennai cars worldwide. Vendor investment with the carmaker is estimated at US$ 1.5 billion (Rs 9,475 crore).

Hyundai is one of the first proponents of 'Make in India', showcasing India's manufacturing prowess to the world and becoming a key hub for exports. It aims at maintaining its leadership in India by reaching out to more customers by launching two new products every year and expanding its market share.

At present, the company's total manufacturing capacity stands at about 600,000 units. Hyundai is among India's largest car exporters and ships its products to 92 countries where the markets include the Middle East, Africa, Asia and South America; the company achieved a volume of 165,000 units in 2015-16.

With continued focus on high quality and enhancing customer satisfaction, its recently introduced SUV Creta is doing well. The company also has plans to enter the sub-4-metre compact SUV market in India, which has seen a lot of traction. It has showcased the Carlino HND14 compact SUV concept at Auto Expo 2016 and plans to introduce the production version in the next two years.

(B.2) Marketing

Hyundai leverages its global brand when it comes to marketing in India.

Advertisements: Hyundai primarily advertises in print publications. It offers detailed explanations about the features of its cars keeping in mind the customer's requirement. It also provides various dealers' addresses and contact numbers for reference.

Hyundai had used celebrities like Bollywood cinema star Shah Rukh Khan as Brand Ambassador for advertising its cars. To promote its products, the company organized quiz contests on radio with the winner being offered special discounts, gift vouchers, coupons, etc.

Display: Hyundai has attractive displays to get the attention of the public. The company keeps it own accessories related to its cars at a special accessories counter. For attractive displays, the company decorates its showrooms as well as all the cars on display.

Cold calls: Existing customers are contacted for references in this sales strategy. This gives a boost to sales and customers also feel a sense of involvement. Hyundai achieves maximum sales through his strategy.

Events at Corporate Office and Banks: Hyundai conducts camps and events at corporate offices and banks as most of its customers are from the middle-age group and corporate offices are a good source for the company to attract such customers.

(B.3) Sales, Distribution and Support

Hyundai's 'after-sales' promises its customers transparency, awareness and information about its service offerings, activities and events under the tagline “Right Here, Right Care”.

At its dealer workshops, it commits to make contact within 3 business days with its customers to ensure that one is satisfied with the service provided, ensure the vehicle is returned at the time agreed upon, in a clean and tidy condition, schedule an appointment before the service, attend promptly on arrival in a friendly and professional manner, provide one with a time and cost estimation, obtain one's prior authorization before commencing any additional work and thoroughly explain all repairs performed and review all costs.

Hyundai Service Camps and Events are its customer-centric activities carried out for customer care and convenience.

'Hyundai Care' mobile app ensures assistance to its customers with all forms of service support, service network, car service calculator and service appointment with just a few clicks. The customer can download the app from the App Store or Play Store. The key features of the app include access to vehicle service history and maintenance schedule, online service appointment / booking, GPS enabled service network locator, searching for and rating the customer's preferred dealer, quick link to call Hyundai Assurance Roadside Assistance, timely service reminders, notifications, etc.

A free car care clinic is organized twice every year where Hyundai provides free 90-point comprehensive car check-up for all its customers. This 90-point check-up includes a thorough examination of the transmission, engine, electricals, under body, exterior, AC, etc. This activity is organized at more than 1,100 Hyundai service centres across India for a period of 10 days. During the free car care clinic, customers can avail offers like free car top wash, assured discount on spare parts, labour and other accessories, etc.

Since Hyundai also deals in second hand cars, it makes exchange offers to customers. By paying the adjusted amount, a customer can get a brand new car in exchange for his old one. An exchange offer results in a satisfied customer who receives a new car in replacement for his old one with payments of only the net amount.

(VII) Mahindra & Mahindra Ltd (M&M)

M&M is the flagship company of the Mahindra Group. It consists of 137 companies in diverse businesses across the world with aggregate revenues of around US $ 16.9 billion.

It introduced the utility vehicle in 1947 in India. It remains India's No 1 UV maker while it expanded its offerings to SUVs, electric vehicles, pick-ups, and commercial vehicles that are tough, rugged, reliable, environment friendly and fuel efficient. With its group company SsangYong Motors of South Korea, it aims to create a top global mobility brand with a current spread across 70 countries globally. It has created world class R&D facilities in India and USA. Scorpio has been one of its best-selling brands in India while its small electric vehicle Mahindra REVA is garnering attention.

M&M maintained its position as the 3rd largest Passenger Vehicle company and the 2nd largest Commercial Vehicle company in India during the Fiscal 2014-15. Its share of the total Indian auto industry stood at 11.6% that included passenger vehicles, commercial vehicles, two wheelers, etc. In January 2015, it rolled out its legendary 4x4 offroader, the Mahindra Thar5 millionth (50 lakh) vehicle from the company's plant in Kandivali, Mumbai.

M&M achieved overall volumes of 434,654 vehicles in the domestic market in Fiscal 2015.

(A) Segments, Product Portfolio and Positioning

M&M launched the New Generation Scorpio in September 2014. It has been built on a new platform that offered contemporary styling with advanced technology features. The New Scorpio has received multiple awards as the SUV of the year.

The XUV500, since its launch in 2011, has carved a special niche in the minds of Indian consumers. In February 2015, the company launched the XUV500 Xclusive Edition that comes packed with several premium luxury features such as electric sunroof, convenient reverse camera and voice messaging system, sporty aluminium pedals, stylish grey alloy wheels, 6-way power-adjustable driver's seat (optional) and illuminated scuff plates. This was followed by the launch of the New Age XUV500 with an array of cutting-edge technology features, bold new cheetah-inspired exterior styling, plush and premium new interiors, great performance and best-in-class safety.

M&M also launched refresh versions and variants of its Thar, Xylo, Bolero Maxi Truck (BMT), Bolero Camper and Alfa models.

Table 8: M&M's Car Models for Different Segments

Car Segment	Price Of car	Car Model Type – M&M	Competition
A	Hatchbacks (Less than Rs 4.60 lakh)		Tata Nano, Maruti Alto, Hyundai Eon, Chevrolet Spark
A1	Hatchbacks (Less than Rs 7.00 lakh)		Hyundai Ritz, Grand i10, Santro, Chevrolet Beat, Tata Indica, Vista, Tiago
A2	Between Rs 7.00- 9.50 lakh		Maruti Swift, Tata Bolt Hyundai i20, Ford Figo
B1	Vans		Maruti Omni, Eeco, Versa
B2	MUV/MPV	Bolero, Scorpio	Toyota Innova, Tata Sumo
C1	Sedans (Less than Rs 10 lakh)	Verito vibe Verito	Tata Indigo eCS, Zest Honda Amaze, Hyundai Xcent, Ford Fiesta, Nissan Sunny
C2	Sedans (Less than Rs 13.0 lakh)	E Verito	Maruti Ciaz, Hyundai Verna, Honda City, Tata Manza, Fiat Linea
D1	Sedans (Less than Rs 20 lakh)		Chevrolet Cruze, Hyundai Elantra, Renault Fluence, Toyota Corolla,

Car Segment	Price Of car	Car Model Type – M&M	Competition
D2	Sedans (Less than Rs 32 lakh)		Hyundai Sonata, Toyota Camry, Maruti Kizashi Skoda Superb
SUV	SUV	MM540, Thar Xylo, XUV 500 KUV 100 (Micro SUV) Nuvo Sport Quanto (compact SUV) TUV 300 (< 4m)	Toyota Fortuner, Honda CRV, Tata Safari Storme, Safari Décor, Sumo Gold, Tata Xenon XT, Tata Aria

Source: Author's analysis based on inputs from https://www.cardekho.com/features-stories/different-segments-in-indian-auto-industry.htm, http://www.prokerala.com/automobile/cars/ & M&M Annual Report 2014-15, page 110

(B) Strategy

M&M operates in both the automotive and farm sectors, and strives to maintain its leadership position in the domestic market. Additionally, the company also constantly looks for global opportunities. The company continues to pursue cost leadership through focused cost optimisation, productivity improvements, value engineering, improved efficiency measures like supply chain management and exploiting synergies between its sectors.

With the objective to sustain growth, M&M pursues several strategic initiatives in all key areas of business. The key elements of strategy include strengthening the product portfolio, refreshing and updating existing products and strengthening R&D and technology capabilities.

On the international front, the company has been strengthening its presence in existing markets of USA, South and Central America, China, Africa and South East Asia, while evaluating opportunities in new geographies. Establishing the channel and building the brand in key focus markets remain priorities for the company. With growing concerns over global warming and the need for sustainable mobility, the company continues to focus and invest in development of alternate fuel technologies and solutions.

"In the long run, the ultimate metric for success is continuous improvement in the total factor productivity, while addressing the business imperatives of cash, cost, competence and confidence. The emphasis has been on aligning all the HR levers to bring the human capital transformation towards achieving these goals."

(B.1) New Product Development and Capacity Build Up

Towards becoming a globally recognised automotive manufacturer, the company has taken strategic steps over the last few years by the setting up Mahindra Research Valley (MRV) located in Mahindra World City, Chennai. The research centre has over 2,500 engineers who are engaged in new technology and product programmes.

XUV500 was the first product to emerge from this initiative in addition to the three new product platforms that included two new passenger UV platforms in the growing compact UV segment. Further, the company has also been working on refresh versions of existing products.

Power Trains: The company has developed gasoline power trains in response to the growing preference for petrol as a fuel. Mahindra's all-new compact UV platform was launched in Fiscal 2017 incorporating the first gasoline power train. Additionally, work is underway on joint development with Ssangyong Motors, Korea, for a new engine family with both diesel and gasoline fuel options.

With greater awareness about air quality and the need to reduce dependence on fossil fuels, there is a trend towards adopting greener and more sustainable fuels for automobiles. M&M has made adequate investments for development of power trains which run on alternate fuels. While its CNG offerings are already on the road, M&M has technology demonstrators operating on bio diesel and hydrogen, and is also investing in developing a hybrid power train.

Capacity Build Up: Building sufficient capacity for the future has always been a key priority for the company. Mahindra Vehicle Manufacturers Ltd. (MVML), a 100% subsidiary of the company with its plant located at Chakan near Pune, is Mahindra's largest manufacturing facility in India. In Fiscal 2015, it signed a MoU with the Government of Maharashtra to invest an additional Rs. 4,000 crore over a 7-year period in Chakan for its next phase of expansion with the State Government conferring the status of 'Ultra Mega Project'. Further, the company augmented capacity at its plant at Zaheerabad in Telangana, specifically for the manufacture of the new small commercial vehicle platform.

M&M believes in the future of electric mobility and continues to develop battery operated electric power trains and electric vehicles (EVs) through its subsidiary, Mahindra Reva Electric Vehicles Private Limited. The launch of Mahindra Reva's battery operated electric vehicle, the Mahindra e2o, in March 2013 was an important milestone in the direction of sustainable mobility. In January 2015, M&M orchestrated a pilot launch of Maxximo EVs at the Taj Corridor.

M&M pursues the strategy of being focussed as demonstrated in the case of Scorpio. It epitomizes the strategic branding approach in terms of identifying the need gap and occupying it. There existed a gap that wasn't tapped. There was no SUV in the country that the masses could buy. To make SUVs a mass concept in India, UVs needed to be seen as comfortable, easy for city driving and should have imagery comparable to international brands.

Therefore, as a strategy, it was decided that Scorpio would not take the traditional UV imagery of tough, off-roading and 4x4. A 4x4 approach would be a very niche category and would not generate numbers. To appeal to a car buyer, the Scorpio needed to be seen as a car that offers much more.

A Scorpio had to be seen as providing car-like driving pleasure and, at the same time, providing the edge over cars in space, power, style, fuel efficiency, luxury and comfort. In short, to provide the status of a Pajero (international SUV) at the price of a mid-size car, the Scorpio product package offered superior technology, dynamic looks, car-like product and great value for the price.

(B.2) Service: The company developed a network of service centres that reach out to 478 of the total 657 districts in India, in line with its philosophy of 'customer first'.

(VIII) Tata Motors

Since the company started in 1945, it has produced more than 4 million different types of vehicles such as cars, trucks, commercial vehicles, etc. Tata Motors has also become the largest automobile producer in the Indian market.

In 2004, Tata Motors Limited acquired Daewoo Motor's commercial vehicle business for around USD $16 million. Since 2006, the company has had a successful alliance with Italian mass producer Fiat that has enhanced the product portfolio for Tata and Fiat in terms of production, knowledge exchange, logistics and infrastructure.

In 2008, Tata Motors purchased the Land Rover and Jaguar brands from Ford Motors of UK for $2.3 million. Two of the world's luxury car brands were added to its portfolio of brands, providing the opportunity for the company to market vehicles in the luxury segment.

(A) Segments, Product Portfolio and Positioning

Tata Motors has designed its products to suit the requirements of the Indian market based on specific customer needs such as safety, driving comfort, fuel-efficiency and durability. The company believes that its vehicles are suited to the general conditions of Indian roads and the local climate. The company's vehicles have also been designed to comply with applicable environmental regulations currently in effect. The company also offers a wide range of optional configurations to meet the specific needs of its customers. The company is developing products to meet the increasing customer expectations of owning world class products.

The company's cars are targeted towards upper middle class customers and positioned as a leader in the automobile market inculcating innovative technologies to deliver value to customers.

Table 9: Tata Motor's Car Models for Different Segments

Car Segment	Price Of car	Car Model Type - TATA	Competition
A	Hatchbacks (Less than Rs 4.60 lakh)	GenX Nano	Maruti Alto, Hyundai Eon, Chevrolet Spark
A1	Hatchbacks (Less than Rs 7.00 lakh)	Tiago Indica Vista (outdated)	Hyundai Ritz, Grand i10, Santro, Chevrolet Beat
A2	Between Rs 7.00- 9.50 lakh	Bolt	Hyundai Swift, i20, Ford Figo
B1	Vans		Maruti Omni, Eeco, Versa
B2	MUV/MPV	Sumo	Toyota Innova, Mahindra Bolero
C1	Sedans (Less than Rs 10 lakh)	Indigo eCS, Zest	Honda Amaze, Hyundai Xcent, Ford Fiesta, Nissan Sunny
C2	Sedans (Less than Rs 13 lakh)	Manza (outdated)	Maruti Ciaz, Hyundai Verna, Honda City, Fiat Linea
D1	Sedans (Less than Rs 20 lakh)		Chevrolet Cruze, Hyundai Elantra, Renault Fluence, Toyota Corolla
D2	Sedans (Less than Rs 32 lakh)		Hyundai Sonata, Toyota Camry, Maruti Kizashi Skoda Superb
SUV	SUV	Safari Storme New Safari Safari Decor (outdated) Sumo Gold (outdated) Xenon XT Tata Aria	Toyota Fortuner, Mahindra XUV 500, Honda CRV

Source: Author's analysis based on inputs from https://www.cardekho.com/features-stories/different-segments-in-indian-auto-industry.htm, http://www.prokerala.com/automobile/cars/ & Tata Motors, Annual Report 2014-15 & website

Utility Vehicles: The company manufactures a range of Tata-branded utility vehicles, including the Sumo and the Safari (SUVs), the Xenon XT (lifestyle pickup), the Tata Aria (crossover), and the Venture (multi-purpose utility vehicle). Under the Safari brand, the company offers two variants: the Dicor and the Safari Storme. Under the Sumo brand, the company offers the Sumo Gold. There are six car lines under the brands of Range Rover and Land Rover in the premium all-terrain vehicles categories, comprising the Range Rover, Range Rover Sport, Range Rover Evoque, Land Rover Discovery, Discovery Sport and the Defender.

Premium and Luxury: The company's Jaguar Land Rover operations have an established presence in the premium and luxury passenger car category under the Jaguar brand name. There are four car lines under the Jaguar brand name including the F-TYPE two-seater sports car coupe and convertible (including all-wheel drive derivatives), the XF sedan (including the sport brake and all-wheel drive derivatives), the XJ saloon, and the new XE sports saloon. In Fiscal 2015, it sold 2,827 JLR vehicles.

(B) Strategy

The company has established a strong position in the Indian automobile industry by launching new products, investing in research and development, strengthening its financial position and expanding its manufacturing and distribution network. The company has increased its presence in the global automotive markets and enhanced its product range and capabilities through strategic acquisitions and alliances. The company aims to position itself as a major international automotive company by offering products across various markets by combining its engineering and other strengths as well as through strategic acquisitions.

Tata Motors adopted a strategy that included (i) Leveraging customer engagement experience to acquire new customers (ii) Leveraging mergers and acquisitions to acquire newer technology (iii) Augmenting the distribution and service network in various countries.

The company's passenger car products are based on 3rd and 4th generation platforms that put Tata Motors Limited at a disadvantage with competing car manufacturers. Other competing car manufacturers have been in the passenger car business for 40 or more years. Therefore, Tata Motors Limited has to catch up in terms of quality and lean production.

Sustainability and environmentalism could mean extra costs for this low-cost producer. This could impact its underpinning competitive advantage. By going global and buying into other brands, this problem could be alleviated.

Its internationalization approach so far has been to keep local managers in new acquisitions, and to only depute a couple of senior managers from India into the new market. The benefit is that Tata has been able to exchange expertise. For example, post the Daewoo acquisition, the company learned work discipline and getting the final product 'right the first time.'

Despite buying the Jaguar and Land Rover brands, Tata has not got a foothold in the luxury car segment in its domestic, Indian market. The brand is associated with commercial vehicles and low-cost passenger cars and has isolated itself from lucrative segments in a more aspiring India.

Coming to the key risks in the long term, with the increase in market share of electric vehicles in the luxury vehicles market, as shown below in the US, can be very negative for luxury car makers like Tata Motors.

(B.1) New Product Development continued focus*:* During Fiscal 2015, the company launched the following products.

Bolt: In January 2015, the company announced the launch of a sporty hatchback, the all-new Bolt, which is manufactured at the Pimpri plant in Pune, India.

Zest: In August 2014, the company launched the Zest, a sub-four meter compact sedan. It is manufactured at the Pimpri and Ranjangaon plants in Pune, India. Zest, one of the company's latest additions, received the 'Zee Ignition Car of the Year' award, and its new petrol Revotron engine, which was featured in over 35% of Zest sales, received the 'Technology of the Year' award from ET Zig wheels and 'Engine of the Year' award from Overdrive.

Land Rover Discovery Sport: In September 2014, Jaguar Land Rover launched the new Discovery Sport, a versatile premium compact sport utility vehicle that is the first member of the new Discovery family. Sales of the new Land Rover Discovery Sport have been underway since early 2015.

Evoque: In February 2015, Jaguar Land Rover began sales of the locally-manufactured Evoque through its joint venture with Chery Automobile Co. Ltd., China. The 2016 Range Rover Evoque made its world debut at the Geneva Motor Show in March 2015, the first model from Jaguar Land Rover to feature full-LED adaptive headlamp technology.

Jaguar XE: The Jaguar XE made its global debut at the 2014 Paris Auto Show and went on sale in May 2015. It is the first aluminium monocoque vehicle in the mid-size vehicle category.

Jaguar XF: The 2016 Jaguar XF made its official world debut at the 2015 New York International Auto Show on April 1, 2015. As with other new Jaguar models, the XF features strengthened, lightweight aluminium-intensive construction. It is expected to go on sale during Fiscal 2016.

Jaguar F-PACE: The Jaguar F-PACE performance crossover is based on the C-X17 Concept Vehicle, which was launched at the Frankfurt Motor Show in 2013. It is intended to be an ultimate practical sports car and to offer a combination of Jaguar sports car-inspired exterior design and a practical and spacious luxury interior.

Range Rover Evoque Convertible: The Range Rover Evoque Convertible, which features a refreshed exterior and the new 2.0 litre Ingenium diesel engine, is expected to go on sale in Fiscal 2016.

Through innovative features, Tata Motors endeavours to attract car buyers. One of these innovations is the Tata Safari 4X4 Dicor that has a "Reverse Guide System". A weather-proof camera is fixed to the rear of the car to help the driver while reversing the car.

Continuing focus on high quality and enhancing customer satisfaction*:* One of the company's principal goals is to achieve international quality standards for its products and services. To that end, the company has established a comprehensive purchasing and quality control ecosystem that is designed to consistently deliver quality products and superior service. The company scored 834 in 2015, up from 799 in 2014, ranking 4 in the J.D. Power Asia Pacific 2014 India Customer Service Index (CSI) survey. The company has an extensive sales and service network that enables it to provide quality and timely customer service. The company is encouraging focused initiatives at both sales and service touch points to enhance customer experience and strive to be the best in class. Furthermore, Tata Motors Finance Ltd, or TMFL, the company's vehicle financing division, has enhanced its "Office of the Customer" initiative as well as its rural branch network and infrastructure in order to increase interactions and build relations with the company's customers and dealers.

In Fiscal 2015, Tata Alert Service, providing breakdown assistance by promising to return the vehicle on road within 48 hours, was extended to all National and State highways. The service now covers 45 models (including M & HCV trucks, ICV trucks and buses) and covers 2,450,000 + Kms pan-India.

(B.2) Marketing

Leveraging brand equity*:* The company believes that customers associate the Tata name with reliability, trust and ethical values. The company's brand name gains significant international recognition due to the international growth strategies of various Tata companies. The Tata brand is used and its benefits are leveraged by Tata companies to their mutual advantage. The company, along with Tata Sons and other Tata companies, leverages the Tata brand in India and in various international markets. Supported by the Tata brand, the company believes its brands such as Indica, Indigo, Sumo, Safari, Aria, Venture, Nano, Prima, Ace, and Magic, along with Daewoo, Jaguar, Range Rover and Land Rover, are highly regarded, which the company intends to nurture and promote further. At the same time, the company plans to continue to build new brands such as the newly launched Ultra range of LCVs, the Zest and the Bolt to further enhance its brand equity.

Advertising: Advertising is one of the most common ways to make the car buyer or car enthusiast aware of a new car with a special promotion price. Another more important way of advertising is to create an image or brand image. Over the years, Tata Motors has been successful in creating its brand image especially by using famous stars as the company's spokespersons.

Pricing: There are various factors that determine the price of a car - prices offered by competition, cost incurred to manufacture a car, dealer's commission and profit margin of the company. Offering discounts and special promotions for certain types of vehicles is also one of the marketing approaches used by Tata Motors. Discounts are offered either from the company's profits or from the dealer's profits or both, within a certain range.

(B.3) Sales, Distribution and Support

The sales and distribution network in India as of March 31, 2015 comprised of 3,904 sales and service contact points for passenger and commercial vehicles. The company has deployed a Customer Relations Management, or CRM, system at all the company's dealerships and offices across the country; this is the largest such deployment in the automotive market in India. The combined online CRM and distributor management system supports users both within the company and among distributors in India and abroad.

The company's 100% subsidiary, TML Distribution Company Ltd, or TDCL, acts as a dedicated distribution and logistics management company to support the sales and distribution operations of vehicles in India. The company believes TDCL helps it improve planning, inventory management, transport management and timely delivery.

After-sales service is an important consideration for a potential customer to choose the right car. The user will not want to spend a lot of time to travel too far just to have the car serviced especially for simple processes such as changing the engine oil, oil filter, etc. Parts and accessories must also be easily accessible when needed.

(IX) Comparison of the Big Four

A comparative analysis of the strengths and weaknesses of the big four firms is made below. The source of information is the annual reports for the fiscal 2015 of the four companies.

Table 10: Comparative Analysis of the Big Four Firms

	Maruti Suzuki	Hyundai	M&M	Tata Motors
Inception	December 1983	May 1996	1945	1945
Position in India	PV – Largest (Market Leader)	PV – Second largest	PV – Third largest CV – Second largest	PV – Fourth largest CV – Largest (49.7% market share) Leading in Global Presence
Net Sales in Fiscal 2015 (Rs Billion)	486.05	Hyundai has invested a total US$ 3.1 billion (Rs 19,5.82 billion) in India since inception 20 years ago in May 1996 and has sold a cumulative 41,89,875 cars in the domestic market and exported 23,56,805 made-in-Chennai cars worldwide. Vendor investment with the carmaker is estimated at US$ 1.5 billion (Rs 94.75 billion).	724.7	2627.96
Passenger Vehicle Focus	Makes only PV	Makes only PV Manufacturing plant in Tamil Nadu serves as a global hub to make cars not only for India but for other countries too	India sales in Fiscal 2015 PV – 223,968 CV – 210,686	India PV and CV sales contribute to 13.6% of its total net sales China accounts for 29%, UK for 13.4%, RoE for 12%, US for 12%, RoW for 20%
Passenger Vehicles/UVs Sold (units)	Total 1,292,415 **Domestic** 1,179,702 **Export** 121,713	Total 420,668	Total 223,968 UV 206,837 Cars 3,184 Vans 13,947	Total 620,357 **Domestic** Cars 121,741 UV 25,588 Sub Total 136,653 (incl. 2827 JLR and a few units of Fiat) **Export** Cars 78,083 UV 394,945 Sub Total 473,028

	Maruti Suzuki	Hyundai	M&M	Tata Motors
Recent Brands	Ciaz Celerio Alto K10 Alto Gypsy Maruti 800 (First brand)	Eon Creta Verna Elantra i10, i20 Santro (First Brand)	Bolero XUV 500 KUV 100 Scorpio (First Brand)	Nano Bolt (hatchback) Zest (compact sedan) Jaguar Land Rover (luxury) Tata Indica (First brand)
Market Share (Domestic)	45%	17 %	8.7% In UV, the market share is 37.4% with sub-segment market share of 29.6% in UV 1 (<4.4m, <Rs 15 lakh) and a sub-segment market share of 54.3% in UV 2 (>4.4m, >Rs 15 lakh)	5.3%
Strengths	Brand Large distribution Network Wide product offering Low prices	Global brand	Brand of sturdy SUVs Low after sales service cost	Good market penetration in the taxi segment Large distribution and service network International presence through Jaguar, Land Rover, Hispano, Marcopolo
Areas of Improvement		No presence in the ultra premium segment	Partnership with Renault for making Logan did not live up to international quality standards	Sometimes faces quality and durability issues Insufficient customer engagement programs
JD Power CSI	No 1 – score of 890 against industry average of 856			

Source: Data on Hyundai is from the website http://www.autocarpro.in/news-national/hyundai-india-targets-500-sales-current-fiscal-17175 & http://www.autocarpro.in/news-national/hyundai-motor-india-posts-record-484-324-sales-2015-11010

There has been an increase in market shares in the passenger vehicles segment for Maruti Suzuki and Hyundai while there has been a decline for Tata Motors and M&M as shown below. With intense competition from other brands like Honda, Toyota, Nissan, etc., one sees changing positions in the pecking order of market shares in the passenger vehicles industry of the big four automobile firms.

Table 11: Market share of the big four firms in passenger vehicles

	FY 2014	FY 2015
Maruti Suzuki	42 %	45 %
Hyundai	15 %	17 %
Tata Motors	10 %	5.3 %
M&M	8 %	8.7 %
Source	www.ibef.org (Jan 2016); SIAM, Company annual report, TechSci Research	Company annual reports; Author's research

During 2015-16, Maruti Suzuki made net sales of Rs 563.50 billion with 1,429,248 vehicles comprising of domestic sales of 1,305,351 vehicles and exports of 123,897 vehicles. This is due to a strong product portfolio and new product launches.

Tata Motors suffered a decline in passenger vehicles by 32.3% in the domestic market due to delay in launch of the much-awaited hatchback, Tata Tiago. During the year 2015-16, Tata Motors Group's consolidated sales went up to Rs 2,755.81 billion from the earlier figure of Rs 2,627.96 billion, thanks to good performance by the commercial vehicles segment and JLR business.

(X) Road Ahead

The outlook for the industry looks exciting against a backdrop of two important trends – the gradual legislative move towards greener, gas based public transport vehicles and a greater requirement for urban mass mobility schemes to service rapidly expanding cities.

The automobile industry in India was the sixth largest in 2013. It is expected to produce around 35 million vehicles from the current levels, by 2020. According to SIAM, the potential size of the Indian automobile market (PV + CV) by FY 2018-19 will be 5.8 million vehicles as against 3.8 million vehicles in FY 2014-15.

The government is working towards developing India as a global manufacturing as well as research and development (R&D) hub. In January 2016, the Automotive Mission Plan (AMP) 2016–26 targeted a four-fold growth in the automobiles sector in India that included the manufacturers of automobiles, auto components and the tractor industry. The government is also extending subsidies till 2020 through FAME (Faster Adoption & Manufacturing of Electric Hybrid vehicles) to provide the necessary push to make electric vehicles affordable and popular.

India is fast emerging as a global R&D hub with global majors like Suzuki, Hyundai and GM setting up R&D base. With strong export potential in the ultra-low cost segment to neighbouring emerging markets and the sizeable market within India, global majors are making the necessary foreign direct investments. Suzuki, Hyundai and Honda are increasingly banking on their Indian operations to add weight to their businesses and the industry is expected to see an increased capacity build-up.

The proposed GST (Goods & Services Tax), recently passed by the parliament in July 2016, and expected to be implemented from April 2017, will have a favourable impact on the automobile sector with lowering of taxes from the current levels of 30-47 % to 18%; this will give a significant boost to consumption.

(XI) Limitations and Potential Future Work

The focus of the study was restricted to the passenger vehicles industry in India. The study excluded two-wheeler, three-wheeler, commercial vehicles and auto ancillary companies in India.

The future is in fuel efficient and environment friendly (green technologies) vehicles. Further studies can be undertaken on greener, gas based vehicles, urban mass mobility schemes to service rapidly expanding cities and autonomous cars, a concept that is already turning into reality when we look at Tesla's self-driving cars, Google cars, etc.

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