
MARUTI SUZUKI INDIA LIMITED STRATEGIC MANAGEMENT: (A CASE STUDY)

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EXECUTIVE SUMMARY

Maruti Suzuki India limited is the leading company in producing passenger vehicles in India. The company has two manufacturing facilities in Gurgaon and Manesar, and headquartered in New Delhi, India. These two plants have a pooled annual production capacity of 1.2 million units. It also builds two more plants in Manesar in 2012-13. The two new plants would be able to produce about 250,000 units per year. The Company hired and integrated 904 people into its workforce in the 2013- 14. The Company has 12,547 regular employees out of which 366 are women. During 2013-14, the manpower of Company's R & D has reached to 1300, with the centre of attention, in 2013-14, to improve the Company's skill and capability by own job training and working with their own hands in new model development and also to train a large number of young engineers for challenging R & D roles in future. Analysis of Maruti's External Environment Porter's Five Force Model currently indicating that; Increasing in Threat of New Entrants and Bargaining power of buyers, Low in Bargaining power of Supplier and Medium in Threat of Substitutes with high Competitive Rivalry in the industry.

On the other hand, As far as the BCG Matrix of msil is concerned, swift, swift dezire and zen estilo are under the category of star, maruti sx4, grand vitara, and ritz under question mark, alto and wagnor under cash cow and underdog; sx4, omini, and versa has liquidated and trim down. As of dec.2013, the market share of maruti Suzuki was 49.24% followed by its main competitors of Tata motors 21.44% and Honda 6.56%. Maruti has its own green pphilosophy and labels the initiatives under its "Three R's", reduce, reuse and recycle, to honor it. Mainly Maruti's current strategies comprise of; focusing on small market segment to beat the stiff competition, Develop capabilities & internal resources to finance its expansion and growth, staying away from ultra-low cost segment, making India an exclusive small car manufacturing base to leverage frugal engineering and establish R&D facility in India to produce cars in India starting from design till production with its own core competencies of; Strong Customer Base & Brand image ,Well-developed sales and service network throughout India and Very Strong knowledge of Indian market. In sum, maruti do have key success factors related to Technology, Manufacturing, Distribution, Marketing and Skills, and Capability in line with some future challenges, allied with the economy, as Increase in input material prices, higher inflation and increase in fuel prices, Rise in interest rates, and Low availability of skilled human resources.

KEYWORDS: Suzuki, India, strategic plan, research and development, marketing

1. INTRODUCTION MARUTI SUZUKI INDIA LIMITED

Maruti Suzuki India Limited, Commonly referred to as Maruti and formerly known as Maruti Udyog Limited (till 2007), is an automobile manufacturer in India. Maruti Suzuki India Limited (Maruti Suzuki) is an India-based passenger car company. It is a subsidiary of Japan-based automobile manufacturer Suzuki Motor Corporation. Maruti Suzuki India Limited is the first company in India to produce and sell more than a million cars. This company has brought an automobile revolution in India and is the leading company in the automobile industry, accounting for over 50 per cent of the domestic car market. Maruti Udyog Limited was renamed as Maruti Suzuki India Limited (17 Sept. 2007,) 18.28% of the company is owned by the Indian government & 54.2% by Suzuki of Japan, 20% by IPO and % others.

The company operates through its subsidiaries Maruti Insurance Business Agency Limited, Maruti Insurance Distribution Services Limited, Maruti Insurance Agency Solutions Limited, Maruti Insurance Agency Network Limited and Maruti Insurance Agency Services Limited. The company has two manufacturing facilities in Gurgaon and Manesar, India. Maruti Suzuki is headquartered in New Delhi, India. Both are near to the capital, New Delhi. These two plants have a combined annual production capacity of 1.2 million units. It is also building two more plants in Manesar, which are scheduled to be completed in 2012-13. The two new plants will be able to produce about 250,000 units per year. The roots of Maruti Suzuki India Limited is from Maruti Limited, which was established in 1971 after Sanjay Gandhi (younger son of then-Prime Minister Indira Gandhi) who planned for the production of compact car in India from the Indian market and for the Indian people. To fulfill this purpose Maruti Udyog Limited was formed as a state enterprise in 1981. Later, the Indian government entered into collaboration with Suzuki Motor Corporation of Japan to manufacture cars and in 2007, Maruti Udyog Limited was renamed as Maruti Suzuki India Limited.

As of November 2012, it had a market share of 37% of the Indian passenger car market. Maruti Suzuki manufactures and sells a complete range of cars from the entry level Alto, to the hatchback Ritz, Celerio, AStar, Swift, Wagon R, Zen and sedans DZire, Kizashi and SX4, in the 'C' segment Eeco, Omni, Multi Purpose vehicle Suzuki Ertiga and Sports Utility vehicle Grand Vitara. The company's headquarters are at No 1, Nelson Mandela Road, New Delhi. In February 2012, the company sold its ten millionth vehicles in India.

2. COMPANY HISTORY AND BACKGROUND

2.1 The Evolution

Before independence the Indian car market was considered as a market for imported vehicles. The earlier period was very tough for growth of Indian automobile sector due to strict licensing,

restrictive tariffing structure. The Indian automobile industry started to grow after 1970, but that growth was mainly driven by tractors, scooters and commercial vehicles. After 1980, the Indian automobile sector saw drastic but historical change. With an objective to modernize the Indian automobile Industry Maruti Udyog Limited was incorporated in February 1981. In October 1982 the company signed license and Joint venture agreement with Suzuki Motor Corporation of Japan. After collaboration, in December 1983, the company launched its most awaited Maruti 800. The company launched its multi purpose vehicle; Omni in November 1984. The company launched Gypsy in December 1985. In the year 1987, the company forayed into the foreign market by exporting first lot of 500 cars to Hungary.

In the year 1990 the company launched India's first sedan Maruti 1000 and Esteem in November 1994. In the year 1997 the company started Maruti Service Master as model workshop in India to look after sales service. In year 2000 the company launched a call centre. This was the first time a car company had ever launched a call centre in India. In September 2000 the company launched its highest selling model Alto. In the year 2002 the Maruti launched Maruti finance to offer financial services like extended warranty and finance for car insurance. In the year 2002, Suzuki Motor Corporation increased their stake in the company to 54.2 percent. The company launched its MPV Grand Vitara in April 2003. Maruti launched its most popular & successful hatch-back Swift in 2005. Maruti launched diesel version of Swift in January 2007 & in May 2007 the company launched its sedan SX4 in Indian automobile market. In July 2007 Maruti Udyog Limited renamed „Maruti Suzuki India Limited“. In March 2008, the company launched Swift Dzire and in November 2008 the company launched A-Star; equipped with K-series engine. In May 2010, Maruti Suzuki launched its stylish vehicle Ritz. In the year 2011, the company launched its luxury sedan Kizashi and with an objective to fulfill the needs of larger family size consumers, on 12 April 2012 the company launched its MPV Ertiga.

2.2 Human Resources Development

People are the assets and have been instrumental in driving the Company's performance year on year. Their passion, commitment, sense of ownership and team work has enabled the Company to sustain its leadership position in the challenging market scenario of 2013-14. The Company has always striven to offer a positive, supportive, open and high performance work culture where innovation and risk taking is encouraged, performance is recognized and employees are motivated to realize their true potential. The Company hired and integrated 904 people into its workforce in the 2013- 14. The Company has 12,547 regular employees out of which 366 are women. The Company is an equal opportunity employer and believes in recognizing merit and potential in the selection process. There has been a continuous effort to increase the number of women employees in the organization to bring diversity in terms of population mix, versatility and value addition.

As in the past, the Company has been investing to strengthen positive employee relations through

continuous communication, education, engagement and welfare initiatives. Several new initiatives have been introduced to reinforce people connect and engagement. Focus has also been to provide opportunities to employees to learn and grow within the organization. These initiatives over the last one and a half year have given very encouraging results. One of the key initiatives in this direction has been umbrella mentoring to hand hold, guide and develop the young workforce.

3. INDUSTRY ANALYSIS

3.1 Global Four Wheeler Industry

3.1.1 Evolution

The automotive industry across the world has been under tremendous pressure during the past decade due to excess supply and volatile demand in developed countries. Consequently, the auto companies across the world are looking for markets with growing demand and cheaper sourcing locations. Developing countries such as Mexico and the Czech Republic were until recently favourite low cost sourcing options for the top automakers of the world. However, in recent years Asian countries like India and China have emerged as the markets for low price automobiles and low cost sourcing options for auto components. Currently, India is the fourth largest car market in Asia and offers a cost saving of up to 30% in the labour cost alone compared to countries like France, England, Germany, Japan, and the US (ACMA 2005).

Many global auto players began their operations in India during the late 1990s, recognizing India as a new market opportunity and a base for South East Asia. The growing consolidation in the global automobile industry with increasing reliance on a tighter tier of primary suppliers motivated the tier-I component suppliers also to establish operations in India. This has intensified the competition amongst the auto component firms, domestic and overseas, with increasing focus on low cost, high quality products delivered just-in-time. The Maruti–Suzuki era during 1981–1997 had established a strong quality conscious domestic supplier base that was ready to face the competition and take advantage of the new market opportunities (Okada 1998). Although the assemblers are exerting pressures on their primary suppliers to follow them everywhere in the world (which is termed follow sourcing in the auto industry), the global tier-I suppliers are finding it very difficult to set up shop in newer locations and/or to make their tier-II suppliers follow them. As a result, the more efficient local component firms have a greater opportunity to become tier-II and tier-III suppliers and integral part of the global supply chains of major assemblers and tier-I suppliers (Saranga 2009).

3.1.2 Current Scenario

The developments in the auto component industry in India can be traced back to the trade liberalization during the 1990s. Prior to liberalization, the Indian consumer had limited choice of car brands and

models to choose from. Trade liberalization policies resulted in an influx of multinational companies like Ford, General Motors, Hyundai, Mercedes-Benz, Peugeot and Volvo into India.

The entry of these foreign companies changed quality standards and increased the complexity of the parts required by the original equipment manufacturer sector (OEMs). The consumers reacted favourably to the expanded set of offerings and consequently the demand for cars in India increased. For example, the sale of foreign brand cars grew from almost nil before the entry of Hyundai in 1997, to 15% of the car market in the year 1998–1999 to more than 25% of the car market in 2004–2005. The market itself grew from the sale of 3.3 million vehicles (417,762 passenger vehicles alone) in the year 1995–1996 to nearly 6.8 million vehicles (900,752 passenger vehicles) during 2003–2004. The Indian component industry responded to these challenges by adding capacity and modernizing existing plants. The total production of components has increased from \$2.9 billion in the year 1999 to \$15 billion in the year 2007. Many component firms entered into technical collaborations and equity partnership agreements with global tier-I suppliers. Global tier-I suppliers like Delphi and Visteon set up component manufacturing units in India. During this period there was significant growth in component exports to multinational companies (\$1.8 billion in 2005–2006, as against \$0.27 billion in 1997–1998). Although exports are still very small by global standards (the annual global auto component sales exceed \$750 billion), they are a significant share of the sales (15–20%) of Indian component firms (Saranga 2009).

On the other hand, due to the infrastructural problems and higher bargaining power of assemblers in the automobile industry, the automotive firms find it difficult to supply components just-in-time (which is increasingly becoming the industry norm for survival in the OEM sector) to the OEMs unless they maintain a few weeks (in some cases, months) of raw material, work in process and finished goods inventories. Although, some of the tier-1 suppliers are trying to follow in the footsteps of their OEM customers, unless the supplier has a production facility in the close vicinity of his customers, the transport lead times and unavoidable delays due to infrastructural/environmental problems compel the component firms to maintain a minimum amount of inventory and deliver just-in-time to their customers, rather than produce just-in-time. The production and operations theories suggest that in the face of high variability in production and supply lead times, which usually is the case in the Indian context, throughput rate suffers in the absence of appropriate inventory levels (Anupindi et al 2006).

Furthermore, the automotive industry is a driver of growth for the manufacturing sector. The auto industry contributes 25% of the manufacturing GDP and pulls along with it a host of manufacturing as well as services industries, while employing 19 million people directly as well as indirectly. However, this industry is regarded as a cash cow. It is believed that the auto industry is impervious to taxation. High taxation at the Central as well as the State level adding up to 58-90% of the factory cost has

stunted the growth of this industry in recent years.

The auto-industry is an engine of growth, not a cash cow and needs to be regarded in that spirit. Furthermore, unjust biased perceptions against larger vehicles, especially those that run on diesel makes investment decisions and long term planning by the OEMs very risky. It is painful to see that when all other countries are devising intelligent strategies to optimize usage of different fuels to achieve their objectives of emissions and energy conservation, in India it is still debating over discouraging diesel car technology. India is an energy deficient country (ACMA 2014).

India is home to a vibrant automobile of more than 40 million vehicles. It has been one of the few worldwide which saw growing passenger car sales during the recession of the past two years. In fact, in 2009-10 it has recorded its highest volumes ever. It is believed this upward trend will be sustained in the foreseeable future due to a strong domestic market and increased thrust on exports (KPMG 2010).

Future Trends in the Automobile Industry

As the auto-shows began in January 2014, the industry promised a blend of technology and automotives. With the recession trend breaking its leashes form the past two years, 2014 is expected to get back on track with the sales of automobiles in the country.

- Almost Self-governing cars are predicted to be on the streets by 2020
- More than half the cars on the streets are going to be powered by diesel by 2020
- Industry watcher Gartner indicates that 30 percent of motorists want parking info. The facility is likely to come up after glitches in the infrastructure catch up.
- High Performance Hybrid cars are likely to gain greater popularity among consumers.

The Indian automobile industry has a prominent future in India. Apart from meeting the advancing domestic demands, it is penetrating the international market too. Favored with various benefits such as globally competitive auto-ancillary industry; production of steel at lowest cost; inexpensive and high skill manpower; entrenched testing and R & D centers etc., the industry provide immense investment and employment opportunities.

4. INDIAN FOUR WHEELER INDUSTRY

4.1 Evolution

Auto and its ancillary industry is one of the key sectors in the Indian economy. The auto industry can be broadly divided in four sub sectors: (a) Four Wheelers (4W) (b) Two wheelers or 2Ws (c) Commercial vehicles and (d) Three wheelers (3W). The two wheeler (2W) segment analyzed for the purpose of this

report includes scooters, motorcycles, and mopeds. Commercial Vehicles (CVs) are an important source of transportation of both goods and passengers. CV comprises medium and heavy commercial vehicles (MHCVs), mainly buses and trucks; and light commercial vehicles (LCVs), mainly tempos and light transport vehicles.

Table 1: Domestic market share FY 2010

The auto industry	Four Wheelers	three Wheelers	two Wheelers	Commercial vehicles
Market share %	15%	4%	77%	4%

Source: SIAM, IMA CS Analysis

The automobile industry is one of the key drivers that boost the economic growth of the country. Since the de-licensing of the sector in 1991 and the subsequent opening up of 100 percent FDI through automatic route, Indian automobile sector has come a long way. Today, almost every global auto major has set up facilities in the country. Austria based motorcycle manufacturer KTM, the established makers of Harley Davidson from the US and Mahindra & Mahindra have set up manufacturing bases in India. Furthermore, according to internal projections by Mercedes Benz Cars, India is set to become Mercedes Benz’s fastest-growing market worldwide ahead of China, the US and Europe.

As per the data published by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce, Government of India, the cumulative FDI inflows into the Indian automobile industry during April 2000 to October 2013 was noted to be US\$ 9,079 million, which amounted to 4% of the total FDI inflows in terms of US \$. The production of compact superbikes is also expected to take place in India. The world standing for the Indian automobile sector, as per the Confederation of the Indian industry is as follows:

- Largest three-wheeler market
- Second largest two-wheeler market
- Tenth largest passenger car market
- Fourth largest tractor market
- Fifth largest commercial vehicle market
- Fifth largest bus and truck segment

However, the year 2013-2014 has seen a decline in the industry’s otherwise smooth-running growth. High inflation, soaring interest rates, low consumer sentiment and rising fuel prices along with economic slowdown are the major reason for the downturn of the industry. Except for the two-wheelers, all other segments in the industry have been weakening. There is a negative impact on the automakers and dealers who offered high discounts in order to push sales. To match the decline in demand, automakers have resorted to production cuts and lay-offs, due to which capacity utilization for most automakers remains at a dismal level.

Despite the comprehensive market being under extreme burden, the luxury car market has observed a robust double-digit hike during the year 2013-2014, as a result of rewarding new launches at compelling lower price

points. Further, with the measured increases in the price of diesel, the overall market continues to shift towards petrol-fuelled cars.

Factors determining the growth of the industry

Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance-oriented products.

- strong legal and banking infrastructure
- Increased affordability, heightened demand in the small car segment and the surging income of the Indian population
- India is the third largest investor base in the world
- The Government technology modernization fund is concentrating on establishing India as an auto-manufacturing hub.
- Availability of inexpensive skilled workers
- Industry is perusing to elevate sales by knocking on doors of women, youth, rural and luxury segments
- Market segmentation and product innovation

Employment Opportunities

According to maruti Suzuki annual report (2013/14) there are a wide range of jobs available in the automobile industry. With the number of vehicles available on the road today, the need and requirement for people who can fix these machines is fast increasing. Careers like automobile technician, car or bike mechanics are a great option. Becoming a diesel mechanic is also a significant alternative. Diesel mechanics are responsible for repairing and servicing diesel engines. As they are also required to repair engines of trucks and buses, other than cars, they are provided with hefty wages. If communication with people instead of repairing cars is what interests you, then you have the opportunity of becoming a salesperson or sales manager in an automobile company. Career opportunities in automobile design, paint specialists, job on the assembly line and insurance of vehicles is also available.

Employment Trends

The Automotive Mission Plan for the period of 2006-2016 aims to make India emerge as a global automotive hub. The idea is to make India as the destination choice for design and manufacture of automobiles and auto components, with outputs soaring to reach US\$ 145 billion which is basically accounting for more than 10% of the GDP. This would also provide further employment to over 25 million people by 2016 making the automobile the sunrise sector of the economy. According to the Confederation of Indian Industry, the automobile sector currently employs over 80 lac people. An extension in production in the automobile industry is forecasted, it is likely to rise to Rs. 600000 crore by 2016 (maruti Suzuki annual report 2013/14).

The Company's R & D vision is to design and develop automobiles for India, Middle East and African markets by the Company on its own.

During 2013-14, the manpower of Company's R & D has reached to 1300. The focus in 2013-14 was;

- To improve the Company's skill and capability by on job training and working with our own hands in new model development.
- To train a large number of young engineers for challenging R & D roles in future.

The Company fosters a culture in which high standards of ethical behaviour; individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, management and employees.

4.2 Current Scenario

Major Players in the industry

Capacities of Major Players in Indian Passenger Vehicles Segment

Player	Capacity (in thousand units)
Maruti Suzuki	700
Tata Motors	290
Hyundai Motors	400
Mahindra & Mahindra	170
Toyota Kirloskar	60
BMW India	1.7
Honda Motors	50
General Motors India	85
Ford India	100
Hindustan Motors	35
Skoda Auto India	17
Force Motors	24
DaimlerChrysler India	2.5

Source: Annual Reports of companies, News clippings

Current scenario in Passenger Car Category

The industry leader is Maruti Udyog with 46 per cent market share, followed by Tata Motors and Hyundai Motors. India is considered as a strategic market by Suzuki, Japan, a co-promoter of Maruti Udyog. Tata Motors, the largest automotive player in India is launching the US\$ 2,500 car. Hyundai Motors, the third largest passenger vehicle manufacturer in India, has established its global manufacturing base for small cars in India and is a leading exporter of small cars from the country.

Mahindra & Mahindra is amongst the largest players in the Multi Utility Vehicles (MUV) segment. It has tied up with Renault for manufacturing and marketing of 'Logan' brand of cars in India. Other major players are Toyota, Honda Motors and Ford; all of these are operating in the premium cars segment.

4.3 Competitive Forces in Indian Passenger Car Market

3.3.1 Critical Issues and Future Trends: Trends in respective segments of the Passenger Vehicle Industry

- **Industry Trends:** Surge in mini segment volumes and volume contribution of new models support volume growth in June 2014
- **Mini Car Segment:** Strong growth in segment volumes in June 2014 led by Maruti Suzuki Alto and Wagon R
- **Compact Car Segment:** Segment volumes decline by 10.8% in June 2014 (ex. Honda Amaze and Hyundai X cent)
- **Super Compact Car Segment:** Low base of June 2013 makes volume growth in June 2014 appear strong
- **Mid-Size Car Segment:** Segment volumes grow by 20.7% in June 2014 on the strength of volumes of the Honda City
- **Executive Car Segment:** Segment has remained amongst the weakest performing ones; but June 2014 volumes surge by 20.3% (ICRA 2014).

Future plan of action

The Company's R & D team will be working proactively in the following areas to meet the future requirements:

- Increasing the fuel efficiency of all models developing environment friendly vehicles
- Meeting emission and safety regulation
- More fuel options in existing models (Diesel / CNG / LPG) Latest technology options at an affordable price Focus on enhancing the capability in the field of electric vehicle or hybrid electric vehicle, EV / HEV
- Also continuous efforts are being made to make the vehicles more affordable by maintaining the vehicle cost through VA/VE and weight reduction activities.

The Company is continuously working on alternate materials and newer technologies to reduce the vehicle cost and weight.

The Company is fully geared for growth in the future in terms of capacity, products and network. The upcoming R & D Centre at Rohtak, the systematic capability development of its engineers and SMC's high focus on India, place the Company in a strong position to launch new models and enter new segments. The Company's ability to increase market share points to the strength of its marketing network, notably in rural areas and small towns. In the near future, the Company will further strengthen its marketing infrastructure to enhance it's connect and serve customers better.

In exports, the Company will make a concerted effort including network expansion, new products and focused marketing initiatives in markets in Africa, Latin America and the Middle East.

The Company considers quality as critical to maintaining leadership in the future. In line with this, it is strengthening efforts to upgrade product quality across the value chain, including suppliers at Tier-II and Tier-III. The Company's brand strength, relationship with its partners, committed people and cost capabilities will enable it to further strengthen its position in the Indian market.

4.3.2 SWOT Analysis: Analysis of Maruti's External Environment Porter's Five Force Model

Threats: With increasing raw material prices, and increasing competition and increasing environmental concerns, the road is not smooth for Maruti. Already foreign players are entering the market with their environmental practices which more often than not, surpasses what are prevalent in India, placing them in a much more advantageous position in terms of operating cost reductions and reputation in front of public. Technological advancement of foreign players also places them in a favorable position in meeting the strict emission standards set by the government.

Opportunities: There is a growing market for environmental friendly Hybrid electric vehicles which have an alternate fuel arrangement along with the traditional one, saving a lot on emissions and increasing fuel efficiency. It also places lesser burden on the petroleum based natural resources. Another opportunity is to bring in the state of art technologies followed by foreign players, thus saving a lot on the long run.

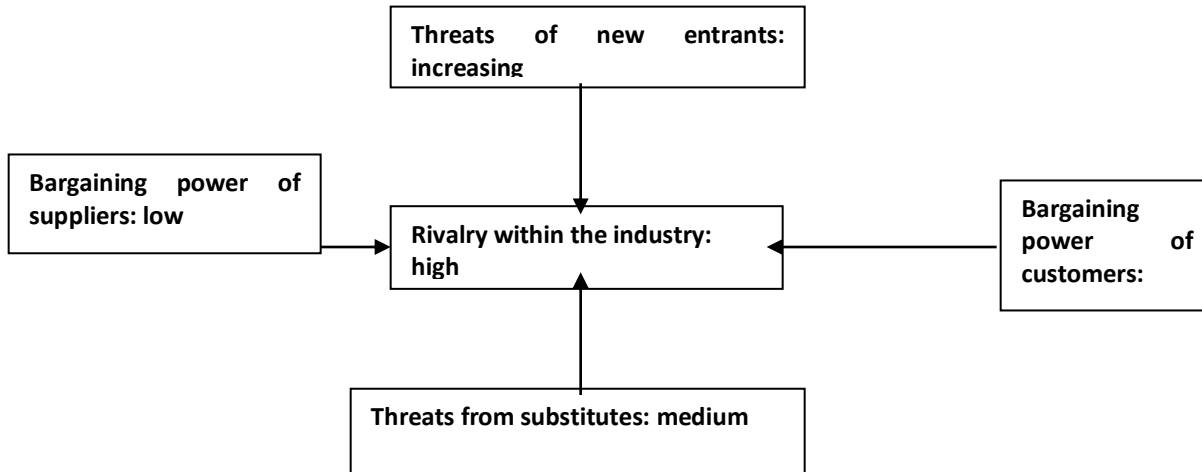
Strengths:

- Strong Network
- Presence
- Brand Image
- Knowledge of the market
- Strong Partnership

Weakness:

- Relatively new in the diesel car segment
- Image stuck on small cars
- Heavy import tariffs on imported models
- Government bureaucrats have made MUL unaccustomed to international standards or keen competitor

Analysis of Maruti’s External Environment Porter’s Five Force Model



a) Threat of New Entrants: Increasing

Although most of the major global players are present in the Indian market; few more are expected to enter due to the welcoming government policies and expected retaliation.

b) Threat of Substitutes: Medium

Maruti Suzuki faces serious threat from consumer shifting to hybrid or electric cars.

Currently, the electric car market in India is dominated by sole player Reva Electric Car Company. The threat of substitution is medium; there are various substitution product of Maruti like bus, trains, aircraft etc. and also company facing a competition from Chinese car. Hyundai, Nissan has come up with really impressive cars to challenge the dominance of Maruti. To response this and maintain its dominance in small segment, the Maruti announces Wagon R and Alto 800 in the year 2012-2013.

c) Bargaining power of Supplier: Low

Automakers are the key to the supply chain of the automotive industry. Maruti Suzuki has manufacturing units where engines are manufactured and parts supplied by first tier suppliers and second tier suppliers are assembled. There are a large number of automobile component suppliers whose switching costs are very high. Thus reducing the bargaining power of the suppliers

d) Bargaining power of buyers: Increasing

Today, consumers are considered kings in the automobile market. There is an increasing awareness among them and they are given a humongous number of choices. Buyers get incentives in the form of cost discounts and better after sales services. This further increases the bargaining power of the buyers.

e) Competitive Rivalry: High

Competition in certain segments is very high e.g., small and mid-car segment. Brands like Hyundai, Chevrolet, Tata and Skoda have given huge competition to Maruti Suzuki. In the recent past Volkswagen, Honda, Ford has also given competition to the premium car segment.

4.3.3 Portfolio Analysis of maruti Suzuki limited

BCG Matrix for MSIL

Maruti Suzuki, one of India's leading automobile manufacturer and the market leader in the car segment, both in terms of volume of vehicles sold and revenue earned.

STAR: The Company has long run opportunity for growth and profitability. They have high relative market share and high growth rate. SWIFT, SWIFT DEZIRE AND ZEN ESTILO is the fast growing and has potential to gain substantial profit in the market.

QUESTION MARK: These are also called as wild cats that are new products with potential for success but there cash needs are high and cash generation is low. MARUTI SX4, GRAND VITARA, RITZ fall in the category of question mark

CASH COW: It has high relative market share but compete in low growth rate as they generate cash in excess of their needs. ALTO AND WAGNOR have fallen to ladder 3 & 4 due to introduction of ZEN ESTALIO and A STAR.

DOG: The dogs have no market share and do not have potential to bring in much cash. Business of SX4, OMINI, and VERSA has liquidated and trim down.

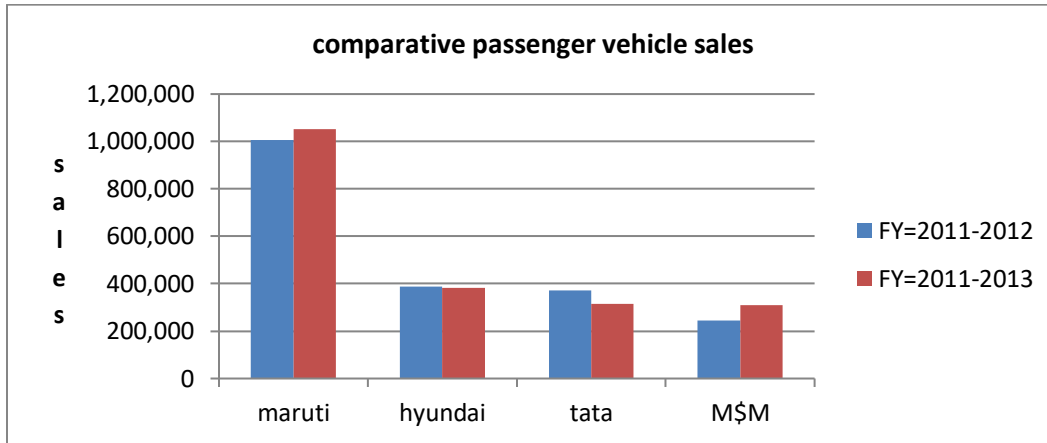
GE MATRIX OF MSIL

The GE matrix is an alternative technique used in brand marketing and product management to help a company decide what product(s) to add to its product portfolio, and which market opportunities are worthy of continued investment.

4.3.4 Competitor Analysis

Overall Indian Automobile Industry has shown marginal growth in FY 2012-13 compare to last fiscal year (FY 2011-12). According to Autobei Consulting Group (ACG) Production and Domestic sales, has registered growth of 1.20% and 2.61%; however export is negative growth due to negative global environment and fluctuation. One of the hot spot in world automotive industry is Indian car market. Indian car industry is going through turbulent times in now. Car sales are down by more than 6% in FY 2012-13 compare to last year of FY 2011-12. The main reasons are high interest rates, fuel price, high inflation, low movement in other sectors etc. Utility vehicle segment is having maximum growth in this segment. Following graphs shows figures of passenger vehicles domestic sales over the period of March –December 2012. M&M has shown a growth of almost 27% during FY 2012 -13 where as Tata Motors has shown a negative growth of 15% during the same period (RBSA).

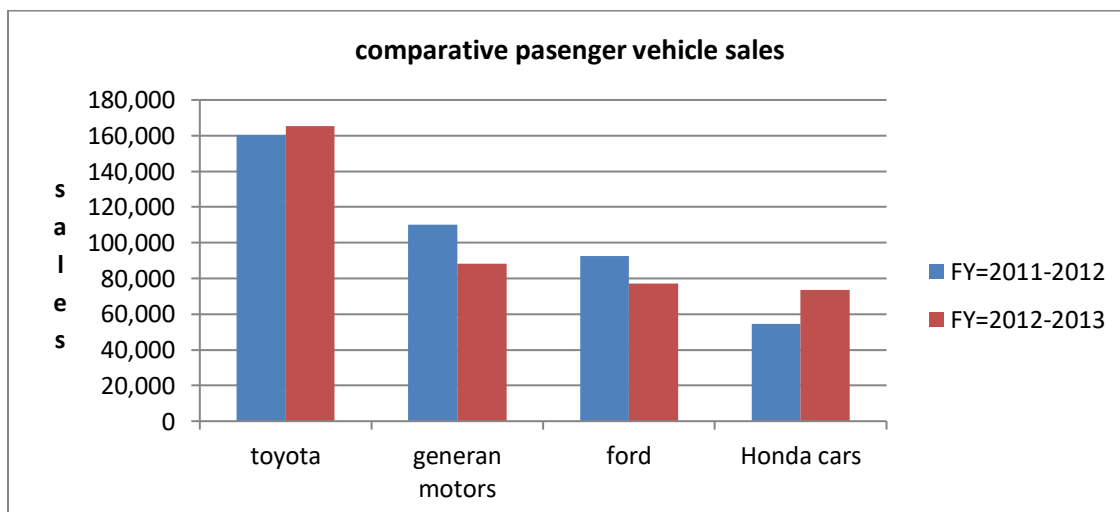
Figure 1: comparative passenger vehicle sales: FY 2011-2013



	maruti	Hyundai	Tata	M&M
FY=2011-2012	10,06,316	3,88,779	3,71,350	2,45,700
FY=2011-2013	10,51,046	3,83,611	3,14,464	3,10,707

Source: Financial Advisory Services – Team RBSA

Passenger car sales in India fell 7 percent in FY2013, the first such decline in over a decade, based on the data provided by Society of Indian Automobile Manufacturers (SIAM). The industry body is, however, hopeful of a pickup in fiscal year 2014.



	Toyota	general motors	ford	Honda cars
FY=2011-2012	1,60,203	1,10,050	92,665	54,420
FY=2012-2013	1,65,504	88,150	77,225	73,483

Source: Financial Advisory Services – Team RBSA

Competitors in the Sector:

According to (SIAM, 2013) the gain in market share for Maruti Suzuki comes at a time when annual car sales in India declined for the first time in 11 years in 2013.

Maruti Suzuki India Ltd, the nation’s largest carmaker, saw its market share in the nine months ended 31 December rise to the highest in three years as it recovered from labor unrest at its Manesar plant that had crippled production in 2012 and sold more vehicles in small towns and villages. The local arm of Japan’s Suzuki Motor Corp. saw its share in the passenger car market increase almost six percentage points to 49.24% from 43.85% in the year ago, according to Society of Indian Automobile Manufacturers (SIAM) data. The gain in market share for Maruti comes at a time when annual car sales in India declined for the first time in 11 years in 2013. Car sales dropped 9.59% in the previous year, Siam said on 9 January, as buyers postponed purchases amid a slowing economy and rising cost of fuels. For the nine-month period since the start of this fiscal, Maruti’s sales rose 6.7% from a year ago to 637,000 units, even as overall domestic sales for the passenger car market contracted by 5% to 1.29 million units. Analysts said the growth in Maruti’s market share also shows that fear of competition from newer models launched by rivals were overdone.

Two of the main competitors for Maruti are Honda and Tata Motors. The players in the sector are mostly ISO 14001 credited, which implies that the sector is sensitive towards the environment protection. Some of the practices followed by Maruti’s competitors are:

Honda:

Honda is known for its environment friendly practices and is recognized by many governments across the world. Honda calls his commitment to environment “environmentology” defining it as “an ongoing commitment to environmentally responsible technology”. Honda spends a lot of R&D on green cars. It was the first company to bring in the concept of fuel cars and hybrid cars. Honda is awarded ISO 14001 certification for its environmental practices.

Tata Motors:

Tata motors actively engage in the sustainable environment practices. It ensures that its products are environmentally sound in a variety of ways. These include reducing hazardous materials in vehicle components, developing extended life lubricants, fluids and using ozone-friendly refrigerants. Tata motors’ endeavors towards environment protection are soil and water conservation programmes and extensive tree plantation drives. Tata Motors is also awarded ISO 14001 certification for its environmental practices.

Table 2: Market share in %, April-Dec.2013

The auto industry	Maruti Suzuki	Tata motors	Toyota	Volkswagen	Fiat India	Ford India	General motors	Hindustan motors	Honda cars	M&M
Market share %	49.24	6.18	3.46	3.18	0.6	2.34	3.16	21.44	6.56	0.63

Source: Society of India automobile manufacturer (SIAM 2013)

Maruti Suzuki saw its share in the passenger car market increase to 49.24% in April-December from 43.85% in the year ago period.

5. KEY STRATEGIC INITIATIVES BY MARUTI

5.1 Turnaround Strategies Maruti Followed

Maruti’s Green Philosophy

Maruti’s Green Philosophy stems from its use of “Three R’s”: Reduce, Recycle and Reuse policy in its plants, so that there is a minimal stress on natural resources. The company has launched a number of initiatives under its Three R’s umbrella to make the plants more efficient in terms of resource usage. It is also certified with ISO 14001:1996 for its Environment Management System programme and uses the principle of “Smaller, fewer lighter, shorter and neater” for its operations.

Maruti – Sustainable Operations through Internal Efficiency

Maruti in recent years, owing to several innovative measures like investing in green equipments, its employee-driven campaigns and Kaizens (shop floor improvements), has drastically reduced the consumption of power and water and the waste generation in its facilities. Company also credits this decrease in utility consumption to its adoption of “just-in-time” approach towards operations. Some of the facts and figures supporting Maruti’s claims are (figures available for year 2007):

- Total energy consumption per vehicle is down by 26 % over the last six years.
- Power Consumption has come down by 31 % over the last six years.

- Water Consumption per vehicle has dropped by 63% over the last six years.
- Landfill waste has come down by 67 % over the last six years.
- Carbon Dioxide emissions per vehicle (produced during manufacturing) are down by over 39% in last five years.

Maruti is not only working towards implementing environmental best practices in its facilities, but also takes active part working in collaboration with its suppliers to implement best practices in their facilities through its Environment Management System (EMS), bringing benefit to the entire value chain.

Initiatives Taken by Maruti

Initiatives taken by Maruti that helped the company bring down its utilities consumption and waste generation levels are listed below. To honor its green philosophy, Maruti labels the initiatives under its “Three R’s”.

Reduce: reducing water usage in its air-conditioning plant, Reducing water consumption, Reducing consumption of raw paints, Rightsizing of equipments, Three-coat-one-bake painting system, Use of solar energy in form of solar lamps and heaters helps in reducing power consumptions, Use of natural ventilators and Reducing noise pollution.

Reuse: Waste Heat Recovery, Sheet metal scrap utilization, Reuse of sewage treatment plant sludge and Reuse of packaging material: Maruti ensures almost 100 % of domestic components come in collapsible boxes, making them easy to reuse and in turn reducing wood and cardboard wastes.

Recycle: Recycling groundwater, Recycling Water, 100% recycling: Through technologies like “Reverse osmosis” and “tertiary treatment” used in its Effluent Treatment Plant, Maruti recycles almost 100 % of its waste water, bringing down the need for fresh water by almost 28%.

Other initiatives

Secured landfills for non-incinerated wastes, Pollution check camps, CFLs: Has converted many of his traditional lights to CFLs and encourage their employees to do the same in their houses, Information Portal. As of present, Government of India has disinvested its stakes in the company completely, and handed over the management of company to Suzuki Motor Corporation. Today, Maruti and its partners employ more than 75,000 employees. Its manufacturing facilities are located at two locations, Gurgaon and Manesar, both south of New Delhi.

The product strategy of Maruti is that its focus is on catering the needs of almost all the segments. Maruti Suzuki offers 16 brands consisting of Maruti 800, Maruti Omni, Maruti Alto, Maruti Versa,

Maruti Gypsy, Maruti A Star, Maruti Wagon R, Maruti Zen Estilo, Maruti Swift, Maruti SX4, Maruti Kizashi, Maruti Eeco, Maruti Ertiga, Maruti Grand Vitara and 150 variants spanning across all segments. Thus company creates products that are unique and valued and it is attaining advantage either through differentiation via new features, improved performance, after sales service or through cost leadership (Fatma & Kumari 2013).

Both manufacturing facilities of maruti have a combined production capacity of 14, 50,000 vehicles annually. Maruti has a strong dealer network. In fact it was one of the very first companies in the country to understand the importance of after sales service in high involvement products like cars. It has the largest distribution & Service network comprising of over 400 sales showrooms, over 600 dealer workshops, and 1900 Authorized Service Stations spanning across over 1190 cities unparalleled in the country. It has 30 Express Service Stations on 30 National Highways across 1,314 cities in India. Most of the service stations are managed on franchise basis where Maruti trains the local staff. To increase their reach to rural India, where setting up a complete dealership was very difficult, they opened extension counters which are operated by some dealer in the city thereby ensuring increased customer touch points without risking the viability of the dealers.

It is obvious that Visions of any company are those values on which company works.

As the MSIL is started by Governmental initiatives it tends to be more consumer oriented and hence cost effective, but on the other hand Suzuki's participation ensures not only need of the profit, but of the need of maximum profit. The only way for this Nora's dilemma of selecting principals for company's working vision, was to maximize profit and reducing cost by maximizing output and sales. Hence MSIL declared its Vision as-"The Leader in the Indian Automobile Industry, Creating Customer Delight and Shareholder's Wealth; eventually become a pride of India". Customer Delight is making sure that performance, after sales service and customer support are best and beyond expectation. Shareholder's wealth is the prime concern for running business smoothly. MSIL knows this and understands "customer is king".

Further, Mission is the statement of an organization's purpose, what it wants to accomplish in the larger environment and its goals which are specific, realistic and motivating. Missions are described over visions and visions demand certain objectives. The main objectives/Missions of MSIL are Modernization of the Indian Automobile Industry, Developing cars faster and selling them for less, Production of fuel-efficient vehicles to conserve scarce resources, Production of large number of motor vehicles which was necessary for economic growth, Market Penetration, Market Development Similarly Product Development and Diversification and Partner relationship management, Value chain, Value delivery network.

According to Lokhande & Rana (2013), the core values of company include: Openness and learning Innovation and Creativity Fast, Flexible and First mover Customer Obsession Networking and Partnership

5.2 Current Strategies Followed by MSIL

- a) Focus on small market segment to beat the stiff competition.
- b) Develop capabilities & internal resources to finance its expansion and growth.
- c) To stay away from ultra-low cost segment.
- d) To make India an exclusive small car manufacturing base to leverage frugal engineering.
- e) To establish R&D facility in India to produce cars in India, starting from design till production
- f) Pricing Strategy*
- g) Repositioning Of Maruti Products+
- f) Pricing Strategy*

The price is the amount a customer pays for the product. It is fixed after considering various factors such as market share, competition, material costs, product identity and the customer's perceived value of the product. The business may increase or decrease the price of product if other stores have the same product. The price decision is very sensitive and for that special care is to be taken to get the competitive edge. There are various factors to determine a price of a car, such as market condition, cost incurred to build a car, profit by company, dealer profit. The company's pricing strategies are such that every customer can own a car or upgrade to another one of his or her choice. The company offered a different model at a price difference of around 10,000. It follows a price-point-strategy wherein they have products available in almost all possible price points (Fatma & Kumari 2013).

Table 3: price range of maruti Suzuki India limited

Car Models (Maruti)	Price Range (Rs.)
Maruti 800	2,10,027 - 2,32,610
Maruti A-Star	3,81,171 - 4,66,219
Maruti Alto 800	2,42,775 – 3,56,775
Maruti Alto K10	3,21,358 - 3,34,598
Maruti Eeco	3,05,675 - 4,10,893
Maruti Ertiga	5,98,970 - 8,70,970
Maruti Grand Vitara	22,68,064 - 24,60,529
Maruti Gypsy	5,51,409 - 6,01,057
Maruti Kizashi	16,52,875 - 17,52,875
Maruti Omni	2,17,655 - 2,82,013
Maruti Ritz	4,32,237 - 6,33,612
Maruti Swift	4,48,893 - 6,87,768

Maruti Swift Dzire	4,92,354 - 7,50,483
Maruti SX4	7,38,114 - 9,79,786
Maruti Wagon R	3,57,880 - 4,44,674
Maruti Zen Estilo	3,45,829 - 4,36,136

Source: www.cardekho.com/Maruti/carmodels/pricerange

Maruti Suzuki's Brand Equity

Diversification of Business: Maruti has successfully developed different revenue streams without making huge investments. It has ventured into MDS, N2N, Maruti Insurance and Maruti Finance. These help them in making the customer experience hassle free and helps building customer satisfaction.

Maruti Finance

Maruti Suzuki Finance helps customers realize their dream of owning a car with deals right at the dealership. Starting from choosing the right financier, until the completion of loan formalities, The Company is there for its customers at every step of the auto finance process. Maruti finance does have the following advantages;

- One stop shop for customers' needs: Maruti Suzuki Finance offers a customer, the convenience of a one stop shop for all his vehicle finance related needs – the customer can complete all finance related formalities at the dealership i.e. buying car, availing finance – all under the same roof.
- Wide Choice of financier: Maruti Suzuki Finance has a tie-up with 34 finance partners like Sundaram Finance Car Loan, Shriram Car Finance and Bajaj Finance Car Loan, who have a pan-India presence. This provides a wide variety of choices to the customers, who can avail finance from any of the partners, according to their needs and profiles.
- Special offers and benefits: Maruti Suzuki Finance negotiates with its finance partners to launch special sales promotion schemes like low down payment schemes, low interest rates and other promotional offers that are not available otherwise. We also help customers buy cars from the wide network of Maruti Suzuki dealers who help customers with the best car finance interest rates.
- Creating customer delight: Maruti Finance, through the finance partners, endeavors to create customer delight by providing the best car finance, financier for every profile and geography, better interest rate, processing time etc.

Maruti Insurance:

Maruti Insurance Broking Private Limited is Insurance Brokers licensed by insurance regulatory and development authority (IRDA). They take care of all your car insurance needs on a single window

concept and are trusted for their customer centric approach and services. Maruti Insurance offers special Motor Insurance products from leading Insurance Companies like National Insurance, New India Assurance, ICICI Lombard, Iffco Tokio, Royal Sundaram & Bajaj Allianz. Maruti Suzuki service centers, equipped with state-of-the-art facilities and infrastructure, ensure quality repairs with Maruti Genuine Parts and trained technicians. Maruti Insurance also ensures excellent customer service with utmost fairness and transparency available to you across the country. No wonder, more than 90% customers buying a Maruti Suzuki, prefer to buy a Maruti Insurance Policy for their car. Maruti insurance does have the following advantages;

- Near cash-less accident repairs
- Seamless services across nation
- Hassle free, fair and transparent claim settlement
- Quality repairs at authorized dealer workshops
- Dealer assisted towing facility
- Easy transfer of no-claim bonus
- Instant policy issuance

True Value – Initiative to capture used car market:

Maruti True Value is India's largest certified, used car dealer network, with around 668 outlets spread across 393 cities. Maruti True Value system and process ensures that transactions in used cars are fair and transparent. Every vehicle bought under Maruti True Value is inspected and certified by Maruti Suzuki engineers. True Value category cars are refurbished in state of art workshops using Maruti Genuine Parts and by skilled technicians. These cars are then sold through Maruti True Value outlets with one -year warranty and three free services. Simply put, it's the best place to buy, sell or exchange a used car.

Unique advantages

- India's largest certified used car dealer network
- 340 outlets in 197 cities and growing
- All car related services under one roof
- Professionally trained manpower
- Complete peace of mind

Maruti True Value business expands the family of Maruti customers, providing reassurance to existing Maruti customers about resale of their cars and further emphasizes Maruti's Commitment towards enhancing customer satisfaction by continuous association during the vehicle ownership life cycle. No one knows your Maruti car better than Maruti - based on this premise; Maruti channelizes its expertise

to ensure that transactions in pre-owned cars are transparent and fair. Through that, the company endeavors to extend the relationship and emotional connect that it enjoys with the customer. True Value has transparent and fair evaluation process, which is currently missing in the largely unorganized market for pre owned cars. Maruti True Value processes and systems ensure that the seller gets the right price and is paid promptly. Under True Value, the seller has the option to be paid in cash, or get a True Value car in exchange. True Value category cars bought by Maruti True Value dealers are taken to state-of-the-art workshops. As a mark of confidence, and to provide reassurance to customers, every vehicle bought under Maruti True Value is inspected and certified by Maruti Engineers and the Car carries a one-year warranty and three free services. Convenient finance options are also offered to buyers of Maruti True Value cars (Malhotra and Sinharay)

Vehicle Maintenance Services Promotion: In 1999, management of Maruti observed that while car companies were moving from products to services, trying to capture more of the total lifetime value of a car, Maruti was just making and selling cars. If a buyer spends Rs 100 on a car during its entire life, one-third of that is spent on its purchase. Another third went into fuel. And the final third went into maintenance. So Maruti decided to take a big share of this final one-third spent on maintenance. For this they started conducting free service workshops to encourage consumers to come to their service stations (Malhotra & Sinharay).

Maruti Driving School

Opened in association with our dealer network, MDS is where you can get world-class driving training to go ahead and drive with confidence. Inculcating global best practices, learning at MDS includes: Classroom and Attitudinal Training. Advanced simulators to create on-road driving situations, so that learners get a first-hand feel of the road before they actually drive. Special initiatives that have lady instructors for women learners. Today, there are over 322 MDSs nationwide. We have already created 5 lakh better, more confident drivers, and the numbers are growing every day.

g) Repositioning Of Maruti Products+

Maruti's strategy does not allow those vehicles/ brands to exist in the market once the brand's sales becoming declining and being eroded by the newly coming brands as product cannibalization. Changes are being made on ongoing basis to make the product compliant to the changing environment and thereby satisfy the utilities of their respected customers. Among these some of the following changes have been made. The following are some of the milestones

2006- New car plant and the diesel engine facility commence operations during 2006-2007 at Manesar, Haryana. In November Maruti inaugurated a new Institute of Driving Training and Research (IDTR) set up as a collaborative project with Delhi Government at Sarai Kale Khan in South Delhi.

- 2007- Board of Directors gave approval to new name MUL to become Maruti Suzuki India Limited. Corporate Social Responsibility: adopts three villages in Manesar
- 2008- M-800 crosses 25 lakh marks.
MSIL celebrates its Silver Jubilee.
MSIL launches National Road Safety Program.
- 2009- A-STAR or Suzuki Alto debuts at Geneva Motor Show sales begin. Capacity to manufacture expanded from 800,000 to a million Units (Gurgaon plus Manesar plants) annually.
- 2010- Launched Alto K10.
- 2012- Maruti Ertiga, seven seater MPV R3 designed and developed in India, will compete with Toyota In nova, Mahindra Xylo, and Tata Sumo Grande. In early 2012, Suzuki Ertiga will be exported first to Indonesia in Completely Knock Down car.
- 2014- Maruti XA Alpha will be launched

Table 4: Maruti’s Current models

Launched	Model	Category
1984	Omni	Minivan
1985	Gypsy	SUV
1999	Wagon R	Hatchback
2005	Swift	Hatchback
2007	Grand Vitara	Mini SUV
2008	Swift DZire	Sedan
2009	Ritz	Hatchback
2010	Eeco	Miniva
2010	Alto K10	Hatchback
2011	Kizashi	Sedan
2012	Ertiga	Mini MPV
2012	Alto 800	Hatchback
2013	Stingray	Hatchback
2014	Celerio	Hatchback
2015	Ciaz	Sedan

Table 5: Maruti’s discontinued models

Launched	Model	Discontinued	Category
1985	Gypsy E	2000	SUV
1990	1000	2000	Sedan
1993	Zen	2006	Hatchback
1994	Esteem	2008	Sedan
1999	Baleno	2007	Sedan
2001	Versa	2010	Minivan

2003	Grand Vitara XL7	2007	Mini SUV
1983	800	2012	Hatchback
2000	Alto	2012	Hatchback
2006	Zen Estilo	2013	Hatchback
2008	Astar	2014	Hatchback
2007	SX4	2014	Sedan

Source: http://en.wikipedia.org/wiki/Maruti_Suzuki_10/08/2014

Implement Environmental Friendly Practices

The main objective for Maruti in implementing eco-friendly measures is to reduce the operating costs, thus reducing the average car making cost. In these competitive markets, Maruti is trying to be competitive by cutting on its energy consumption costs. Rising prices of steel have made all car companies to minimize on its steel scrap losses. Another major driver that forces Maruti innovate on their cars is the emission norms imposed by government. Also with the changing fuel specifications, the automobile companies are forced to change the engine designs so that cars can run more efficiently. Other than that, Maruti has ISO 9001:2000 and ISO 14001:1996 certificates and have to follow them ardently. Maruti also has to comply with other acts setup by the government like Environment Protection Act (1986), Water (Prevention and Control of Pollution) Act and the Air (Prevention and Control of Pollution) Act. Also Government has announced environmental policy for automobiles which each automobile manufacturer has to follow.

5.3 Core Competencies of MsIL:

Core competencies of an organization can be simply defined as a set of qualities, which are unique to that particular organization that cannot be easily imitated by its competitors. Core competencies are factors which give competitive advantage to the organization in its chosen market. Core competencies may be of various types- technical know-how, relationship with customers, employee-dedication, manufacturing process etc.

An analysis of the Maruti Suzuki India Ltd. shows three core competencies:

1. Strong Customer Base & Brand image –

The MSIL has a market share of about 55% in the Indian passenger car segment and is the largest manufacturer of small cars in India. The company has been voted as first by Indian customers for level of customer service and customer satisfaction. The company manufactures affordable small cars which serve the needs of an average Indian customer faithfully and hence have a strong brand image as the common man's car in India, which an average Indian customer identifies with. Such a strong brand image and huge customer base can sustain the position of the company as the market leader in the

Indian small car segment.

2. Well-developed sales and service network throughout India –

The Maruti Suzuki India has a strong dealership network comprising more than 450 cities across India and a huge service network of more 2750 franchises of service outlets spreading about 1300 cities throughout India. Such a widely distributed sales and service network can help the company to relate with its customers across India and also facilitates bargaining power with suppliers and increase profitability.

3. Very Strong knowledge of Indian market

The Maruti Suzuki India has a strong knowledge of the Indian market which has helped them to grow their sales and market share in India.

5.4 Maruti's future/ Going Forward Strategy:

- The company has instituted projects to further strengthen its market position and profitability and to build R&D capability and capacity for the future. Production capacity is being enhanced with two more plants at Manesar. Each of these two plants will have an installed annual capacity of 250,000 cars.
- The company developed in house i-GPI (integrated gas port injection) technology and launched factory-fitted CNG variants for five of its models: Alto, Wagon R, Eeco, Estilo and XS4. The company believes that once CNG availability improves across the country, it could become a popular option wing to its low cost and environment friendliness. Apart from launching new products, the company added 131 new sales outlets to reach 933 outlets in 668 cities and increase its service reach to 1,395 cities with 2,946 outlets. The company's met work is now serving about 1'2 million vehicles every month. With increasing service load, the importance of training has taken priority. The company has initiated tie-ups with 28 IT IS (industrial training institutes) to enhance availability of technical man power at work shops (Ankit Singh, 2012).
- On the environmental front, in fiscal year 2010-2011 the company made improvements on its energy and water consumption at its manufacturing sites at Gurgaon and Manesar. Emission levels at both sides were strictly monitored. To reduce emission do to transportation, the company is working on a project to transport cars by rail.
- Maruti faces a lot of competition from both domestic competitors and foreign competitors, and thus has to cut into its margins to be competitive. To sustainably run operations, Maruti has to further decrease its operations costs by implementing best environmental practices. Also, it should look into alternate technologies like hybrid cars and fuel cars and should work towards manufacturing them in their facilities. With the growing fuel prices, it is imperative for Maruti to increase its fuel efficiency, and thus will also have to modernize its facilities to be the state of art

facilities.

5.4.1 Maruti Suzuki's Key Success Factors

1. Technology-Related KSF's

- R&D facilities and Japanese collaboration.
- Suzuki internationally known for Small cars.
- Launch of World class quality cars like A-STAR and SPLASH

2. Manufacturing-Related KSF's

- Designing cars best suited for Indian market.
- Cost leadership in the market due to efficient value chain and manufacturing plants.

3. Distribution-Related KSF's

- The record sales performance was affected through the Company's vast dealership network.
- Car sales outlet increased to 600 covering 393 cities.
- There are 265 'Maruti True Value' outlets spread across 166 cities, which are engaged in the sale, purchase and exchange of pre-owned cars. 'Maruti True Value' is the largest organized pre-owned car sales network in India.

4. Marketing-Related KSF's

- Full range of cars-from entry level Maruti 800 & Alto to stylish hatchback A-star, Swift, Wagon R, Estill and sedans DZire, SX4 and Sports Utility vehicle GrandVitara.
- Communication through advertisement is totally to the need of Indian culture
- Pan-India service network.

5. Skills and Capability-The service network had a total of 2,628 service outlets including dealer workshop as well as Maruti Authorized Service Stations, covering 1220 cities.

5.4.2 Future challenges

Key Risk Factors of the Automobile Segment

According to Sector Report on "Four-Wheeler Industry" by DBS Cholamandalam Securities Limited, the following are some of the future challenges of maruti Suzuki as one segment of the automobile sector, passenger vehicles.

- Correlation with the economy: A slowdown in the economy is a serious concern for the automobile segment as the sales are hugely correlated with the economic activity in the country and purchasing capacity of the customers. For example, the recent economic downturn severely affected the sales of auto OEM's and sales between September 2008 to December 2008 dropped by about 13%. Though sales have picked up, such a slowdown may lead to lower investments in infrastructure, which in turn will affect the industry demand.

- Increase in input material prices: In the recent past, cost of most of the key raw materials (especially metals) for the Automotive Industry has gone up significantly. Higher steel prices have especially been a key concern (metal prices dropped in early 2009, though now it is improving). The Automotive Industry has tackled rising raw material prices both by passing part of the costs through price hikes and also by optimizing their selling & advertising costs.
- Higher inflation and increase in fuel prices: Higher inflation and the constantly increasing fuel prices considerably affect the demand for automobiles in the near term, since these directly increase the running cost of vehicles for the customer and thus also have a negative impact on the demand for vehicles.
- Rise in interest rates: Easy availability of low cost finance is one key demand driver for the automobile segment, but the increasing interest rates have a dampening effect on the demand.
- Low availability of skilled human resources: One of the key areas in the automobile segment where significant gaps exist is the availability of skilled manpower. The problem is not so much in terms of quantity, but more in terms of quality of manpower available. More so, the problem is destined to aggravate going forward considering the kind of growth and development that is foreseen for the Indian automobile segment.

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