

The second chapter deals with the Global car Market, Global Car Giants in India and the Domestic Car Market.

Chapter Three discusses the Brand Equity which includes different author's opinion and valuation methods.

Chapter Four deals the impact of respondents demographic and usage pattern towards brand preference.

Chapter Five is devoted to explaining the brand equity of various cars in family car segment.

The final chapter is a summation of findings and suggestions made in the context of the findings.

CHAPTER II

CAR MARKET

2.1 INTRODUCTION

Automobile Industry is considered to be one of the key sectors of any economy; it is capable of being the driver of economic growth because of both its backward as well as forward linkages with other sectors in the economy. According to the automotive Mission Plan (2006 – 16), india is one of the fasted growing automobile industries in the world . The sector's share in Gross Domestic Product (GDP) rose from 2.8% in the fiscal year 1992-93(April 1992 – March 1993) to 5% in the fiscal year 2005-06 and it has been rising every year since then . In the year

2009 -10 , Indian automobile industry produced more than 2 million passenger cars and more than 0.5 million commercial vehicles.¹

According to the Eleventh five year plan (2007 -12), after liberalization in 1991 , Indian Automotive Industry had registered a spectacular growth of 17% during five fiscal year ranging between 2000-01 and 2005-06. Till 2002-03, it had achieved an investment of INR 50,000 cr (US\$10.99bn) which went up to INR 80,000 cr in 2007 (US\$17.58bn) with a turnover of INR1,65,000 cr (US\$36.26bn).² Moreover, an investment worth INR 35,000 cr (US\$7.69bn) was in the pipeline. According to the Annual Report (2007-08)³ of ministry of heavy industries and

1. Indian Automobile Production “<http://www.oppapers.com/essays/india-Automobile-industry/155618> ”, Retrived on 2010-10-08

2. Automobile Investment, <http://www.siamindia.com/upload/AMP.pdf>, Retrieved 2010-11-11

3. Report on working group on Automobile Industry , Eleventh Five Year Plan (2007 – 12) , Department of Heavy Industries , Department of Heavy industries and public enterprises , India (August 2006).pp.156-59.

public enterprise ,government of India, India is the second largest two-wheeler manufacturers in the world , fifth largest commercial vehicle manufacturer in the world , largest manufacturer of tractors in the world and fourth largest passenger car market in Asia. This achievement of the automotive industry could be attributed to the Indian government’s decision to de-license the sector followed by up to 100% foreign direct investment through automotive route which enabled the industry to embark on a new journey since 1991⁴. The above initiatives resulted in setting up of manufacturing facilities by major global players. It resulted in the massive enhancement of the production level of automobiles (which included passenger vehicles , Commercial Vehicles ,two wheelers and three wheelers) from 2 million⁵ in 1991 to 11.17 million⁶ vehicles in 2008-09. The above measures taken by the Indian government made india the new launch pad for global car manufacturers like Honda, Ford, Hyundai, General Motors, etc.,

Rising level of income of the Indians , availability of easy credit facility , relaxation in regulations by the Indian government in terms of import tariffs and equity regulation could be attributed as major reasons for this upsurge.

2.2 INDIAN AUTOMOBILE HISTORY

The origin of automobile is not certain. In this section of automobile history, we will only discuss about the phases of automobile in the development and modernization process since the first car was shipped to India. We will start automotive history from this point of time.

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- 4.Yogyata Dalta , “ Automobile Industry Analysis ” , Indian Institute of Management , Bangalore,p.5.
 - 5.Business India Index ”, Compiled by Anoop Babani , Business India , July 12-25,1999.
 - 6.The Hindu Survey on Indian Industry 2009, p-209.

The automobile industry has changed the way people live and work. The earliest of modern cars was manufactured in the year 1895. Shortly the first appearance of the car followed in India. As the century turned, three cars were imported in Mumbai (India). Within a decade there were a total of 1025 cars in the city.

The dawn of automobile actually goes back to 4000 years when the first wheel was used for transportation in India. In the beginning of 15th century Portuguese arrived in China and the interaction of the two cultures led to a variety of new technologies, including the creation of a wheel that turned under its own power. By 1600s small steam-powered engine models was developed, but it took another century before a full-sized engine-powered vehicle was created⁷.

The actual horseless carriage was introduced in the year 1893 by brothers Charles and Frank Duryea. It was the first internal-combustion motor car of America, and it was followed by Henry Ford's first experimental car that same year⁸.

One of the highest-rated early luxury automobiles was the 1909 Rolls-Royce Silver Ghost that featured a quiet 6-cylinder engine, leather interior, folding windscreens and hood, and an aluminum body. It was usually driven by chauffeurs and emphasis was on comfort and style rather than speed.

During the 1920s, the cars exhibited design refinements such as balloon tires, pressed-steel wheels, and four-wheel brakes. Graham Paige DC Phaeton of 1929 featured an 8-cylinder engine and an aluminum body.

7.P.Parvathisem,"Auto Casting : Thrust Area for Aluminium Industry " , Motor India , December 1999, Vol.44, No.5,p.74

8.Sanjay Narayan , " Car Wars " , Business World , 22nd January 1988, Vol.17, Issue 20.p.14.

The 1937 Pontiac De Luxe Sedan had roomy interior and rear-hinged back door that suited more to the needs of families. In 1930s, vehicles were less boxy and more streamlined than their predecessors. The 1940s saw features like automatic transmission, sealed-beam headlights,and tubeless tires.

The year 1957 brought powerful high-performance cars such as Mercedes-Benz 300SL. It was built on compact and stylized lines, and was capable of 230 kmh (144 mph)⁹.

This was the Indian automobile history, and today modern cars are generally light, aerodynamically shaped, and compact.

2.2.1 Evolution of Passenger Car Industry in India

The story of Indian automobile industry, since independence, has been one of missed opportunities and step-fatherly treatment on the part of Indian policy makers. The Government's role in managing the Indian economy at a macro level has also influenced the history of the auto industry.

Since 1947, India borrowed the ideals of socialism and central planning from the former Soviet Union. It alienated itself from the rest of the world in that belief that international interaction would lead to economically dependent imports, which could be substituted by domestic products. All foreign investments were banned. This planned approach meant the nationalization of all key sectors of the industry. The private sector was regulated by a strict policy of licenses and discriminatory controls. This closed-door policy of India came to be known as 'License-raj'

9. Sumit Mitra , “ Engine Trouble” , India Today, May 17,1999,Vol.24,Issue No.20.p.28.

2.2.2 Earlier Protected Market

The automobile industry particularly the car industry, fell a victim to the government's active role in economic planning. The automobile was treated as a luxury product and was subjected to severe regulatory policies, thereby considerably weakening the industry's position, by restrictions on capacity, foreign exchange allocations, restrictions on foreign collaboration, price controls and taxes. In simple, the government does not want too many cars. The belief was that India was too poor country to waste scarce resources on such luxuries. Furthermore after Independent India's transport policy traditionally favored the development of railways and public transport, rather than priority over the use of private vehicles.

2.2.3 Early Beginnings

It is on record that the first Motor car on the streets of India was seen in 1898. Mumbai had its first taxi cabs by the turn of the century and in 1903, an American company began to operate a public taxi service here with a fleet of 50 cars. For about 50 years after the first car arrived in India, cars were directly important until foreign manufacturers began to realize the vast potential in India. Before World War I, around 4,000 Motor Vehicles (Cars and Commercial Vehicles) were important, during the years between the wars a small start for an automobile industry was made when assembly plants were established in Mumbai, Calcutta and Chennai. The import/assembly of vehicles grew consistently after the 1920's crossing 30,000 units by 1930.¹⁰ It was towards the end of the war that the importance of establishing an indigenous

10. Auto India, "50 years of Independence and still Dependent", Aug97, Vol.No.5, Issue3, p.50
automobile industry in india was realized when premier Automobile (PAL) and Hindustan Motors (HM) set-up factories in the mid 40's for progressive manufacture rather than assembly from imported components. HM was established in 1942 for the manufacture of certain auto components, but it was only in 1949 that the company actually began making cars. PAL was founded in 1944 by Seth Walchand Hirachand, a visionary and industrialist of pre-independent India. In early 1946 assembling of the Dodge Desoto and Plymouth cars at PAL's Kurla plant commenced. Hence PAL earned for itself the unique distinction of becoming India's first automobile manufacturer. In the six decades following independence, PAL and HM together symbolized India's indigenous passenger car industry. While PAL and HM focused on passenger

cars at the time of independence , the Mahindra Brothers , Kaliash Chandra and Jagdish Chandra founded Mahindra & Mahindra in 1945 , with the objectives of making utility vehicles.

2.2.4 Scenario Prior to 1980

The period prior to 1980 constituted one distinct phase of the Indian passenger car industry. During this phase, there was practically no competition in the industry. Industry structure had just two or three players. The industry size and growth rate was small. The industry size was marked by a major entry barrier the licensing system. Quality of vehicles produced was poor , customers service was an unknown phenomenon . Manufacturer's approach to customers was 'take it ' or 'leave it '.Protected by the regulated economy and denied of the opportunity for healthy growth by the same token, the industry was simply frustrating the Indian motorists. In 1980 the total output was 30,538 ¹¹.

11. The Hindu Survey on Indian Industry 1987," Indian Automobile Industry"p.199.

2.2.5 Scenario between 1980 and 1990

The 1980's constituted the second distinctive phase. It was marked by the entry and consolidation of Maruti. The entry of Maruti brought about the substantial investment change in the Indian passenger car industry . Backed by Suzuki of Japan , Maruti Udyog Ltd.,(MUL) then a public sector unit, introduced the fuel-efficient car , Maruti 800 , in the Indian Market.The market of cars grew , after production in 1983 and the sales doubled to 1,78,000 vehicles by the end of 1988.For the first time , technological achievements began to show their impact on the industry.Maruti's capacity was also high, compared to the other car manufacturers.Until 1983,when Maruti Udyog commenced its operations , the total output of 45,090 units was due to

HM ,PAL, Standard Motors and Sipani.The output rose to 4,05,090 in 1983 from 30,538 in 1980.¹¹

2.2.6 Rise in Car Output

Within a year , MUL production reached a level of 100 cars a day .¹² Before the entry of MUL , Premier Automobiles Ltd (PAL) which had overtaken Hindustan Motors Ltd.(HML) maintained a production level of 2800 cars a month, leaving the makers of the Ambassador behind, with a tally of 2,200 cars. It was the qualitative cum quantitative thrust of Matuti that bought about a significant change in the industry. In 1988 MUL optimum use of licensed capacity was 1,40,000.

11. *ibid*, p.212,

12. *ibid*, p.201

2.2.7 First Winds of Liberalization

In the early 1980's a series of liberal policy changes were rapidly introduced marking a crucial turning point for the automobile industry. This change of attitude on the part of the government coincided with the state of taking a direct share in the auto business, with a 74 per cent stake in Maruti Udyog Ltd.(MUL), a joint venture between Suzuki of Japan and the Indian Government.¹³

In January 1985, the Indian Government announced its policy which gave new licenses to broad groups of automotive products such as two or four-wheeled vehicles. Though a liberal

move, the licensing system was still very much intact. Except MUL every other manufacturer still faced a serious of obstacles to get foreign exchange for these projects.

Several new products were launched during this period. All three traditional car manufacturers added a new model to their ranges. The standard motors returned to the car business after a break of 10 years. It introduced the standard 2000 in 1985. Since the company was not able to get the fuel efficiency certificate , it led to the closing down the unit.

For other manufacturers , the road was somewhat smoother. HM transplanted its ageing Amby engine and as a result the Contessa was born.

PAL picked up the Nissan M2 power train with the entire tooling for a mere Rs.50 lakhs. The outdated hybrids brought in were , to a certain extent , due to the unwillingness of the

13. Ravi A.B ., and Shrikant Modak , “ The Art of Leverage Living ”, Business India , April 25-28 ,2002 , No.629.

government to allow freedom in model selection. The standard Motors was told to target 70 percent to local content , promoting it to go in for the fully indigenized vanguard. A bunch of applications for car manufacture was turned down at the time , the most notable being the Citroen 2LU with Escorts and Honda Accord with Telco. The most significant impact of the broad-banding period was the entry of four Japanese manufacturers in the LCV segment in 1985 and in 1987. The Hinduja group and IVECO of Italy jointly took over the majority shareholding in Ashok Leyland to launch the cargo range¹⁴.

2.2.8 Defensive Range

The Hindustan Motors Ltd (HML) and Premier Auto Ltd., the established players , lost their shares heavily . Soon they started their defensive operations.HM the oldest player in the industry launched the ‘Contessa’, putting the old Ambassador engine in a new stylish body. Subsequently, it brought out the ‘Contessa Classic’ with an Isuzu engine. PAL launched the ‘premier 118 – NE ’. The search for the elite market began in the eighties when premier, Hindustan and Standard Motors, the three auto giants of the previous decade woke up to the challenge posed by Maruti’s mass production and fuel-efficient car. The new introduction by these manufacturers can be classified as semi-luxury cars. By the latter half of this phase, Telco joined the fray with its diesel Tata mobile. Though technically a light commercial vehicle, it was used by quite a few as a passenger car.Tata Siera, a sturdy and spacious jeep, Tata Estate and Tata Sumo followed.

14. Vanitha Kohli “ Agencies Wake Up ” , Business World , 23rd February 2000.

2.2.9: Maruti’s Success

The key success to MUL has been its management.MUL’s first chairman, V.Krishnamurthy’s first objective was to make sure that the company was not only getting its product and technology from Suzuki, but also imbibed the super-efficient work culture of the Japanese.R.C.Bhargava, the Managing Director who had worked for nearly 16 years, had turned the company into a jewel of the public sector.¹⁵

2.2.10: The Post 1990 Phase

The industry started witnessing radical changes in the 1990's. With delicensing and liberalization, the industry was entering the competitive phase. The Indian law now permitted majority ownership for foreign companies entering the industry through a joint-venture. This also meant there was no problem now in foreign exchange availability, as the foreign collaboration could now take up to 51 per cent equity stake.

There were four phases of development:

- i. Several new players entered the industry.
- ii. The existing players adopted new strategies.
- iii. The industry went through a growth phase.
- iv. International car giants entered India.

15. Rohit Saran and Priya Ramani , “ Here Comes the Recovery ”, India Today , August 23,1999, Vol.24, Issue 34.

2.2.11: 1993-The Gates Open

The delicensing of the industry in 1993 opened the gates to a flood of international automakers that rushed into Indian market to catch the remaining market . Dazzled by the potential of India's 950 million¹⁶ people , car companies planned ambitious capacities. Many of the new entrants , Peugeot , Daewoo , Ford , GM and Mercedes Benz entered the premium end of the market , the so –called mid-sized luxury segment.

Manufacturers were rethinking their strategies and rationalizing capacities to sell their products in the market, in the mid-size segment. They expected to have the maximum growth potential. Many manufacturers like Hyundai, Daewoo had plans to compete with Maruti , even in price.

2.2.12: Wide Choice for Buyers

One of the most visible signs of entry of automobile multi-nationals into India is a hue of multi-coloured cars seen on Indian roads. This does not mean that the changes effected by these MNC's were only cosmetic. The truth is that their entry had lead to far-reaching changes in both the manufacturing and marketing of automobiles. The slump in the world automobile industry forced the auto giant to reap the untapped market in India. India and China, with a vast middle class offered excellent opportunities. It was also the time when the world's largest democracy, India, decided to liberalise its economy and open its doors to foreign investors.

16. Auto India , “ 50 years of Independence and still Dependent”, August 1997, Vol.No.5 , Issue 3 , p.75

2.2.13 Production Capacity

The automobile industry in India is one of the largest industrial sectors in the world and fasted growing globally. India manufactures over 17.5million vehicles (including two wheeled and four wheeled) and exports about 2.33 million every year. It is the world's second largest manufacturer of motorcycles, with annual sales exceeding 8.5 million in the year 2009 and 2010.India's Passenger car and commercial vehicle manufacturing industry is the seventh largest industry in the world, with an annual production of more than 3.7 million units in 2010.

According to recent reports and available statistical data , India is set to overtake Brazil to become the sixth largest passenger vehicle producer in the world, growing 16-18 percent to sell around three million cars in the course of 2011-12 , In 2009, India emerged as Asia’s fourth largest exporter of Passenger cars, behind Japan ,South Korea and Thailand .

TABLE 2.1 Production Performance of Automobile Industry in India

Year	Car Production (No.of Vehicles)	Percentage of Changes	Commercial Vehicles (Nos)	Percentage of Changes	Total Vehicles Production (Nos)	% of Change
2001	6,54,557	26.37%	1,60,054	-43.52%	8,14,611	1.62%
2002	7,03,948	7.55%	1,90,848	19.24%	8,94,796	8.96%
2003	9,07,968	28.98%	2,53,555	32.86%	11,61,523	22.96%
2004	11,78,354	29.78%	3,32,803	31.25%	15,11,157	23.13%
2005	12,64,000	7.27%	3,62,755	9%	16,28,755	7.22%
2006	14,73,000	16.53%	5,46,808	50.74%	20,19,808	19.36%
2007	17,13,479	16.53%	5,40,250	-1.2%	22,53,999	10.39%
2008	18,46,051	7.74%	4,86,277	-9.99%	23,32,328	3.35%
2009	21,75,220	17.83%	4,66,330	-4.1%	26,41,550	13.25%
2010	28,14,584	29.39%	7,22,199	54.86%	35,36,783	33.89%

Source : Center for Monitoring of Indian Economy : Industry Analysis Services Database

Between the financial years, 2004-05 and 2009-10, the production of passenger vehicles in India rose from 10, 27,858 units to 20, 78,392 units , a phenomenal rise of more than 100% in production in just five years . Table 1 and Table 2 shows the total production of passenger vehicles in India and segment –wise share in production of passenger vehicles in India.

TABLE 2.2: Total Production of Passenger Vehicles in India

Indicator	Figure in units
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	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Production	10,27,858	11,12,794	13,22,739	15,31,545	16,19,095	20,78,392
Total Mini Cars Production	1,27,175	98,047	99,400	81,179	62,323	69,195
Total Compact Cars Production	6,14,137	7,14,985	8,81,665	10,48,625	11,83,809	15,42,177
Total Mid-size Cars Production	1,87,345	2,00,019	2,12,763	2,45,972	2,29,239	2,63,352
Total Executive Cars Production	26,673	27,660	39,478	44,166	33,526	42,293
Total Premium Cars Production	5,017	5,333	4,477	5,745	7,527	9,092
Total Luxury Cars Production	140	89	249	525	543	375
MUVs Production	67,371	66,661	84,707	1,05,333	1,02,128	1,51,908
Source: Center for Monitoring of Indian Economy : Industry Analysis Services Database						

Indicator	Figure in Percentages					
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Mini Cars Production	12.37	8.81	7.51	5.30	3.85	3.33
Total Compact Cars Production	59.75	64.25	66.65	68.47	73.12	74.20
Total Mid-size Cars Production	18.23	17.97	16.09	16.06	14.16	12.67
Total Executive Cars Production	2.60	2.49	2.98	2.88	2.07	2.03
Total Premium Cars Production	0.49	0.48	0.34	0.38	0.46	0.44

Total Luxury Cars Production	0.01	0.01	0.02	0.03	0.03	0.02
MUVs Production	6.55	5.99	6.40	6.88	6.31	7.31
Source: Center for Monitoring of Indian Economy : Industry Analysis Services Database						

A sign of growing economy in India is that since 2004-05 the sales of passenger vehicles always exceed the production of passenger vehicles (except in the year 2007-08) .between 2004-05 and 2009-10 , the sale of passenger vehicles also showed phenomenal growth of more than 100%. Of the total vehicles sold between 2004-05 and 2009-10,the share of mid-size cars dropped from just less than 20% to just over 14% .These trends have begun to cause worry among the producers of the Mid-size cars and they have started to explore the factors that are influencing such a trend .

TABLE 2.4 : Total Sales of Passenger Vehicles in India

Indicator	Figure in units					
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Mini Cars Production	10,47,109	11,19,657	13,53,574	15,16,716	16,59,777	21,20,366
Total Compact Cars Production	1,24,447	1,00,422	96,103	87,003	63,992	69,004

Total Mid-size Cars Production	6,17,837	7,00,046	8,90,504	10,29,424	11,72,580	15,40,912
Total Executive Cars Production	2,06,888	2,17,529	40,964	42,195	33,641	46,686
Total Premium Cars Production	25,646	27,529	40,964	42,195	33,641	46,686
Total Luxury Cars Production	5,876	6,261	5,978	6,209	9,042	11,455
MUVs Production	66,260	67,459	84,421	1,01,871	1,07,767	1,51,869

Source: Center for Monitoring of Indian Economy : Industry Analysis Services Database

TABLE 2.5 : Segment-Wise Share in Sales of Passenger Vehicle in India

Indicator	Figure in Percentages					
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Mini Cars Production	11.88	8.97	7.10	5.74	3.86	3.25
Total Compact Cars Production	59.00	62.52	65.79	67.87	70.65	72.67
Total Mid-size Cars Production	19.76	19.46	17.39	16.43	16.37	14.11
Total Executive Cars Production	2.45	2.46	3.03	2.78	2.03	2.20
Total Premium Cars Production	0.56	0.56	0.44	0.41	0.54	0.54
Total Luxury Cars Production	0.01	0.01	0.02	0.06	0.07	0.06
MUVs Production	6.33	5.02	6.24	6.72	6.49	7.16

Source: Center for Monitoring of Indian Economy : Industry Analysis Services Database

2.3 CAR MODELS IN INDIA

Hatchback Cars

Hatchback car is a small passenger car consisting of a full-height door at the rear that also includes a window and used from behind to access



the cargo and luggage space. These kinds of cars have two rows of seats. These cars are also defined as five doors car having four access doors and a hatch or tail gate. In India the hatchback is the most competitive car segment and its manufacturers like Maruti, Hyundai, Tata, Chevrolet and Fiat launch their cars on regular basis to outshine each other and capture the market.¹⁷

✿ Sedan Cars



Sedan or Saloon is a car model with passenger carrying capacity of four or more persons having two rows of seats and two or four doors with a separate trunk or boot at the rear side. Sedan cars, carrying high price tag with them, are featured with host of luxury features like high-end entertainment system, integrated steering wheel, plush and high class wood and leather work, classy looks, contemporary and fully efficient security features. In India, recent years have witnessed big players, like Volvo, Volkswagen and Skoda, entering into this segment featuring their sedans of pleasurable and comfy luxuries.

17. Car Model, <http://www.carwale.com/research/articles/indiacarmodel.aspx>. Retrieved 2009-1-12

✿ Sports Utility Vehicle (Suv)



In technical terms, a Sports Utility Vehicle is a vehicle that combines loading capability of a pickup truck and has passenger carrying space that is of a mini van. These type of vehicles are

famous for their sturdy looks, strong on road presence and carries much powerful engine with high torque. SUVs are designed to run in any kind of terrain without affecting its performance, comfort and safety. Therefore SUVs have become ideal for families and friends for their long and adventure trips. In India there are so many big players in the field of Sports Utility Vehicle segment like Tata, Maruti, Mahinda Scorpio, Ford, Volvo and Honda.

✦ Multi Utility Vehicle (Muv)



The Multi Utility Vehicle, abbreviated as MUV, is also known as Minivan or Multi-Purpose Vehicle (MPV). In technical terms, a MUVs are kind of automobile which are taller than a sedan and hatchback and provides larger interior space through their removable seats. Due to their characteristics of ample seating for 07-10 passengers, big boot space, the MUVs are preferred most by large families and corporate houses. Multi Utility Vehicles are classified into three different variants of large, compact and mini. In the Indian automobile market the mini version of MUVs are more popular & leading auto makers like Tata Motors, Chevrolet, Maruti Udyog and Toyota are the key players of this field.

✦ Luxury Cars



A Luxury Car is an expensive vehicle, designed and packed with high-end, super comfortable and convenient features for both the driver and the passengers. Luxury Cars provide ultra modern facilities for plush enjoyment of the high class drive with greater level of comfort in comparison to other Cars. Unlike the mass-production the Luxury Cars are made in small quantities with a very heavy price tag sometimes in Crores also. Owning a Luxury Car becomes a symbol of social prestige. In India Luxury Cars market is growing at sound pace from last five years and big shots of this segment like Audi, Bentley, Daimler-Benz, Volvo and Volkswagen are venturing in India to enchain the market growth.

2.4 CAR SEGMENT IN INDIA

The classification of segments are done as per length of the vehicle , the following table express how the passenger car is segmented based on the market forces.

TABLE 2.6 : Segmentation Based on Length of The Vehicle

Type of Segment	Name of Segment	Length of Vehicle	Market Share (%) In Total Sales in 2009-10	Popular Players
A1	Mini	Upto 3400mm	3.33	M800, Nano
A2	Compact	3401 to 4000mm	74.20	Alto, Zen,i10
A3	Midsize	4001 to 4500mm	12.67	City,Sx4,Dzire
A4	Executive	4501 to 4700mm	2.03	Corolla,civic
A5	Premium	4701 to 5000mm	0.44	Camry,E class
A6	Luxury	Above 5000mm	0.02	S class,5series
Utility Vehicle	Van , MUV, MPV,SUV	-----	7.31	Omni, Innova,CRV
Source : SIAM , CRIS INFAC				

2.4.1: Classification of Passenger Cars

❖ Small Cars or Compact cars

Small cars are classified according to the price range which varies from 1 to 3 lakh. It has the capacity to carry 4 passengers – 2 Adults , 2- Children. These are basically entry level cars which are preferred by service group and middle income group. These Cars are manufactured by-Maruti Udyog , Tata Motors and Reva.

❖ **Mid-Size Cars**

A Mid size car is an automobile with a size between that of compact and full size cars. The price range of mid-size cars is between Rs.3 to 8 lakh. The mid-size cars have the capacity to carry 4 passenger- 2 Adults and 2 Children . The credit of manufacturing these cars goes to companies like – Fiat India , Ford , General Motors , Hindustan Motors , Hyundai Motors , Maruti Udyog , Tata Motors , etc.

❖ **Executive Cars**

An Executive car segment includes cars that lie between the mid-sized cars and premium cars in terms of price (range lies between Rs.5 lakh to 10 lakh)¹⁸ and seating capacity. It includes cars from major manufactures like Daimler Chrysler , Hindustan Motors and BMW.

18. "Car Price" www.auto.indiamart.com/cars (accessed on January 10 , 2008)

❖ **Premium Cars**

Premium cars fall within the price range of Rs.7 to 15 lakh.They have the capacity to carry 5 passenger .These cars mainly target higher income group. Premium cars were launched by Audi India , Ford Motors , General Motors , Honda Motors and Toyota Motors.

❖ **Luxury Cars**

Luxury cars are very expensive and their price range is above Rs.20 lakh.These cars are preferred by the high income group . Luxury cars have the capacity to carry at the most 6 passengers.So far companies like BMW , Daimler Chrysler etc., have introduced these cars in India.

2.5 FAMILY CAR SEGMENT

A family car is a car classification used in Europe to describe normally-sized cars. The name refers to the fact that these cars are suitable for a family to go shopping or on vacations. Most family cars are hatchbacks or saloons, although there are MPVs, estates and cabriolets with the same structure as with the other body style. The term covers two types of family cars.¹⁹

❖ **Small Family Cars**

These are also known as compact cars. They include hatchbacks, estate cars and saloons. Their measurements range between 4.20 m (165 in) and 4.35 m (171 in) long if they are hatchbacks, or between 4.40 m (173 in) and 4.55 m (179 in) if they are saloon or estate models.

19. “Types of family car “http://en.wikipedia.org/wiki/Family_car , Retrieved 2008-04-03

Since the 1990s there have been multi-purpose vehicles based on them, called compact MPVs. Popular small family cars are the Mitsubishi Lancer, Ford Focus and Toyota Corolla.

❖ Large Family Cars

Large family cars were usually around 4.50 m (177 in) in length by the early 1990s, but are now shifting to 4.70 m (185 in) or more in length. Examples of large family cars include the Ford Mondeo, Opel Vectra, Renault Laguna, and the Volkswagen Passat.

Equivalently sized cars in North America are usually called mid-size cars; the term "family car" is fairly often used to refer to a vehicle in this class. Examples include the Ford Fusion, Chevrolet Malibu and the Buick LaCrosse.

2.5.1 Origin

After the Second World War, European manufacturers usually featured two vehicle types: small cars (or superminis) and large saloons. In the 1960s, some brands found that many middle class buyers wanted something larger than superminis, and built small family cars. These were usually saloons, with the first successful hatchback in this class being the 1974 Volkswagen Golf, which moved the layout of the smaller supermini Renault 5 to this segment. This proved popular and by the end of the decade, several other manufacturers launched hatchbacks like the Fiat Ritmo, Citroën GSA, Renault 14, and Opel Kadett.

The 1980s began with the launch of two more front-wheel drive hatchbacks: the Ford Escort Mk III and the Lancia Delta. More similar cars followed over the decade, including the updated Opel Kadett, Renault 19, Fiat Tipo and second generation Rover 200. Alfa Romeo's venture into this market, the Nissan-based Arna, was one of the few unsuccessful European small family hatchbacks of the 1980s.

The 1990s saw small family cars firmly pitch themselves as the most popular class of car in Europe. The Volkswagen Golf Mk III was launched in 1991 and elected European Car of the

Year. Citroën replaced the GSA with the large family car BX and later the small family car ZX. The ZX's chassis spawned the Peugeot 306 in 1993. Fiat replaced the successful Tipo in 1995 with the distinctive Bravo and Brava (three-door and five-door hatchbacks, respectively). Later, Ford dropped the Escort name and released in 1998 the dramatically-styled and all-new Ford Focus.

Some small family cars have also spawned compact MPVs, the first of which was the 1996 Renault Scénic. The Opel Zafira, Citroën Picasso, Ford Focus C-Max, Volkswagen Touran and Fiat Multipla followed and are becoming increasingly popular. In few years they outsold estates and saloons in many countries. A more recent trend is to build coupé cabriolets with components from these vehicles. Examples of this are the Peugeot 307, Opel Astra TwinTop, Renault Mégane CC and Volkswagen Eos.

2.5.2 International View

❖ America

In North America, which uses a different classification system, cars of this size are generally referred to as compact cars, and the term "family car" is almost never used to describe a vehicle in this class. A compact car (North America), or small family car (Europe), is a classification of cars which are larger than a super mini but smaller than or equal to a mid-size car. The term often leads into confusion, however, since international compact cars are somewhat larger than their North American equivalents, mostly because no super mini/subcompact size is manufactured by American, Mexican and Canadian car makers up to date.

Current compact car size, for US and international models respectively, is approximately 4,100 mm (161 in) and 4,450 mm (175 in) long for hatchbacks, or 4,400 mm (173 in) and 4,750

mm (187 in) long for convertibles, sedans (saloon) or station wagons (estate car). Multi-purpose vehicles and sport utility vehicles based on small family cars (often called compact MPVs and compact SUVs) have similar sizes, ranging from 4,200 mm (165 in) to 4,500 mm (177 in) in the U.S., and from 4,400 mm (173 in) to 4,700 mm (185 in) in international-based models.²⁰

❖ Japan

In Japan, any vehicle that is over 3.4 m (11.2 ft) long, 1.48 m (4.9 ft) wide, 2 m (6.6 ft) high and with an engine over 660 cc (40 cu in) but is under 4.7 m (15.4 ft) long, 1.7 m (5.6 ft) wide, 2 m (6.6 ft) high and with engines at or under 2,000 cc (120 cu in) is considered a compact vehicle. The dimension standards are absolute, meaning special consideration is not made for SUVs, CUVs, minivans, station wagons or hatchbacks.

Common engines are 1.5 to 2.4-litre straight-4s, using either petrol (gasoline) or diesel fuel, with a range between 100 bhp (75 kW) and 170 bhp (127 kW). Some models also have economical 1.3 or 1.4-litre units. High-performance versions, called hot hatches or sport compact sedans, may have turbocharged 2.0 or 2.5-litre engines, or even V6 3.2-litre units, ranging maximum outputs from 170 bhp (127 kW) to 300 bhp (224 kW)

20. "Compact car"http://mywikibiz.com/Car_classification, Retrieved 2010-10-10

❖ Europe

A small family car is a European car classification of cars which are larger than a supermini and smaller than a large family car. In North America, which uses a different classification system, cars of this size are generally referred to as compact cars, and the term "small family car" is almost never used to describe them. Current small family cars are between 4.20 m and 4.35 m long if they are hatchbacks, or between 4.40 m and 4.55 m if they are cabriolets, saloons or estates. Multi-purpose vehicles and sport utility vehicles based on small family cars, which are called compact MPVs and compact SUVs respectively, have been produced since the early 1990s.

Usual engines are 1.6 L or 2.0 L straight-4s, either petrol or Diesel, with a range between 100 bhp and 150 bhp. Some models also have economical 1.4 L units. High-performance versions, called hot hatches, may have turbocharged 2.0 L engines, or even V6 3.2 L units, ranging maximum outputs from 170 bhp to 260 bhp. Popular small family cars are the Ford Focus, Opel Astra, Peugeot 307, Renault Mégane and Volkswagen Golf.

2.5.3: Family Car Segment in India

In India the car segment is classified based upon the length of car and due to the globalization many foreign players introduced the car with the name of family car to attract the customers in India.²¹ Now the domestic and International car companies using the concept of family car in their advertisement and promotional campaign. The concept of family car segment

21. Family car segment in India “www.scribd.com/doc/47945/Mckinsey-MGI-india-consumer-full-report, Retrieved 2010-11-12

is common in Europe, USA and Japan , they follow some conditions to define the family car. But that kind of conditions are not followed , to maintain the comprehensive classification of segment. The car manufactures in India define the concept of family car on the basis of usage pattern, if the car is used for family purpose.

Family Cars or Vans is a classification that is commonly used to describe the cars or vans which can fit in a whole family. The purpose of family car is shopping with family, going on a family vacation, using the car for office. Traveling in a family car makes it the most convenient mode of traveling. Most of these family cars or vans are saloons or hatchbacks even though there are estates, MPVs and cabriolets with similar structure but different body styles.

2.5.4 Popular Family Cars in India

❖ Hyundai Santro

In a mid size family car segment , then you can go for the Hyundai Santro. Economically priced, this car with contemporary looks is a sure winner in the Indian car market. The 5 variants of Hyundai Santro Xing are: Santro XK , Santro XK (Non AC) ,Santro XL ,Santro XO , Santro AT , Santro CNG .²²

❖ Maruti Suzuki Swift

Maruti Suzuki Swift is a king in the small-car market and is one of the most spotted family cars in India. The variants are: Maruti Suzuki Swift LXi , Maruti Suzuki Swift VXi , Maruti Suzuki Swift VXi (ABS) , Maruti Suzuki Swift LDi (Diesel) etc.,

22.Car,<http://www.carazoo.com/article/241221/Top-10-Family-Cars-in-India>,Retrieved2009-1-2

❖ **Tata Indigo**

This is a luxury family car which is not only comfy but also comes with affordable price tags. This is one of the best-selling family car models in India. The variants are: Tata Indigo GLS - BS III , Tata Indigo GLX - BS III , Tata Indigo LS - BS III , Tata Indigo LS DiCOR - BS III , Tata Indigo LX - BS III , Tata Indigo LX DiCOR - BS III .

❖ **Honda City**

The car is favored because of its huge space inside. The variants are: Honda City ZX EXi, Honda City ZX GXi , Honda City ZX VTEC , Honda City ZX CVT ,Honda City ZX VTEC Plus .

❖ **Skoda Octavia RS**

Skoda Octavia RS 1.8 Turbo features air conditioner, power windows, power steering, leather seats, CD player. The car offers a mileage of 9 km/liter.

❖ **Mahindra Scorpio**

The latest avatar of Mahindra Scorpio is 'Scorpio W' which has undergone a renovation in 40 areas. The variants are: Mahindra Scorpio W Turbo 2.6 LX , Mahindra Scorpio W Getaway , Mahindra Scorpio W Turbo 2.6 DX 7-Seater , Mahindra Scorpio W Turbo 2.6 DX 8-Seater , Mahindra Scorpio W Turbo 2.6 SLX 7-Seater , Mahindra Scorpio W Turbo 2.6 SLX 8-Seater ,Mahindra Scorpio W Vlx

❖ **Chevrolet Tavera**

The Chevrolet Tavera also features as one of the popular family automobiles in India. The variants are : Chevrolet Tavera: 10-Seater , Chevrolet Tavera NY B1: 7-Seater , Chevrolet Tavera NY B2: 10-Seater , Chevrolet Tavera NY B2: 7-Seater , Chevrolet Tavera Neo LS - B3: 7-Seater , Chevrolet Tavera Neo LS - B3: 10-Seater , Chevrolet Tavera Neo LS - B4: 7-Seater , Chevrolet Tavera Neo LT - L: 9-Seater , Chevrolet Tavera Neo LT - L: 7-Seater , Chevrolet Tavera Neo SS - D1: 8-Seater , Chevrolet Tavera Neo SS - D1: 7-Seater .

❖ **Toyota Innova**

The Innova which is liked for its looks as well as space makes for a great family car. The variants of this car are: Toyota Innova 2.5 EV MS - 8-Seater , Toyota Innova 2.5 EV MS - 7-Seater , Toyota Innova 2.0 G1- 8 seater , Toyota Innova 2.5 EV PS - 8-Seater , Toyota Innova 2.5 EV PS - 7-Seater , Toyota Innova 2.5 G1 - 8 seater , Toyota Innova 2.0 G4 - 8 seater , Toyota Innova 2.5 G4 - 7 Seater , Toyota Innova 2.0 V- 8 seater , Toyota Innova 2.5 V - 7 Seater , Toyota Innova 2.5 V - 8 Seater .

❖ **Maruti Suzuki Omni cars**

This is one of the most popular family vans in India. This is a large-family transport with following variants: Maruti Suzuki Omni 5-Seater - BS III, Maruti Suzuki Omni 8-Seater - BS III, Maruti Suzuki Omni LPG - BS III -5 seater.

2.6 CAR MANUFACTURING IN INDIA

In India, car manufacturing has covered a long way since it started off in the late 1940s. Initially, the number of car manufacturers in India mainly relied on foreign technology. Today, the Indian car manufacturing companies are using their own technology in making cars. Some of the top car manufacturers in India are Hindustan Motors, Tata Motors and Mahindra and Mahindra. The companies like Toyota, Ford, Maruti Suzuki, Skoda, Hyundai and Honda have also made as top car manufacturers in India. The leading car manufacturers in India are listed below:

❖ Major Car Manufactures in India

There are many companies producing cars such as Maruti , Tata , Hyundai , Ford , Honda, Toyota , Chevrolet etc. in the Indian market. The top leaders in this domain are Maruti, Tata and Hyundai as these companies have a total market share of 75 percent and provide confidence, tangible values and status to the customers by giving a brand name to its product . Hence this thesis focuses on leading customer preferred brand. A brief description of the selected car manufacturer is given below.

2.6.1 Maruti Suzuki India Limited

Maruti Suzuki India Limited (MSIL) , a subsidiary of Suzuki Motor Corporation(SMC), Japan, is the leader in passenger cars (PCs) and Multipurpose Vehicles (MPVs) in india , accounting for nearly 50 percent of the total automobile industry sales. In 2009-10, the company sold 10,18,365 vehicles²³ .This comprised 8,70,790 vehicles in the domestic market and 1,47,575

23. Business Line: "Maruti Suzuki disinvestment — Releasing the clutch", 19 May 2002 .p.9.

vehicles in export markets. Cumulatively, it has produced and sold over 8 million cars. The total income of the company for 2009-10 stood at Rs.3,01,198 Million . Maruti Suzuki has a strong balance sheet with reserves and surplus of Rs.118.9 billion and debt equity ratio of 0.07 as on 31st march 2010. MSIL is a public limited company listed in BSE and NSE. SMC is having the majority shareholder with 54.21% equity stake in the company MSIL which has two manufacturing unit in Gurgaon and Manesar with a combined manufacturing capacity of over one million cars per annum . In terms of number of cars produced and sold at worldwide, the company is the largest subsidiary of SMC, Japan.

Maruti Suzuki india limited (MSIL , formerly known as Maruti Udyog Limited) is a subsidiary of suzuki Motor corporation , Japan . MSIL has been the leader of the Indian car market for over two and a half decades. The company plans to expand its manufacturing capacity to 1.75 million by 2013.

In 2010-11 , the company sold over 1.27 million Mini vehicles including 1,38,266 units of exports.with this , at the end of march 2011 , Maruti Suzuki had a market share of 44.9 per cent ²⁴ of the Indian passenger car market. Maruti Suzuki's revenue has grown consistently over the years.

2.6.2 Tata Motors

Tata Motors is a part of the Tata Group manages its share-holding through Tata Sons. The company was established in 1950 as a locomotive manufacturing unit and later expanded its

24.Car Production,<http://businesscenter.jdpower.com/news/pressrelease.aspx?ID=200241>.Retrieved2010-06.26

Operations to commercial vehicle sector in 1954 after forming a joint venture with Daimler-Benz AG of Germany. Despite the success of its commercial vehicles, Tata realized his company had to diversify and he began to look at other products. Based on consumer demand, he decided that building a small car would be the most practical new venture. So in 1998 it launched Tata Indica, India's first fully indigenous passenger car. Designed to be inexpensive and simple to build and maintain, the Indica became a hit in the Indian market. It was also exported to Europe, especially the UK and Italy.

Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad and Pune in India, as well as in Argentina, South Africa, Thailand and the United Kingdom.

In 2010, Tata Motors surpassed Reliance to win the coveted title of 'India's most valuable brand' in an annual survey conducted by Brand Finance and The Economic Times.²⁵

Tata Motors has more than 250 dealerships in more than 195 cities across 27 states and 4 Union Territories of India. It has the 3rd largest Sales and Service Network after Maruti Suzuki and Hyundai.

2.6.3 Hyundai Motor India Limited

Hyundai Motor India Limited was formed in 6 May 1996 by the Hyundai Motor Company of South Korea. When Hyundai Motor Company entered the Indian Automobile

25. "India's top 10 brands". business.rediff.com. <http://business.rediff.com/slide-show/2010/oct/26/slide-show-1-tata-motors-is-indias-top-brand.htm>. Retrieved 26 Oct 2010.

Market in 1996 the Hyundai brand was almost unknown throughout India. During the entry of Hyundai in 1996, there were only five major automobile manufacturers in India, i.e. MUL, [HM](#), [PAL](#), TELCO and [M&M](#). For more than a decade till Hyundai arrived, [Maruti Suzuki](#) had a complete dominance and [monopoly](#) over the Passenger Cars segment because TELCO and [M&M](#) were solely Utility and Commercial Vehicle Manufacturers.

HMIL's first car, the Hyundai Santro was launched in 23 September 1998 and was a runaway success. Within a few months of its inception HMIL became the second largest automobile manufacturer and the largest automobile exporter in India.²⁶

In India, Hyundai sells 6 models of passenger cars across segments. The A2 segment includes the Santro, i10, the i20 and the A3 segment includes the Accent and Verna, the A5 segment includes the Sonata Transform and the SUV segment includes the Santa Fe.

As of March 2011, HMIL has 451 dealerships and more than 647 Hyundai Authorised Service Centers in 340 cities across [India](#). HMIL also operates its own dealerships known as Hyundai Motor Plazas in large metros across India. HMIL has the second largest sales and service network in India after [Maruti Suzuki](#).

2.6.4 Ford India Private Limited

The modern Ford India Private Limited began production in 1996, although the roots trace back to 1907 when the Model A was launched. Its manufacturing facilities are in

26. "Car Manufacturer in india ." <http://business.mapsofindia.com/automobile/car-manufacturers/hyundai-motors-india.html>. Retrieved 2010-12-17.

[Maraimalai Nagar](#) near [Chennai](#). Ford India Private Limited began production in 1926, but was shut down in 1954. Production began again with the joint venture Mahindra Ford India Limited (MFIL) in October 1995, a 50-50 venture with [Mahindra & Mahindra Limited](#). [Ford Motor Company](#) increased its interest to 72% in March 1998 and renamed the company Ford India Private Limited.

FIPL's main manufacturing plant has a capacity of 100,000 vehicles annually and is located in [Maraimalai Nagar](#), 45 km from [Chennai](#). As its new hatchback [Figo](#) was launched in March 2010, [Ford Motor Company](#) has invested \$500 million to double capacity of the plant to 200,000 vehicles annually and setting up a facility to make 250,000 engines annually.²⁷

As of April 2011, FIPL has more than 170 dealerships across 107 cities in 22 states and 3 Union Territories of India. In the year 2010, FIPL recorded sales of 83,887 vehicles against 29,488 vehicles sold during the year 2009 and registered a sales growth of 172%.

2.6.5 Honda Siel Cars India Limited (HSCI)

Honda Siel Cars India Limited is a joint venture between the Honda Motor Company of [Japan](#) and Siel Limited for the production, marketing and export of passenger cars in India. It began operations in December 1995.

It operates production facilities at [Greater Noida](#) in [Uttar Pradesh](#) and at [Bhiwadi](#) in [Rajasthan](#). The company's total investment in its production facilities in India as of 2010 was over ₹16.2 billion.

27. “ Ford Production” http://en.wikipedia.org/wiki/Ford_India_Private_Limited, Retrieved 2010-12-12

HSCI's first manufacturing unit at Greater Noida commenced operations in 1997. Setup at an initial investment of over ₹4.5 billion, the plant is spread over 150 acres (0.61 km²). The initial capacity of the plant was 30,000 cars per annum, which was thereafter increased to 50,000 cars on a two-shift basis. The capacity has further been enhanced to 100,000 units annually as of 2008. This expansion led to an increase in the covered area in the plant from 107,000 m² to over 130,000 m².

The company invested ₹7.8 billion in Bhiwadi for its second production plant with an annual production capacity of 50,000 units.²⁸ It operates under the ISO 9001 standard for quality management and ISO 14001 for environment management.

2.6.6 General Motors India Private Limited

[General Motors](#) began doing business in India in 1928, assembling Chevrolet cars, trucks and buses, but ceased its assembly operations in 1954.²⁹ GM continued with tie-ups with [Hindustan Motors](#) to build [Bedford trucks](#), [Vauxhall cars](#), [Allison Transmissions](#) and off-road equipment.

In 1994 GMIPL was formed as a joint venture, owned 50 percent by [Hindustan Motors](#) and 50 percent by General Motors, to produce and sell [Opel](#) branded vehicles. GM bought out the Hindustan Motors interest in 1999. GMIPL continued to produce Opel cars at the Halol facility until 2003, when it started production of [Chevrolet](#) vehicles at that location.

28. "Honda Profile" <http://hondacarindia.com/about/companyprofile.aspx>. Retrieved 2011-09-29.
29. "GM History" <http://www.gm.com/corporate/about/>. Retrieved March 26, 2011.

In 2000, GMIPL moved its headquarters to Gurgaon. In 2003, the company opened its technical center operations in Bangalore, which included research and development and vehicle engineering activities. The technical center operations were expanded to include purchasing and financial support services for General Motors operations located outside of India (2006), vehicle engine and transmission design and engineering (2007) and a vehicle design studio (2007).

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

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

GMIPL operates vehicle manufacturing plants in [Halol](#), [Gujarat](#) and [Talegaon Dabhade](#), Maharashtra, It maintains headquarters in [Halol](#) and [Gurgaon](#) and a large technical center in [Bangalore](#). Its Halol and Talegaon Dabhade Manufacturing Plants have a combined Production Capacity of 385,000 vehicles annually.³⁰

2.6.7 Mahindra & Mahindra Limited

In 1945, Mahindra assembled the Willys Jeep in India and is now a US \$7.1 billion Indian multinational. The total workforce caps at 1,11,900 people in over 100 countries and the

30. "General Motors: A Reorganized Brand Architecture for a Reorganized Company "Merriam Associates, Inc. Brand Strategies". Merriamassociates.com. November 22, 2010.

company is a leader in utility vehicles, tractors and information technology, with a significant and growing presence in financial services, tourism, infrastructure development, trade and logistics. Mahindra's headquarters are in Mumbai India.

Mahindra is among the top tractor brands in the world. It sells everything from two-wheelers to CVs, UVs, SUVs and the sedan. Mahindra recently acquired a majority stake in REVA Electric Car Co Ltd. (now called Mahindra REVA), strengthening its position in the Electric Vehicles domain.

Mahindra Renault is a joint venture between Mahindra and Mahindra and Renault of France. It was formed in 2007. They set up a manufacturing plant in Nashik, Maharashtra. They together announced restructuring plans by which Mahindra would be Renault's share and Renault would provide Mahindra support. The company has a manufacturing facility in Nashik that produces 50,000 vehicles.³¹ Renault Mahindra invested Rs 4,500 crores to build a manufacturing plant in Chennai. It has a sales and service network in India. There are more than 140 dealerships in 125 cities in 24 states and 3 union territories in India. The Renault Logan is their only car. The car is right hand drive but has many features of a left-hand drive vehicle.

2.6.8 Toyota Kirloskar Motor Private Limited

Toyota Kirloskar Motor Private Limited is joint venture between Toyota Motor Corporation and the [Kirloskar Group](#), for the manufacture and sales of Toyota cars in [India](#).. It

31."Mahindra Production"http://thearticlewriter.com/autowriter/mahindra-heading-stateside-in-2009/. Retrieved 2008-06-14.

currently is the 7th largest car maker in [India](#) after [Maruti Suzuki](#), [Hyundai](#), [Tata](#), [Mahindra](#), [Chevrolet](#), and [Ford](#).

The company Toyota Kirloskar Motor Private Limited (TKMPL) according to its mission statement aims to play a major role in the development of the automotive industry and the creation of employment opportunities, not only through its dealer network, but also through ancillary industries with a business philosophy of "Putting Customer First".

TKMPL's current plant at [Bidadi, Karnataka](#) is spread across 432 acres and has a capacity of 80,000 vehicles per annum.³¹

TKMPL's second manufacturing plant on the outskirts of [Bangalore, Karnataka](#) has a capacity of 70,000 vehicles per annum. Both plants have a combined capacity of 150,000 vehicles per annum.

On 16 March 2011, it announced that it was increasing production to 210,000 vehicles per annum due to increase in demand for its models especially the [Etios](#) and [Fortuner](#).

As of April 2011, it has more than 150 dealerships in 96 cities across 22 states and 3 [union territories](#) of India. TKMPL sold 74,759 vehicles in India in the year 2010 registering a growth rate of 38% compared to 2009 sales.³²

31. Radha Dhawan , “ Fight Back ” , Business World , 27 December 1999 , p.24.

32. “Toyota History” <http://www.toyotabharat.com/inen/about/index.asp>. Retrieved 2009-10-15.

2.6.9 Hindustan Motors

Hindustan Motors Limited (HML), India's pioneering automobile manufacturing company and Flagship Company of the C.K. Birla Group was established just before Indian independence, in 1942 by Mr. B.M. Birla of the industrious Birla family. Commencing operations in a small assembly plant in Port Okha near Gujarat, the manufacturing facilities later moved to Uttarpara, West Bengal in 1948, where it began the production of - the Ambassador.³³

Hindustan and [General Motors](#) have had several tie-ups in the post independence era to produce [Bedford Trucks](#), [Vauxhall Motors](#)(1980 to 1990), [Allison Transmissions](#) and off-road equipment. In 1994, GM and Hindustan (C K Birla) formed a 50-50 joint venture,³⁴ [General Motors India](#) to make [Opel](#) Astra cars. GM bought out the Halol, Gujarat plant from Hindustan in 1999.

Hindustan has a joint venture with [Mitsubishi](#) that started 1998. The plant is located in Thiruvallur, Tamil Nadu.

2.6.10 Fiat India Automobiles Limited

Fiat has been in India since 1944 through its licensing agreement with **Premier Automobiles Limited** (PAL). PAL produced models like Fiat 500 and Fiat 1100 until 1973 when it started to use the Premier name on its cars. The Premier Padmini was based on the Fiat 1100 whilst the Premier 118 & Premier 138D were based on the Fiat 124.

33. "Hindustan Profile" <http://auto.indiamart.com/hindustan-motors/>, retrieved 2010-11-13

34. Odagiri, Hiroyuki (1996). Technology and Industrial Development in Japan. Oxford University Press. ISBN 0-19-828802-6.p.76.

Fiat India Automobiles Limited (FIAL) is a 50-50 Industrial Joint Venture between Fiat Group Automobiles S. p. A. and [Tata Motors Limited](#). FIAL was originally incorporated on January 2, 1997 and converted into a joint venture in 2007. The company employs about 2775 blue & white collar employees .The board of directors for this company comprises of five nominees each from Fiat and Tata.

Fiat India Automobile Limited assembly plant at Ranjangaon, Maharashtra which was built with an initial investment of Euros 650 million has an installed capacity of 200,000 cars and 300,000 engines³⁵. This plant is among the largest power train manufacturing plants of Fiat anywhere in the world. Apart from producing Fiat and Tata cars, it will also export engines to other Fiat facilities across Europe. The plant currently rolls out Linea, Punto and Palio for Fiat as well as Indica and Indigo Manza for Tata Motors. The company plans to double the production capacity for both car units and engines in the next few years.

Fiat cars in India are sold and serviced through Tata Motors dealers. The company has 150 dealer outlets in 106 cities.³⁶

2.6.11 Nissan Motor India Private Limited

Nissan Motor India Private Limited (NMIPL) started its operations in India in 2005, with the launch of the [Nissan X-Trail \(T30\)](#), which was imported as a [CBU](#).

35. Abhinaba Das , “ Fiat to Sport Trendy Image for Palio ”, Economic Times, 13th December 2001, p.9.
36. “Nissan History”<http://www.britannica.com/eb/article-9034166/Fiat-SpA>. Retrieved 12 March 2008.

NMIPL's manufacturing plant in [Chennai](#) can manufacture 200,000 vehicles per annum. The Chennai Plant has an additional 200,000 vehicles per annum capacity exclusively for [French](#) car maker [Renault's](#) Indian arm [Renault India Private Limited](#). The plant's combined capacity is 400,000 vehicles per annum.³⁷

The plant in [Oragadam](#) with an investment of ₹4,500 [crore](#) ([US\\$](#)1 billion) covers an area of 650 acres (2.6 km²). It will manufacture the [Nissan Micra](#) for the [Indian](#) and [European](#) market, besides various other models for the Indian market.

NMIPL has appointed Hover Automotive India for the Sales, Service, Parts, Marketing & Dealer Development functions for Nissan vehicles in India. Nissan currently has 40 dealerships across 39 cities in 17 [states](#) and 1 [Union Territory](#) of India.³⁸

In the year 2007, NMIPL recorded sales of 533 vehicles.³⁹ Nissan Motor India has sold more than 13,000 units of its flagship model [Micra](#) since sales began in July 2010.

2.6.12 Skoda Auto India Private Limited

Skoda Auto India Private Limited, more commonly referred to as Skoda Auto India, established November 2001, is a fully owned subsidiary of the [Czech automotive manufacturer Skoda Auto](#) and a division of [Volkswagen Group Sales India](#).

37. Raju , “India Car Performance” Overdrive , December 1999, Vol.No.4, p.23.

38. ”Nissan Profile” http://www.nissan.in/en/web/header/header_4385.htm. Retrieved December 4, 2009.

39. Georgano, N. (2007). Beaulieu Encyclopedia of the Automobile. London: HMSO. ISBN 1-57958-293-1., p.104

According to an official release, Skoda Auto India sold more than 16,000 units in 2008, a 28.5% increase from 2007 sales totals. Furthermore, SAIPL is aiming to become the strategic hub in South and Eastern Asian markets for the Skoda Auto marque, by exporting its locally produced products to [Nepal](#), [Sri Lanka](#) and [Thailand](#). As of April 2009, it has sold over 61,000 units since operations began in November 2001.⁴⁰

The [Octavia](#) was the first car to be launched in India. Targeted at the Indian premium segment, its handling, fuel efficiency, and low initial price (compared to other products then available in the Indian market) made the Octavia an instant hit with the Indian car user. Its [Turbocharged Direct Injection](#) (TDI) [diesel engined](#) version, in particular, delivered a high level of fuel efficiency and (for the Indian market) power and torque, resulting in higher level of driveability when compared to existing products available in the Indian market.

Skoda Auto India Private Limited has its [manufacturing plant](#) located at Shendra on the outskirts of [Aurangabad](#) which has an annual capacity of 40,000 vehicles. This Aurangabad plant is also shared by [Audi India](#) to manufacture the [Audi A4](#) and [Audi A6](#) models. It also uses the Volkswagen India Private Limited plant at [Chakan, Maharashtra](#) to manufacture the [Škoda Fabia](#). Skoda Auto India Private Limited currently has more than 70 dealerships across 53 cities in 18 states and 2 Union Territories of India. In the year 2010-11, Skoda Auto India Private Limited recorded sales of 20,019 units.

40. Setright, L. J. K. (2004). Drive On! A Social History of the Motor Car. Granta Books. ISBN 1-86207-698-7., p.123

❖ Latest Car Models in India

There are many new cars launched in India in the year 2010 by some of the prominent car manufacturers. Table below shows that features of the fresh entries.

Table 2.7: Top Car Manufacturing Companies Latest Car Models

Top Car Manufacturing Companies	Car Models 2010
Fiat	Fiat Palio CNG
Hyundai Motors India Ltd	Hyundai Avante & Hyundai i30
Volkswagen	Sedan Phaeton
Tata Motors	Tata Indicruz & Tata Aria
Skoda Auto India Private Ltd	Fabia Combi & Skoda Yeti
Maruti Suzuki	Maruti Kizashi (Price Range - Rs. 10 lakh) & Maruti Cervo
Ford India Ltd.	Ford Figo Price Range - Rs 3.5 to Rs 4.5 lakhs.
Source: Carwale ⁴¹	

2.7 COMPETITIVE FORCES IN INDIAN PASSENGER CAR MARKET

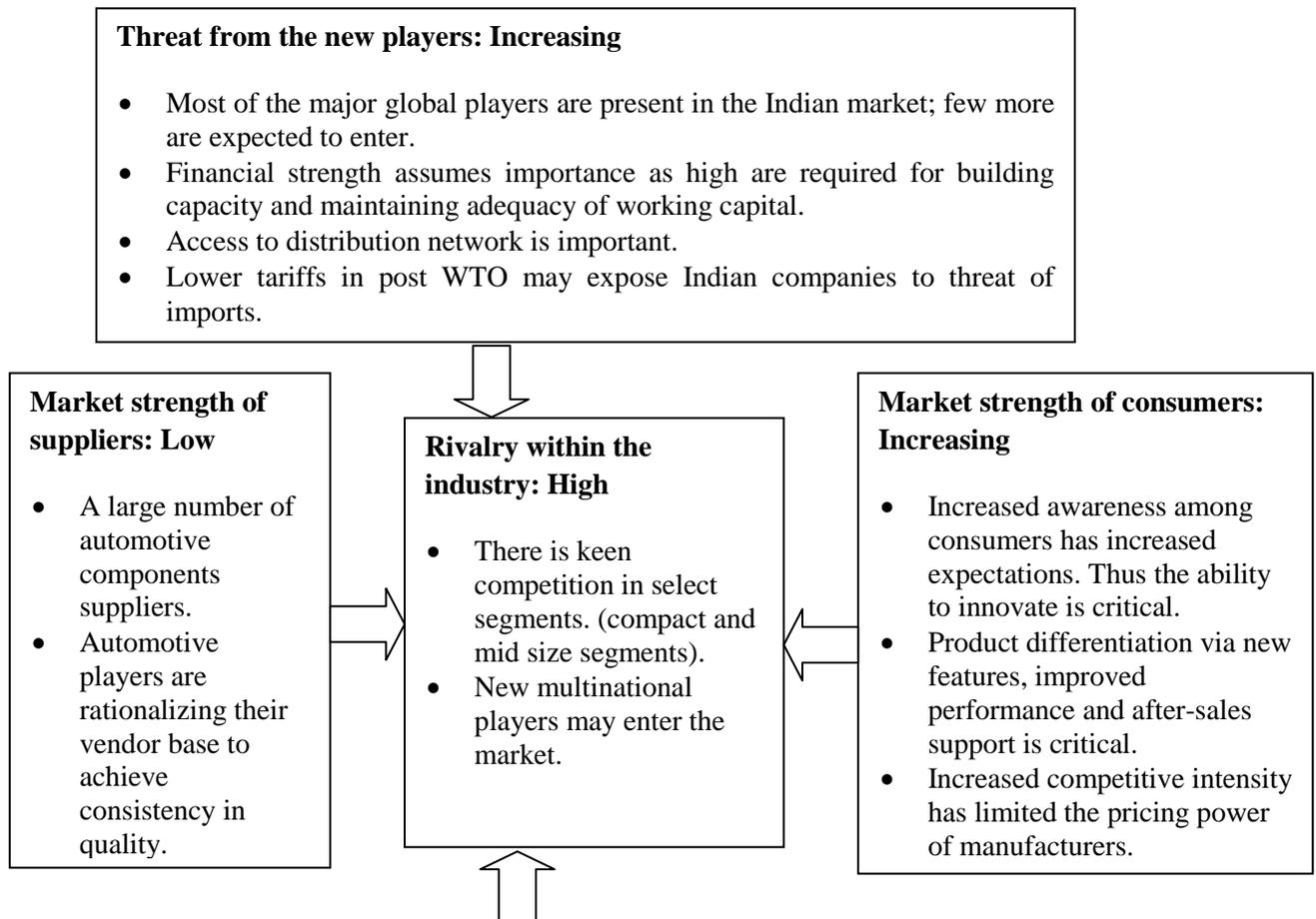
The critical issue facing the Indian car industry is the attainment of break-even volumes. This is related to the quantum of investments made by the players in capacity creation and the selling price of the car. The amount of investment in capacities by passenger car manufacturers in turn depends on the production strategies of the car manufacturers. Setting up integrated manufacturing facilities may require higher capital investments than establishing assembly facilities for semi knocked down kits or complete knocked down kits. In recent years, even

though the ratio of sales to capacity (an important indicator of the ability to reach break-even volumes) of the domestic car manufacturers have improved, it is still low for quite a few car manufacturers in India.

41. “Car Manufacturer in india “<http://www.carwale.com/research/articles/indiacartopten.aspx>, Retrieved 2010-11-12.

India is also likely to increasingly serve as the sourcing base for global automotive companies, and automotive exports are likely to gain increasing importance over the medium term. However, the growth rates are likely to vary across segments. Although the Mini segment is expected to sustain volumes, it is likely to continue losing market share; growth in the medium term is expected to be led largely by the Compact and Mid-range segments.

FIGURE 2.1: Porter Five Force Model for Indian Passenger Car Segment



Threat from substitutes: Low to medium

- With consumer preferences changing, inter product substitution is taking place (Mini cars are being replaced by compact or mid sized cars).

Source: Compiled by Author

2.9 CONCLUSION

The Indian car industry is moving up the learning wave. The economy car segment is continues to account for most of the cars sold. However, the Indian car market is maturing, as the competition between firms is intensifying and new models are being launched in all segments of the car market. The market has become a buyer's market and there has been an increase in the bargaining power of buyers the power of supplies is on the decline. This should lead to the industry providing technologically superior models at competitive prices and consumer getting attractive finance schemes and various cars off the shelf.

However, given the low motorization level in India and the increasing per capita incomes, there is potential for the Indian car industry to generate significant volume at lower manufacturing costs. There are opportunities for players to spot gaps in the market and to present particular unit like sports utility vehicles and mini vans. The key strategies in the Indian car market are offering good quality cars that provide value for money, running innovative marketing campaigns to attract potential buyers and providing excellent after-sales service . Companies like MUL which have a range of Vehicles in all the segments of the market, will be at a significant advantage because of their ability to cross subsidized models. Some players are planning to enter other related areas like the used car market and the after-sales service business.

The automobile industry being price-sensitive, the purchaser is surely looking for every rupee saved during his purchase.

CHAPTER III

BRAND EQUITY

3.1 INTRODUCTION

Brand equity as a concept has been developed over the last two decades (Aaker 1991 and Keller 1998)^{1and2}. One of the main issues still to be resolved is how to value brands. Summarizing the primary thrust of articles published in the Journal of Marketing Research during 1987-1997, Malhotra et al concluded that in the area of brand evaluation and choice, future research should focus on further measurements of the brand equity construct (Malhotra, et al 1999)³. They proposed that a generally accepted measure could further the overall understanding of the strategic role of brand equity in extending the brand and in financially benefiting the firm. While there are a number of approaches available to managers, it is still uncertain which approach is best, and the issues around the discount rate, growth rate and useful life have to be resolved (Kapferer, 1994)⁴.

As capital becomes less of a constraint on businesses there will be far greater emphasis on how this capital is used to creatively differentiate the organisation. The abundance of capital means that physical assets can be replicated with ease (Drucker, 1998)⁵. The point of