Chapter No. 4 Published Case Studies

4.0 Published Case Studies

These case studies are from various large automobile companies. These cases are selected because they are relevant to study. All automobile companies are dependent on component manufacturing companies and crisis faced by these companies have a direct impact on component manufacturing companies. There is a strong link between the business environment for mass scale automobile companies and OEM suppliers for these companies.

Various crisis management approach used by these giants in automobile industry have direct impact on component manufacturing units. Component manufacturers may have to apply turn around strategy to adjust with approach taken by their customers.

4.1 Honda Recalls 11,500 CBR bikes in India

Japanese auto giant Honda announced recall of 11,500 units of standard variant of its premium motorcycle CBR 250R due to defective break system. The company’s wholly owned subsidiary, Honda Motorcycles and Scooters India, recalled the bikes, which were manufactured from March 2011 to September 2012.

“In accordance to company’s global commitment to provide maximum customer satisfaction, and highest quality products, Honda Motorcycles and Scooters India has recalled the vehicles” HMSI statement.

Recall of these vehicles is a crisis related to failure in internal quality assurance systems. There was a possibility of limited effectiveness in front breaking systems which may crate a disaster for customer during urgent breaking. Corrective action initiated by Honda will have impact on the supplier who supplies the braking system. There will be in-depth manufacturing process analysis and action for process improvement. Supplier may have to rectify, rework or reject the existing stock in pipeline, depending upon the severity of problem. This can create a huge financial blow for the component manufacturing company.
4.2 Nisan to Recalls 22,000 Cars to rectify fault breaking system

Japanese car maker Nissan is calling back over 22,000 units of its small car Micra and the Sedan Sunny in India due to faulty braking system. Recall happens as apart of global exercise that the company has undertaken to rectify the problem. Vehicles produced between June 2012 and March 2103 will be called back to the workshop by the company’s wholly owned subsidiary Nissan Motor India.

“Nissan is conducting voluntary recall campaign on approximately 67,089 Micra and Sunny vehicles in Africa, Asia, Europe, India, Latin America, Caribbean and Middle East market to replace the master break cylinder” A Nissan India spokesperson said. The spokesperson added that the company has not received any complaint in India due to faulty part.

“Nissan plans to begin notifying customers soon. Nissan retailers will replace the master cylinder at no cost to customer. Nissan is committed to a high level of customer safety, service and satisfaction and is working with its dealers to promptly address this issue.”

Failure in break cylinder for a Car is a life threatening situation and can create a disaster. This component failure will create a pressure on supplier of component. This is internal system failure for both Nissan and their supplier.

4.3 Toyota Major Recall in Jan 2010

The case study is about crisis management at the Japan-based Toyota Motors Corporation, one of the largest automakers in the world. In January 2010, Toyota was forced to recall millions of cars after problems with braking, floor mats and acceleration pedals in its vehicles. The recalls even led Toyota to halt sales and production of eight of its most popular models. Due to growing number of recalls, sales plummeted thereby affecting the company's position in the global automotive industry.

In April 2010, Toyota Motor Corporation (Toyota) agreed to pay a whopping US $ 16.4 million fine imposed on it by the National Highway Traffic Safety Administration
(NHTSA) in the US. The fine related to sticky accelerator pedal defects in its vehicles, which resulted in the company recalling approximately 2.3 million vehicles in the US in late January 2010. According to industry observers, the fine was the largest civil penalty ever levied on an automaker by the NHTSA.

Over the years, Toyota witnessed dramatic growth and emerged as the number one automaker in the world mainly because of its quality products. The company had set a standard for manufacturing, product development, and process excellence in the automotive industry..., According to analysts, Toyota's quality problems began in the mid-2000s when the automaker began to use the same components across its different models, reduced assembly quality, and ignored customer complaints in order to increase its production volumes...

Industry experts considered the spate of recalls as a major crisis for the company as it not only led to financial loss but also became a significant threat to the reputation of the company. The suspension of the sales of eight of its popular models cost the company sales of 20,000 cars and light trucks, accounting for over US$ 500 million in lost revenue in the last week of January 2010, based on average vehicle sale prices...

4.4 Leyland Trucks Continuous improvement within an organisation

This case study is important because it discusses how crisis related to external business environment and market forces can be resolved by creating a change in internal business environment. Leyland Trucks continually makes improvements to everything it does based on the Japanese principle of Kaizen.

In 2006 DAF’s three manufacturing plants in Europe, including that at Leyland, produced a record 56,700 trucks of between 7.5 and 44 tonnes (the heaviest vehicles on the road). One in every four trucks sold in the UK is by DAF. New truck registrations in Europe were almost 268,000 in 2006 and DAF currently has a 15 percent share of this European market.
Leyland Company had the business objective to increase the market share to 20 percent. Company decided to achieve objective by using continuous improvement to satisfy customer by offering enhanced values and increasing production capacity from 18,000 to 25,000 units.

There were number of major reasons why Leyland Trucks practised continuous improvement:

- to meet the production and sales growth plans
- to meet customer demands for more reliable trucks
- To stay ahead of the competition.
- To offset rising labour costs.

A culture for continuous improvement

The culture at Leyland Trucks is based on trust. It involves everyone in the continuous improvement process. The company's culture relies on a set of values.

Leyland's values support continuous improvement and include:

- Training for everyone for example, identifying ways in which people can contribute to continuous improvement such as by eliminating errors and waste
- Team-building for Kaizen
- Involving everyone from top to bottom in decision-making
- Empowerment giving responsibility and power to everyone in the organization, encouraging them to make decisions and to take on responsibility for continuous improvement
- Innovation encouraging everyone to be prepared to think, communicate and try out new ideas.
Continuous improvement in action

Leyland Trucks has clear targets for continuous improvement and clear processes for building teams and encouraging involvement. More than 200 ideas for improvement were suggested by ground-level employees. The changes they suggested led to:

- A reduction in truck hours of over 17 percent
- 20 percent reduction in line-side materials (inventories)
- 23 percent reduction in walking (the distance that employees had to cover to carry out their work 57 miles per day in total).

At Leyland, over 10 percent of the 1,000 workforce consists of qualified continuous improvement practitioners.

Benefits for Company in 2006, there have been:

- A rise in on-time delivery to over 95 percent
- 10 percent reduction in mechanical defects per unit
- 45 percent reduction in reportable injuries and 10 percent in minor injuries in the same period.

4.5 The rebirth of the MGF A MG Car Company

Introduction

This case study focuses upon the rebirth of a much-loved brand with a unique British heritage - the MG.

Seventy years after Cecil Kimber had adopted the acronym ‘MG’ the brand had reached a low point in its existence. Its life had been distinct and memorable and, though it appeared to be dying, it was not yet dead.

In early 1991, the Rover Group Executive Committee gave approval to the concept. Shortly afterwards styling properties were researched amongst owners and potential
owners of sports cars and at the same time the information was updated upon the value of the MG Marque. By the end of 1992, the research and engineering feasibility work had reached a stage where the project could now be recommended to the Rover Group Board for approval. Approval was granted and a team of experts assembled to bring MG back to life.

To create a brand image and repositioning of MG sports car Marque values were created Following a process of research five Marque Values were developed:

- **FUN** ‘To drive an MGF is to experience the ultimate.
- **ROMANCE** ‘The ROMANCE, the desire. Memories of affection, of warmth, of respect. Remember the look; revel in the heritage and the beauty of line.’
- **AGILITY** ‘The AGILITY of the MGF is simply breathtaking.
- **OPENNESS** ‘With its classless, straightforward appeal,
- **AUDACITY** ‘Be proud.

**Brand strategy**

**Customer targeting**

Main driver profiles such as marital status, children in the household and multi-car households became a focus for attention. The findings indicated that a well executed sports car would conquest business from other market segments and identified the following as the key target audience:

- Stylish people
- 25-45 years of age
- Single or childless couples
- 70 percent male/30 percent female
- More than one car in household


Communication strategy

Prior to the product being revealed, the strategy was that the company would continue its ‘no comment’ stance. The product was finally revealed at the Geneva Motor Show in March 1995 and was accompanied by a press statement and product briefing. During September 1995 an International press event was held for key journalists in the markets where the MGF was to be sold. At that time, press packs were released to a wider audience.

Overseas, MGF launches followed product reveals at the major motor shows, including Tokyo, in order to maximise PR opportunities. Throughout this time, press statements were issued to maintain its high profile. Press demonstrators were available for the local press ahead of product launches.

Franchising plans

It was decided to franchise the car selectively, laying down a number of minimum standards such as a trained sales specialist, point of sale (POS) merchandising, trained service technicians, to which the successful dealer would need to comply. The right to distribute the MGF would follow the submission of a business plan. A different approach to selling was important when distributing a car with such a unique heritage.

Detailed work on the launch of the MGF started soon after the programme to develop the product was approved! The strategy needed to recognise that the introduction of the MGF was more than a new model launch; it was the revival of a famous motoring marque which would attract world media coverage. It was important to create an awareness of the product to provide dealers with the chance to pre-sell the car. Pre-launch objectives were:

- To achieve clear brand positioning
- High profile exposure
- Demonstrator/display cars at dealerships for launches
- Co-ordinated world-wide approach
- To optimize PR coverage
To optimize sales and profit opportunities
For networks to take advance orders.

In 1995, the MG brand was reborn. A project team of 30 engineers and technicians spent three years bringing the car into production. Over that time they changed location on three occasions. Their reward has been the building of a car with a character to revive the marque and to provide customers with what they set out to build, quite simply: ‘The World’s Most Enjoyable Car to Drive’.

4.6 A Skoda SWOT analysis in action

This case study has a relevance to research topic considering the various strategic decision models used in Automobile industry. Strategic decisions taken by mass production automobile company will have direct impact on component manufacturers.

To improve its performance in the competitive car market, Skoda UK's management needed to assess its brand positioning. To aid its decision-making, Skoda UK obtained market research data from internal and external strategic audits. This enabled it to take advantage of new opportunities and respond to threats.

**Strengths**

To identify its strengths, Skoda UK carried out research. It asked customers directly for their opinions about its cars. It also used reliable independent surveys that tested customers' feelings.

Skoda adopted a strategy focused on building cars that their owners would enjoy. This is different from simply maximising sales of a product.

As a result, Skoda's biggest strength was the satisfaction of its customers. This means the brand is associated with a quality product and happy customers.
Weakness

Analysis identifies areas of weakness inside the business. Skoda UK’s analysis showed that in order to grow, it needed to address key questions about the brand position. Skoda has only 1.7 percent market share. This made it a very small player in the market for cars.

Whilst the brand no longer had a poor image, it did not have a strong appeal either.

The car-buying public and the car industry as a whole needed convincing that Skoda cars were great to own and drive.

Opportunities and Threats

Opportunities

Skoda noted that its competitors’ marketing approaches focused on the product itself. Many brands place emphasis on the machine and the driving experience:

Skoda UK discovered that its customers loved their cars more than owners of competitor brands, such as Renault or Ford.

Threats

The UK car market includes 50 different carmakers selling 200 models. Within these, there are over 2,000 model derivatives. Skoda UK needed to ensure that its messages were powerful enough for customers to hear within such a crowded and competitive environment

Outcomes and benefits of SWOT analysis

Skoda UK’s SWOT analysis answered some key questions. It discovered that:

- Skoda car owners were happy about owning a Skoda
- The brand was no longer seen as a poorer version of competitors' cars.
However:

- the brand was still very much within a niche market
- A change in public perception was vital for Skoda to compete and increase its market share of the mainstream car market.

The challenge was how to build on this and develop the brand so that it was viewed positively. It required a completely new marketing strategy.

**Unique selling proposition**

Skoda UK has responded with a new marketing strategy based on the confident slogan, 'The Manufacturer of Happy Drivers'.

The campaign's promotional activities support the new brand position. The key messages for the campaign focus on the 'happy' customer experience and appeal at an emotional rather than a practical level.

Customers were able to book test drives and order brochures online. The result is that potential customers will feel a Skoda is not only a reliable and sensible car to own, it is also 'lovely' to own.

Analysing the external opportunities and threats allows Skoda UK to pinpoint precisely how it should target its marketing messages. No other market player has 'driver happiness' as its USP.

By building on the understanding derived from the SWOT, Skoda UK has given new impetus to its campaign. At the same time, the campaign has addressed the threat of external competition by setting Skoda apart from its rivals.

Skoda was able to identify where it had strengths to compete. The structured review of internal and external factors helped transform Skoda UK's strategic direction.
The case study shows how Skoda UK transformed its brand image in the eyes of potential customers and build its competitive edge over rivals. By developing a marketing strategy playing on clearly identified strengths of customer happiness, Skoda was able to overcome weaknesses. It turned its previously defensive position of the brand to a positive customer-focused experience.

The various awards Skoda has won demonstrate how its communications are reaching customers. Improved sales show that Skoda UK's new strategy has delivered benefits.

**Relevance of Case Studies:**

These various case studies discussed about world leader automobile companies are relevant to Pune MIDC and especially with automobile industries. Majority of World’s leading automobile brands have operations in Pune and thus Pune is globally connected as automobile hub though these companies. Crises or growth experienced by these companies have direct linkages and impact on automobile industry in Pune. Since 1960, Pune is known for development of MIDC, with establishment of auto giants like Tata Motors, Bajaj Auto, and Force Motors etc. Swedish Companies like SKF, Atlas Copco, Forbs Marshall, Sandvick, and Alfa Laval have contributed a lot for development of manufacturing sector and small-scale companies in Pune. Capital Goods companies like Themax, Cooper Companies, Greaves, Thysen, have added a dimension to Pune manufacturing sector.

There are more than 12500 manufacturing units operating in formal sector in Pune. They are from various industry segments such as forgings & castings, electrical & electronics, dies & moulds, machineries & parts, defense establishments and dependent units, machine tools, chemicals, pharmaceuticals, plastic & rubber components, food processing and the lion’s share goes to automobile industry and its ancillaries. Out of the total turnover of @ Rs. 50,000 Crore of all industrial units in Pune, automobile and auto components industry has more than 60 percent share (being more than Rs. 30,000 Crore) of the total turnover of Pune Companies. More than 4500 units in Pune (more than 30 percent of total units) are directly or indirectly dependent on the automobile and auto component sector.
MSME (Micro, Small and Medium enterprises) sector employ more than five Lakh labours. Their share in total no of units is more than 60 percent and in total employment in Pune is more than 60 percent.

**Major Industrial Houses Belonging To Automobile Group Having Their Operations in and Around Pune**

1. Tata Motors,
2. Bajaj Auto (2&3 wheelers),
3. Mahindra and Mahindra
4. Force Motors
5. Mercedes Benz,
6. General Motors,
7. Volks Wagen,
8. Cummins,
9. Hunadi,
10. Toyota,
11. Fiat,
12. Piaggio.

**Some of Major Auto Component Suppliers in Pune Are**

1. Bharat Forge
2. SKF bearing
3. Autoline
4. Endurance,
5. Panse Auto Components,
6. ZF Stearing,
7. Ganage Pressings,
8. RSB Transmission.
9. Mahale pistons
10. Exide Battery
11. Spaco Carburettors
12. Badve Auto Comp

Some of Global auto component manufacturers operating in Pune are

1. Eaton
2. Maxion Wheels
3. Continental Group
4. Bosch India
5. Saint Gobain Sekuritat
6. HUF India limited
7. Lear India limited

If we look at the composition of various automobile companies operating in Pune, it is a clear fact that all major components required for a vehicle are manufactured in Pune. All types of automobile component manufacturers and OEM suppliers have their establishments in Pune. These establishments being suppliers for all large scale automobile companies can face severe crises if there is a drastic change in world Automobile business. Existence of cutthroat competition and expectation of customers; demands crisis management as additional business skill for these automobile component manufacturing companies.

2 Times of India, Sunday, 26th May 2013, page 7


4 http://www.icmrindia.org/casestudies/catalogue/Leyland-Case-study.html


6 http://www.icmrindia.org/casestudies/catalogue/Skoda-Case-Studies.html

7 MCCIA report, on Automobile Industry Jan 2009