Chapter: 3 SEGMENTATION OF AUTOMOBILES IN INDIA

3.1 Background of the study

3.1.1 Market segmentation of automobiles in India-current scenario

Automatic market segmentation consists of viewing the market as consisting of segments, each of which demands special feature in a product and often different channels of distribution. Any automobile company does not simply introduce a new car each year; it introduces one or more cars for the low income, middle income, and upper income families. It also segments based on criteria such as sports car lovers, 2-car families, prestige groups, etc. while it’s new products are not only differentiated from competitors products by class of automobile, they are also aimed at various different classes of customers (segments of the market). Automobile companies by these actions try to expand and sharpen their sales approach and achieve greater total sales and profits.

India is considered as one of the emerging automobile markets since the launch of its first car in the year 1897, in Mumbai. The Indian auto industry has encountered several changes till now. The initial stage when automobiles were launched was not that favorable to the marketers as well as customers in India owing to the strict Government policies. However, the liberalization in 1991 changed the entire scenario. Presently the automobile industry of India has been identified to grow at a rate of around 19% per year and has become one of the target destinations of world’s greatest automobile players like General Motors, Ford, etc. Moreover, the changing attitudes and lifestyle of people and well developed Indian transportation system has made Indian automobile industry witness greater developments in the recent years. Today, Indian automobile industry has vehicles in three different categories by name two-wheelers, passenger cars and heavy vehicles.

Aaron Chaze (2006) says that there are numerous sectors that will capitalize on the emerging trends in India, both social as well as economic [1]. India’s rising recognition as an outsourcing destination as an outsourcing destination for multiple industries, favorable demographics, rising income levels, consumer confidence, separation of joint families and growing national economic clout are all previously unseen influences. Some of the sectors
that are influenced by these trends are seeing an immediate opportunity being reflected in current growth, while others are only being seeded.

Sectors such as automobile components, specify chemicals, engineering design, biotechnology, retailing, lifestyle products (including home improvement products), real estate, media, entertainment and communications, asset management, food processing and agro-industry, civil aviation, infrastructure logistics, insurance, alternate energy and defense are but a cross-section of the emerging opportunity.

India has one of the fastest growing automobile sectors in the world today, with a cumulative growth rate exceeding 16% for number of cars produced. Similarly in 2003-2004, the commercial vehicle segment grew at 22%, and the two-wheeler in demand for automobiles in the home market, through the role of export is ever increasing. Today, India the second largest populated country is ranked the sixteenth largest automobile market in the world. The growth rates suggest that India will be one of the largest markets in a few decades.

According to Robbins Stephen P(2009) Indian automobile manufacturers are building themselves up to make a gigantic impact on the global auto manufacturing scene by leveraging strong skill sets in engineering and manufacturing and their equally strong balance sheets to build markets[2]. The Indian auto industry boast’s the world fifth-largest medium and heavy truck maker, some of the most profitable auto companies anywhere, the world’s fourth-largest makers of tractors and a rapidly growing global hub for small cars. In the midst of all this the domestic automobile industry too is witnessing rapid growth, and car manufacturing has crossed the one million mark in annual production and sales, and continue to high growth in all segments (see table 3.1)
Table 3.1 Indian autos Sector – Indian automobile industry high growth in all segments (April-July 2010)

<table>
<thead>
<tr>
<th>Category</th>
<th>Production April-July</th>
<th>Exports April-July</th>
<th>Sales (Domestic-Exports) April-July</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009-10</td>
<td>2010-11</td>
<td>% Gr.</td>
</tr>
<tr>
<td>Passenger Vehicles (PVs)</td>
<td>682,407</td>
<td>858,429</td>
<td>22%</td>
</tr>
<tr>
<td>M&amp;HCVs</td>
<td>57,124</td>
<td>105,446</td>
<td>84%</td>
</tr>
<tr>
<td>LCVs</td>
<td>80,404</td>
<td>116,454</td>
<td>44%</td>
</tr>
<tr>
<td>Commercial Vehicles (CVs)</td>
<td>145,898</td>
<td>223,930</td>
<td>54%</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>162,721</td>
<td>234,581</td>
<td>44%</td>
</tr>
<tr>
<td>Two wheelers</td>
<td>3,205,740</td>
<td>4,213,454</td>
<td>31%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>4,290,556</td>
<td>5,570,394</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Indian auto component industry an overview, ACMI, www.acmainfo.com

3.1.2 Pint-sized cars but King-sized growth

According to James M Rubenstein (2001) pint-sized cars but king-sized growth world sum up the past and present for Maruti Udyog Ltd, India’s largest car maker in both volume and revenues ($2.2 billion for fiscal 2004-05) [3]. It controls 50% of the domestic passenger car market share, selling half a million cars a year, with the bulk of its offering comprising the smaller compact vehicle. But it may look a lot different in the future, as it has begun to seek an increased share of the market for premium vehicles.

Without diluting focus on its prime market of first-time consumers who eight times out of 10 would opt for a Maruti-made starter vehicle, also known as the Ai segment (the C segment). There are numerous global auto makers, such as Ford, GM, Honda, Mitsubishi, Toyota and DaimlerChrysler that have concentrated their resources here, since competing with Maruti in the lower segments is next to impossible. However, Hyundai and Tata Motors have begun to make some inroads into the segment that Maruti dominates. But neither of these companies has the sales reach or complex marketing apparatus that Maruti possesses. Demographics and society changes also may play in its favor. Both younger buyers as well as increasing number of women buyers continue to be attracted to the brand.
and the small zippy models that they turn out. And it is these two market segment that are increasingly driving automobile sales in India.

Harold Koontz (2006) says that the future also involves becoming closely interwoven with Suzuki’s global plans, which could mean becoming a compact car production hub for its regional markets [4]. This exports segment alone could be a significant growth driven for Maruti in the near future, and exports could rise significantly from the 30,000 Vehicles it sent out in 2005.

According to Marina van Geenhuizen (2009), even in the motorcycle segment, through Hero Honda is the dominating company, companies such as Bajaj autos and TVS Motors that were once dependent on technology from their former joint venture partners are more assured with their own product development capabilities than ever before [5]. The best-selling motorcycle model from TVS Motors was conceptualized and designed entirely in-house. Since breaking up with Suzuki Motors, TVS has launched new models very rapidly, with advanced design and styling and top of the line technology.

According to the Automobile Components Manufactures in India (ACMA, 2006), India has the fourth-largest passenger vehicles market in Asia, the second-largest two-wheeler market in the world, as well as the fourth-largest tractor and fifth-largest commercial vehicle market worldwide. The vehicle market segments in India, with a total production volume of 8.46% three-wheelers, and 4% commercial vehicles (ACMA, 2006). The growth pattern of Multi utility Vehicles (MUVs) and of the passenger vehicle sector are provided in Table 7. In 2004-05, the passenger vehicle sector’s growth rate was 22% higher than in the previous year. The projected size of the automotive component market by the year 2015 is estimated at $33-40 billion. After exporting 38,000 passenger vehicles to Europe in 2003, Suzuki planned to use Maruti as a production base for exports. With its high machine tool capability, improving tooling capability, exceptional automotive component industry, and the fact that most raw materials are available locally, India fulfills the requisites of an excellent manufacturing base. Together with its high quality, reasonable pricing, and special capabilities to supply smaller volumes, India is also exceptional automotive component supplier. According to Anderson (2003) Foreign automotive majors with
manufacturing base in India are rapidly expanding their indigestion programs [6]. India has the potential to become a global sourcing base for auto components in the short term, for CKD/SKD in the medium term and completely built units (CBUs) in the long-term. A number of foreign cars are manufactured in India, with 70% of these vehicles’ components being produced locally. The most prestigious customers of Indian auto component exports include GM, Ford, Chrysler, BMW, Audi, Mercedes-Benz, Volvo, Isuzu, Nissan, Piaggio, and New Holland. Europe accounts for around 35% of total auto component exports from India, America follows with 25%, and export to Asia and Africa total 17% and 13%, respectively. The majority of auto components exported are engines and engine parts (35% of all auto components exports), transmissions and steering parts (19%), suspensions and brakes (10%), and equipment (7%). Of a total of 402 companies, 240 are exclusively export-oriented, while 88 are OEM/Tier 1 exporters.

<table>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Vehicles</td>
<td>1,209,876</td>
<td>1,309,300</td>
<td>1,545,223</td>
<td>1,777,583</td>
<td>1,838,593</td>
<td>2,357,411</td>
<td>2,987,296</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>353,703</td>
<td>391,083</td>
<td>519,982</td>
<td>549,006</td>
<td>416,870</td>
<td>567,556</td>
<td>752,735</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>374,445</td>
<td>434,423</td>
<td>556,126</td>
<td>500,660</td>
<td>497,020</td>
<td>619,194</td>
<td>799,553</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>6,529,829</td>
<td>7,608,697</td>
<td>8,466,666</td>
<td>8,026,681</td>
<td>8,419,792</td>
<td>10,512,503</td>
<td>13,376,451</td>
</tr>
<tr>
<td>Grand Total</td>
<td>8,467,853</td>
<td>9,743,503</td>
<td>11,087,997</td>
<td>10,853,930</td>
<td>11,172,275</td>
<td>14,057,064</td>
<td>17,916,035</td>
</tr>
</tbody>
</table>

Table 3.2 Automobile production trends

Source: Society of Indian automobile manufacturer
Table 3.3 Automobile export trends

Source: Society of Indian automobile manufacturer

Mahipat Ranawat (2009) says that the government introduced the Auto Policy in 2002 with the objective of establishing a globally competitive automotive industry and double the industry’s contribution to the economy by 2010 [7]. The governmental also pledged to establish an adequate regulatory framework meeting environmental norms. India now has the large number of compressed natural gas (CNG) operated bus networks in the world. The conditions for the import of completely built units will be issued by the Direct General of Foreign Trade (DGFT), taking environmental and safety regulations into account. The government aims to create an adequate fiscal structure to facilitate the production and sale of hybrid vehicles, but has yet to introduce a model to level higher roads taxes for older vehicles to comply with international standards.

3.1.3 The Indian Car Industry

According to Kazmi (2008) The Indian market is not penetrated well in terms of car ownership. In countries like the U.S., penetration level is 812 cars per thousand, but in India, it is 18 cars per thousand of population (Table 4.3) which is lower than even countries like Sri Lanka and Bangladesh and Algeria [8]. Thus, it is a great opportunity for car manufacturers to tap this unsatisfied market by manufacturing low priced but efficient cars. The passenger vehicle market is divided broadly into the following three categories:

- Passengers cars
- Multi-purpose vehicles (MPVs), and
- Utility Vehicles (UVs)

<table>
<thead>
<tr>
<th>country</th>
<th>Vehicle (Per 1,000 people)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>812</td>
<td>2010</td>
</tr>
<tr>
<td>Italy</td>
<td>690</td>
<td>2010</td>
</tr>
<tr>
<td>Portugal</td>
<td>537</td>
<td>2010</td>
</tr>
<tr>
<td>Taiwan</td>
<td>297</td>
<td>2010</td>
</tr>
<tr>
<td>Iran</td>
<td>175</td>
<td>2010</td>
</tr>
<tr>
<td>Algeria</td>
<td>154</td>
<td>2010</td>
</tr>
<tr>
<td>India</td>
<td>18</td>
<td>2009</td>
</tr>
<tr>
<td>Tanzania</td>
<td>7</td>
<td>2009</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3</td>
<td>2009</td>
</tr>
<tr>
<td>Togo</td>
<td>2</td>
<td>2007</td>
</tr>
</tbody>
</table>

Table 3.4 Ownership of cars per thousand populations across different countries


Price based classification is widely accepted in the India passenger car industry (Vibha Pingle, 1999) says that. Indian customers are more likely to choose a car based on their income, aspiration levels and lifestyles [9]. Car sectors are popularly segmented on the basis of the prices as shown.

- Segment A – Cars Priced lower than Rs. 300,000
- Segment B – Cars Priced Between Rs. 300,000 and Rs. 500,000
- Segment C – Cars Priced Between Rs. 500,000 and Rs.10, 00,000
- Segment D – Cars Priced Between Rs. 10,00,000 and Rs. 25,00,000
• Segment E – Cars priced above Rs. 25,00,000

<table>
<thead>
<tr>
<th>Industry Segments</th>
<th>By size</th>
<th>Sales volumes</th>
<th>% Share of segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Comacts</td>
<td>195366</td>
<td>28%</td>
</tr>
<tr>
<td>B</td>
<td>Mid-Sized</td>
<td>375292</td>
<td>53%</td>
</tr>
<tr>
<td>C</td>
<td>Premium</td>
<td>130983</td>
<td>18%</td>
</tr>
<tr>
<td>D&amp;E</td>
<td>Luxury</td>
<td>6437</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>708078*</td>
<td></td>
</tr>
</tbody>
</table>

*Includes MUVs/SUVs

Table 3.5 the Indian passenger car market in FY2002-03

Source: SIAM

Julian Marr (2010) says that based on these classifications, India passenger cars could be divided as follows [10].

• Segment A – Maruti 800, Maruti Omni
• Segment B – Zen, Alto, WagonR, Hyundai Santro, Tata Indica, Fiat Palio
• Lower C segment – Maruti Esteem, Fiat Siena, Hyundai Accent, Tata Indigo, Toyota Corolla, Ford ikon, Opel Corsa.
The passenger car market for the different industry segment in FY 2002-03 is given in Table 4.4 which shows that a major chunk of passenger cars in India belonging to A and B segments, the latter being higher. Segment C at 18% was considerably lower. The overall market share segment wise for the year 2010-11 has been given in figure 3.6.

According to Shah (2009) in the beginning, Santro, a product of Hyundai Motors Ltd. (HMIL), was the most formidable completers in the small car segment [11]. Upfront investment of money & 90% indigestion of the car had helped Hyundai to bring down Santro’s Cost. Hyundai had a national network 300 sales and service outlets. Santro was rated the ‘Best small car’ in the JD power Asia Pacific Initial Quality and APEAL studies for three years in a row, and continued to be one of India’s three most preferred compact cars. The same car was making important in roads in Europe. According to company sources, since the production has shifted to India, Hyundai’s realizations per car have almost doubled. This was mainly because the freight costs in shipping cars to Europe, a key
target market for Hyundai, was less when exported from India than South Korea. Consumer’s reaction for their next car was mixed. The average age of money but conceded that Maruti’s spares are cheaper and service availability better. They were undecided about their next purchase of the car.

India, a product of Tata Motors Ltd. (TML), was launched as a car built for Indians by Indians. It was a car with Zan’s size, Ambassador’s internal dimensions and Maruti 800’s price, with the running cost of diesel. It had a sturdy body and had taken all Indian sensibilities into consideration. Indica had a diesel. It sold 80, 200 cars last fiscal (FY 2003-04). Indica’s main strengths are its Tata Brand and its Indian features. The popularity of Indica is reflected in the NFO Automotive – Total Customer Satisfaction Study 2003, where it was adjudged the best Diesel Small Car. Indica DLX also won the ‘best car award’ in the Rs. 3-5 Lakhs Category at the BBC World’s ‘Wheels 2003’.

3.1.4 Indian Automobile Industry Uses Segmentation Approach

Indian Automobile industry which was initially focusing exclusively on family segment for a long time encountered a change when Tata Sierra brought in a new segment by name Sports utility vehicle (SUV) segment. The SUV segmentation which was a failure in its initial stage has gained recognition from customers today. However, Indian car market is family-oriented to a great extent. Unlike countries like US in which each person owns a car, normally Indians own a single car per family. Hence, automobile marketers in India concentrate on attracting the whole family towards their product rather than an individual.

Saxena (2009) says that the Indian automobile industry has come a long way from the days of the ambassador, premier and standard cars and Bajaj and Lambretta two wheeler scooters [12]. Today, there are 15 automobile manufactures and 14 two/three wheelers firms. In 2004-05, 6, 99,082 cars, 1, 75, 187 multi utility vehicles (like vans) and 47, 58,639 two and three wheelers were manufactured in India. Almost, all major auto makers of the world – American (General motors and Ford), Japanese (Toyota, Honda, Suzuki, Mitsubishi), German (Daimler Chrysler) and South Koreans (Hyundai, Daewoo) compete car market. In order to, attract the Indian consumer; Daimler Chrysler launched its latest car the new Mercedes SLK roadster something in October-November 2004. This was
introduced in Europe only a few months back. It has also been estimated that each year almost 10-15 new model are being introduced by each of the car makers in mid side and premium segments.

With strong, upwardly mobile consumers group, anti-pollution laws, easy availability of financing facility at low interest rates, demand for new cars has increased post 2003. With the expanding market and enhanced competition in the industry, each manufacturer has had to decide on the positioning of the car model. Today, there are three segments in the passenger car segment. These are economy, mid-sized and luxury car segments. The economy segment, which is the largest, has been further divided into the top end and the bottom end. Similarity, the Mid-sized car segment has been further classified into premium and non-premium models. Based on this segmentation, various car models are today positioned as shown in Fig. 4.1.

![Figure 3.2 Market segmentation and brand positioning of Indian Automobile Industry](source)

**Source:** Saxena (2009), Marketing Management, Tata McGraw Hill, New Delhi

Each of these car makers know that they need to revisit segments frequently to identify any changes and or opportunities to re-segment it and build on new aspirations and values. They also understand that since the Indian market is upwardly mobile, they can expect the
consumer to upgrade his choice almost, every two years, if not every year. This is a long
journey that the automobile industry in India has covered since 1991, when the Indian
economy was opened to foreign enterprises.

3.1.5 Indian Automobile Industry Turning Competitive

With the changing preferences of consumers India is today the fourth largest car market in
Asia. Topmost manufactures from foreign countries have started entering into the Indian
automobile market. For years, demographic and income and family segmentation were the
principal modes of segmenting automobile markets. Today many marketers have begun to
expand the segmentation strategies by creating new profiles in automobile segment such as
sports utility vehicle segment, multi utility vehicle segment, hatchback segment, small car
segment etc.

Presently there are more than five manufacturers of engines in India. The automobile
manufacturers, located all over India, are dealing in products across all vehicle segments
like commercial vehicles, multi-utility vehicles, passenger’s cars, two-wheelers and three-
wheelers.

With the growing opportunities in the automobile industry of India the competition has
intensified. To meet the growing demands of the market different manufactures have been
using different measures and means at different times depending upon the type of vehicles
segments they are completing in and their status in the segment. Maruti Udyog Limited has
been maintaining its leadership in the small car segment right from its inception. The
manufacturers like Hyundai, TATA, and Fiat have also been doing well as followers in this
segment. In the light commercial vehicle segment TATA has been dominating though it has
to face a tough competition with Bajaj Auto limited and Mahindra. In two-wheelers
segments hero Honda has been able to emerge as the largest motor cycle manufacturing in
the world. The growing demand and better performance of the existing companies has
encouraged many global companies to enter the Indian automobile industry mainly through
joint ventures with Indian firms. More recently even a few manufacturers have developed
some kind of strategic alliance other than joint venture with global players with an aim to
improve their competitive positions both in domestic as well as in global markets.
In the past, the industry has successfully used cost as a source of competitive advantage. However, in the near future the new sources of competitive like technology, fuel consumption and vehicle design will be used by the organizations to remain in the competition. Experts strongly believe that the environmental changes might transform not only competitive structure of the industry but its traditional philosophies and customs as well. Thus the organizations within the industry world face serious challenges of growing customers’ expectations and intense competition in the future.

3.1.6 Segmentation of automobile market in India

In the post liberalization era, Indian automobile industry happens to be one among many sectors, where completion has suddenly livened up with the entry of almost all of the world majors. Hollensen, S. (2004) says that it was for the first time that choice set to the foreign entrants comes with help technology, and high as well as low priced models [13]. But it seems that the purchasing power of Indian consumer has not really increased in real terms to that extent so as to provide these companies with a sustainable volume especially in the mid-sized saloon segment. The pertinent question for the automobile industry is to have a strategy for a new product that fits well in the ever-expanding middle and upper middle income group Indians. Automobile industry is a growing field as far as India is concerned. India has to go a long way in order to achieve cost leadership in terms of automobile products. The following sections discusses in detail the car market trends in India along with the segmentation bases adopted by those manufactures in order to gain competitive advantage and customer satisfaction.

3.1.6.1 Indian passenger car industry

The Indian passenger car industry was a staid, low growth market with very few players till the early 1980s. It had a sheltered existence due to the various controls and restrictions. The consequent lack of domestic competition meant that there were few changes made to the designs of the existing cars. For over two decades the Indian customer had to choose from the Ambassador, the Fiat, the Standard or a Dolphin (Elrod, T and Winer, R, 1982; Esslemont, D and Ward, T, 1989) [14, 15]. There was very little incentive to innovate or
even plagiarize. Customer service and customer orientation were given a back seat. This resulted in a non-marketing outlook with customers not having much choice.

The mid-1980s saw a revolution in the passenger car market when the government decided to issue licenses to all automobile manufacturers to produce allied vehicles as well. This move saw the entry of Maruti Udyog Ltd which launched the Maruti800. This model was considered a modern car with contemporary styling and much better fuel efficiency (Goodstein, L.D., Nolan, T.M. and Pfeiffer, J.W, 1993; Hoek, J., Gendall, P. and Esslemont D, 1996) [16, 17]. MUL very soon went on to become the market leader and has retained a dominant presence in the Indian market for more than a decade. The launch of Maruti’s models—primarily the 800—tripled car sales from 62,500 in 1984-85 to 178,500 in 1989-1990. Car sales stood at 345,355 in 1995-96.

Maruti’s spectacular success did not, however, mean that its competitors failed to respond to the challenge. The late Eighties and the early Nineties at least saw the emergence of a marketing orientation. Passenger car manufacturers tried to position themselves in various segments. A few new models were introduced—mostly with foreign collaboration. Following the liberalization of the passenger cars market by the government, the mid 90’s saw hectic activity in the passenger car industry. This can be called the second revolution in the passenger car market. For the first time, international car manufacturers began to evince keen interest in the Indian car market. The early birds among them were Dalmier-Benz and Daewoo. Other aspirants included GM, Ford, Fiat, and Peugeot. With many of these companies having already committed themselves to enter the car market, there is intensive competition. The passenger car market reached 2200000 cars in 2009, estimated to reach 5100000 units by 2015 and 8700000 units by 2020 (see figure 4.2), and the passenger car industry now has a new character. However, if one compares India’s per capita car ownership with some of the developed countries, India is far behind the advanced countries, till date:
The passenger car industry in India has evolved over three distinct stages. In the first stage, the pre-1983 era, owning a car was regarded to be a luxury among the Indian consumers with the market being on the supply side and the industry being undeveloped and highly regulated (Rae and John, B, 1965; Gao P, 2008) [18,19]. The only dominant players were Hindustan motors (HM) and Premier Automobiles Limited (PAL), who produced models like ambassador and Premier Padmini, which were long outdated in the international markets but enjoyed huge popularity in India. In addition, due to high excise duties and sales tax, the car prices were high, leading to a market size of only 40,000 cars till the 1980s.

The entry of Maruti Udyog Ltd. (MUL) in 1983 changed that all. The second stage started, which rightly came to be known as the ‘Maruti era’ conceived as the ‘people’s car’ project, the company was setup as a joint venture between the government of India and Suzuki Motor Corporation of Japan. The government gave the company a number of benefits in terms of capacity, exercise, sales tax, foreign exchange, etc. besides, the launches of Maruti
was well-timed, the per capita income in the 1980s. Grew at the fastest rate since independence, life styles were changing with consumption gaining ground. Maruti’s looks technology fuel efficiency and most importantly, the price, coupled with all above reasons made the car an instant success (Blanchard R, 2007; Wedel, Michel and Wayne S. DeSarbo., 2002) [20, 21]. The total demand grew rapidly from 47,000 cars in 1983-84 to 1, 80,000 cars in 1989-90, at the rate of about 25% per annum. In short span of 6 years, Maruti Udyog Ltd had acquired nearly a monopolistic status. Although the market shares of existing players had declined sharply, they took several initiatives to stem the maruthi onslaught. One was to introduced more fuel-efficient engines and newer models like 118NE (PAL), Contessa classic (HM). This in turn gave birth to the luxury car segment in the Indian car industry.

The early 1990s saw an increase in the exercise duties, hike in petrol prices and higher interest rates on car financing. As a result, car prices rose by 30-50% leading to a demand recession in the market. PAL and HM were among.

The mostly badly hurt since they were catering to the more price sensitive segments compared to MUL. But, in 1993-94, various factors led to the revival in demand leading to an increase in sales by 28%. This period, thus, signaled the end of the second stage and beginning of the third stage. According to Fairclough G. (2007) this stage also signaled the entry of several MNC’s in an effort to reap the benefits of liberalization [22]. Today, we have almost all the major players of the world present in the Indian automobile market-general motors, ford. Toyota, Honda, Hyundai, Skoda, Renault, Suzuki and fiat have already been there for long, and panetro has come and left. As on September 2007, India’s annual car sales crossed 1 million marks for the first time ever. Sales increased 22% to 1.07 million in 2006-07; from 88, 22,008 in 2005-06. Maruti continues to keep more than half the market with 51% plus share in passenger car segment. Tata and Hyundai keep sharing the number position with 16% to 18% of the market each. Total sales of Maruthi are about 60,000 units per month on an average whereas; total sales of Tata and Hyundai would be 18,000 to 20,000 per month on an average (Steenkamp, Jan-Benedict E.M. and Hans Baumgartner, 1998; Haley and Russell I, 1985) [23, 24].
The joint venture of Toyota and Kirloskar, marking and marketing Toyota cars in India, is having at 15% of the passenger car market in India by 2015. Presently, it enjoys about 4% of the market share, and its growing at a breakneck speed.

**Reasons for growth**

Even after the entry of Maruti a prospective car buyer in India had little choice— a impact Maruti, bulky ambassador and a fragile flat. Then customers had to accept whatever was available. Abratt R (1993) says that Indian car manufactures were not allowed to enter into new collaborations and there was a cap that restricted manufactures from producing over 20,000 units per annum [25]. It was only when the government decided to enter into joint venture with Suzuki (which led to the launching of the ‘common mans’ cars’), that the market for automobiles began to witness a sea change. In 1992-93, the government actually bent backwards to encourage the entry of foreign car manufactures in India. This phase saw a boom in the car industry and the various reasons for this boom can be appreciated in terms of:

**Economic conditions**

The following features illustrate the economic scenario favorable for the growth of the car market:

1. Real growth > 6%
2. Fiscal deficit < 5%
3. Inflation < 8%
4. Increase in FDI and FII
5. Saving and investments 25%
6. Growth in consumption expenditure
7. Economic of reforms
8. De-licensing of the car industry
9. Foreign collaborators allowed holding 51% stake
10. Better duty structures
Auto industry situation

The current auto industry situation in India can be viewed as below:

1. Growing @ 25% since 1995
2. High motorization potential
3. Production base for exports
4. High scope for productivity improvements
5. Reservoir of skills available

Consumer Demand - Growing upper segments:

Man is perpetual a needy animal. When on need is satisfied a new need emerges at a higher level. Various promotional devices are designed to convert needs in to wants and then creating potential customers. The needs are essentially psychological and instinctive in nature. It is these psychological factors that create an uncertainty for the manufacturers to predict the market for his product. To overcome this difficulty only marketers showing identical characteristics are segmented. This is possible because people live in social groups, membership of which modifies behaviors responses to the extent that it would be more current to identify these factors as psycho-sociological or socio-psychological (Green P E and Krieger A M, 1995; Kara A and Kaynak E, 1997) [26,27]. The study of these influences has created a whole field of marketing usually referred to as consumer behavior.

Motivation:

It is the underlying force of any human activity including buying. Wishes or desires initiative the sequence of events known as behavior. Motives correspond to needs, a fundamental determinant of demand. Motivation depends on psychological needs, safety needs, love needs and esteem need. Man is a bundle of unlimited needs. He never feels fully satisfied. As soon as one need is fulfilled, he feels the presence of new needs. The so-called cultural progression is just multiplication of human needs. It is the marketers function to discern the nature of these and attempt to satisfy them.
Cognition:

It is a psychological theory which studies the response of consumers. According to it, stimulation of wants is conditioned by a customer’s knowledge, his perception, beliefs and attitudes. According to Haley R I (1968) Perception is the sum total of physical stimuli and perception, beliefs and attitudes. Perception is the sum total of physical stimuli and personal factors [28]. Certain stimuli are stronger than others while some are perceived by more people. Beliefs and attitudes also play an important role in the cognitive process. Strong beliefs and attributes are difficult to be changed and modified. Advertisements stressing special appeals are purposely designed by the manufacturers to overcome this kind of resistance by the customers.

Personality:

It is the total of so many personal or individual traits. So many theories have been developed to explain the personality and its influence on the behavior of people. Branding is a personality given to the product to suit the personality of the buyer. For example, different brands of cigarettes attract different categories of smokers in the society.

Reference Groups:

These indicate the position of a particular group of person in a society. Man is essentially a social being and interacts with other individuals in a variety of social groups. Jenkins M and McDonald M (1997) says that in spite of personal differences people may be forced to accept the decisions of society, for example, in the group Insurance Scheme individual’s differences of opinions may not give much consideration[29].

The present-day marketing is consumer-oriented. Consumer psychology, their social and economic status frames the cornerstone for marketing decisions. This recognition as accorded to consumers has given rise to concept of market segmentation. Any market could be segmented to a considerable extends because buyers’ psychological characteristics are never similar. The psychological traits of the rural population in India are quite different from the psychological traits of an urban society. Therefore, the same kinds of products will not appeal to the kinds of people living in villages and towns. As the major motives
underlie the purchases of a product, the marketing men are placed in a better position to develop an effective marketing strategy to satisfy such motives (Piercy N F and Morgan N A, 1993; Brassington, F and Pettitt, S, 2000) [30, 31]. For example, while the use of low prices, cigarette may fulfill the desire for saving money, high priced cigarette may suggest approval and quality. If the marketing programmer is to be appropriate, it should be son in terms of products and advertising strategy.

In 1995, India had 1.5 million households with an annual income greater than Rs. 5 lakh and 0.5 million with an annual income greater than Rs.10 lakh. Today, their exist nearly 12-15 million households having annual income greater than 7 million and a niche segment having income greater than 10 million (DeSarbo, Wayne S., Ramaswamy V and Cohen S H, 1995) [32]. In order to see the various challenges that a car manufacturer will face when he wants to introduce a new product, we will look at the various forces that affect market structure as a whole.

3.1.7 Elements of product market segmentation

The following are the five elements of product market segmentation as identified by Evans M (1999) [33]

1. **Company resources:** Market segmentation involves heavily expenditure in implementing it. Market segmentation cannot be undertaken at all unless the company has got enough resources.

2. **Products characteristics:** Most products are heterogeneous in character but some other products show homogeneity. In the case of former type, market segmentation is necessary but in latter case the necessity of segmentation is disputed (Tseng D S and Chang C H, 1992; Plummer and Joseph T, 1974) [34, 35]. Salt, Kerosene, etc come under this group of articles and in their case undifferentiated marketing is enough.

3. **Position of the products in the product life cycle:** The various stages of products life cycle viz., introduction, growth, maturity, saturation and decline have to be taken into consideration. During the introduction stages the necessary data cannot
be collected and in the last phase the necessity of door segmentation does not arise at all.

4. **Homogeneous nature of market:** Proper segmentation of market is required only when the customer preferences vary from group to group. Schnaars and Steven P (1991) say that when the market is of a homogeneous nature there is no use of segmentation [36].

5. **Competitive Marketing strategies:** Sometimes it is necessary to fall in line with the competitors’ activities or market segmentation. Arrangements similar to be undertaken by competitors have to be made to meet the competition effectively.

The above discussion shows the need of studying consumer behavior to enable a manufacture to gain from the market. According to Aaker D A (2002) in the past, the manufacturer’s selling responsibility virtually ended at the retailer’s level [37]. It was not the marketers but the retailer who undertook almost the entire job of selling goods to the consumer. With the multiplicity of the products in the market, with the variety of brands, grades and prices within each product category, the manufacturer can no longer afford his delegated selling job to the retailer. An organization must not only make further but must be a seller too. To perform this function successfully it must have with it all the tools needed to handle a customer. Market segmentation is one such tool.

The passenger car manufactures have targeted different segments depending on the segment size, profitability in the segment, competitors’ threat, company objective and resources available with the company (Berry J and Leventhal B, 1996; Buzzell R D, Gale B T and Sultan R G M, 1975) [38,39]. The following table gives the attributes of consumers based on which the Indian automobile market is segmented:
<table>
<thead>
<tr>
<th>A</th>
<th>Income</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Pick up</td>
<td>2-35 yrs, males from business families, newly married or unmarried</td>
</tr>
<tr>
<td>B</td>
<td>Fuel efficiency</td>
<td>30 yrs+, conservative businessman with strong sense of value for money</td>
</tr>
<tr>
<td>C</td>
<td>Looks</td>
<td>2-35 yrs, social life, businessman, socially active</td>
</tr>
<tr>
<td>D</td>
<td>Reliability</td>
<td>30yrs+ top professionals. Businessman, married</td>
</tr>
</tbody>
</table>
### Table 3.6 Segmentation of Indian Car Market

**Source:** Ayres, R., G. Ferrer and T. Van Leynseele (1997), ‘Eco- efficiency, asset recovery and remanufacturing’, Management Journal, USA

<table>
<thead>
<tr>
<th></th>
<th>Characteristics</th>
<th>30yrs+ with a strong sense of value for money</th>
<th>40yrs+ conservative businessman, professionals, married with a strong sense of value for money</th>
<th>40yrs+ conservative businessman, professionals, married with a strong sense of value for money</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>Durability</td>
<td>middle class</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>Ease of handling</td>
<td>Men over 3 yrs, women</td>
<td>Men over 45 yrs, women</td>
<td>Men over 35 yrs, women, late drivers, retired persons</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Women</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 3.1.8 Trends in Consumer Attitudes

The passenger car industry in India has undergone a drastic change in terms of consumer perception as well as technology. In July, 1991 with the advent of liberalization, restrictions and controls were removed. In particular, the car market experienced the removal of various entry restrictions imposed on foreign companies. Seeing the
opportunity the foreign players showed a keen interest in the Indian market. They came to share their advanced technology. Suddenly, the Indian market was being allured, with several world class offerings. The problem of higher price of these foreign premium cars was taken care of by introducing many ‘car finance’ schemes. The below figure shows the Early 1990s Product Positioning triangle:

![Figure 3.4 Early 1990s: Product Positioning Triangle](image)

**Source:** Proctor T (2000), Essentials of Marketing, Financial Times-Prentice Hall, UK

### 3.1.9 Market Segmentation the dominant market behavior of buyers:

In the following section, some key market segments and the dominant market behavior of buyers in those segments have been discussed.

**Status buyers:**

1. Car is bought primarily as a status symbol.
2. Brand image associated with the car is very important.
3. Quality of engineering and attention to finish are very important. In general, looks and styling are important.
4. Multiple car owners and light users; usually chauffeur driven (Young, S., Ott, L., and Feigin, B, 1978) [40].
5. Economy of operation and costs of maintenance are irrelevant to the purchase decision.

6. The Mercedes-Benz E220 is the absolute top of the line model in this segment. Till a few years ago the Contessa and the Maruti Esteem were slotted in this segment. Other models that might make a dent in this segment are GM Opel Astra, and Toyota.

![Product Positioning Triangle](image)

**Figure 3.5 Late 1990s; product positioning Triangle**

*The information is based on planned and expansion programme and current information about every entry of foreign cars

3.1.9.1 Luxury car buyers

1. The luxury segment buyers see the car as a measure of upper class living standards.
2. Recent entrants rather than high quality of engineering or brand image tend to be viewed favorably.
3. Emphasis on technology and add-on features.
4. Moriarty, R. T. & Reibstein, D. J (1986) says that the costs of maintenance and economy of operations are not major selling points to this class of buyers. But time lost due to breakdowns is a major irritant to the buyers in this segment.
5. The Opel Astra, Cielo and Maruti Esteem would seem to be the preferred models in this category.

3.1.9.2 Family car buyers

1. Family car buyers prefer comfortable and rather roomy cars.
2. Luggage space would be an important criterion
3. Buyers would typically be upper middle class. According to Collins, M (1971) costs of maintenance would be important. Such cars would, in most cases, see a lot of highway driving [41].
4. Cielo, Opel Astra and even the Maruti Omni would probably be ideal candidates for this buyer.

3.1.9.3 Upward mobile professionals

1. Performance of the car is most important.
2. This segment of buyers looks for driving ease and operating convenience because buyers do not plan to spend time on maintenance.
3. To a section of such buyers the car is meant to be used as a “stop gap arrangement”- the buyer would probably move up to a better car in a few years.
4. Maruti Zen, Maruti 1000, Tata Sierra, Tata Estate, Fiat Uno and some new models which are poised for entry into the Indian market would be the preferred alternatives.
3.1.9.4 Utility/Functional buyer

1. Operating economy, durability, driving ease and ruggedness are desired attributes.
2. Wish to have enough facilities in maintaining the car.
3. Buyer is price sensitive.
4. The car is used mainly for city driving.

According to Lunn, T (2000) among the existing cars Maruti800, Ambassador, Maruti Omni, and premier Padmini are the typical models which satisfy the above aspirations [42].

3.1.9.5 The Sports buyer

1. Styling, ruggedness and maneuverability are very important.
2. The car would be used extensively on highways.
3. Open hooded cars would be preferred.
4. The Maruti Gypsy has been practically the only model available to this buyer. However, this segment is expected to see some new models like the Suzuki Vitara.

3.1.10 Competitive Environment in Indian Automobile Industry:

The competition in the industry is rooted in its underlying market structure. Therefore, any new or existing model which aims to succeed in the market will significantly have to understand the market structure of the industry, and the understanding has to go beyond just the behavior of the current competitors. The state of constant competition in an industry seems to revolve around some basic competitive forces. The goal of competitive strategy for a business unit in an industry is to find a position in an industry where the company can best defend itself against these competitive forces or influence them in its favor (Raymond, B. Cartell, Herbert Weber and Maurice, M. Tatsuoks, 1970; Plumner and Joseph T, 1974) [43,35]. All these competitive forces jointly determine the intensity of industry competition and profitability, and the strongest become crucial from the point view of introducing new products.
• **New Automobile Companies in India:** The new entrants to an industry bring in new capacity, the desire to gain market share and, often, substantial resources. The threats to new entrants depend on the barriers to entry for the new company/model/product. These threats are described below:

• **Lumpiness of capital:** High investments are required in the initial setup stage, and an investment on this magnitude will have to be backed up by an accurate forecast of demand in order to be productive.

• **Large volumes:** Only high sales of a product allow companies to cover their high investment costs. Bauder H (2001) says that this is a problem faced by every new entrant, be it an altogether new company or be it a new model being introduced by an established brand [44]. Thus, a minimum economic size will be required for the justification of launching a new product, even to gain a foothold in the market.

• **Exchange rate fluctuations:** When a new model is being introduced, it will often have a substantial foreign component, which will have to be imported. In case of exchange rate fluctuations, the cost of the product may rise.

• **Vendor development:** The new model’s technical success may not be assured. According to Bartels R (1962) under such circumstances, it becomes difficult for the manufacturer to attract sufficient vendors to the system [45].

• **Dealer network:** It is difficult for the new entrant to set up a dealer network on entering the market. Similarly, if an existing player is introducing a new model, it will have to persuade dealers through monetary or non-monetary measures to keep the new model.

• **Technology and brand name:** A new model introduced by an unknown company suffers from a lack of market demand if the company is not willing or able to spend a considerable amount of money for a considerable period of time. An example of this is the models introduced by Sipiani, which failed in the market (Gronroos C, 1989; McGee L W and Spiro R K , 1990; Minhas R S and Jacobs G M, 1996) [46,47,48].
• **Government Policies:** Government policies on import, investment norms, and technology transfer, play an important role in ensuring the success or failure of any new model being introduced in the country.

**Competition between car makers:**

• **Technology:** Technology changes fairly rapidly and also travels very fast across borders. Thus, a company has to be prepared to introduce a new model in a particular country in response to a competitor introducing a new product in some other country as a pre-emptive measure.

• **Price/Brand sensitivity:** Certain segments are price competitive while other segments are branded conscious. The model being introduced will have to be in synchronization with segment preference and sensitivity.

• **Service network:** A new model, which has a larger service network, has won half the battle against its competitors. According to Smith N C and Quelch J A (1993) all companies will have to be able to afford the service network investment to support their new model but it is more of a problem for the newer companies [49].

• **Word-of-mouth-publicity:** A car is a high involvement product. Thus, there are multiple influencers in the customers’ decision-making process. This means that the customers will probably consult others about the model they have chosen to buy, especially if it is a new product. If the new car receives an unfavorable or negative response from such influencers, who may be among the first to have tried out the new cars, the early adopters may not follow these innovators.

• **Supplier Network:** The suppliers can exert considerable influence over the manufacturers in many industries. But, in the car industry, the suppliers have a low bargaining power (Lovelock, 2001; Lidstone J, 1989; Jobber D, 1998) [50,51,52]. The reason is the large number of component suppliers in the industry. Even otherwise, suppliers are often dependent on the manufacturers for technology. However, the relationship is moving towards one of partnership with the number of
suppliers decreasing, but supplying a large range of products. The manufacturer, however, can maintain his control through the control over technology.

- **Buyers/Customers:** The bargaining power of buyers is increasing nowadays, especially in the mid-price segment, where most of the new firms are competing and most of the new models are introduced. But, the bargaining power of those buyers who are price sensitive is very limited since Maruti 800’s price is as yet un-matched (M. Jenkins & S. D. Knox, 1994; Green P.E, 2001) [53, 54]. At present, there is no other car except Suzuki’s own brand Alto, which is somewhere near in price and serviceability. But, the scenario could change in the next couple of years with Tata and Eicher planning to enter this segment and promising to match the price of Maruti 800. While the technology exists, Maruti’s plant is fully depreciated, and it will take a considerable time to match Maruti’s volumes. This will mean that the buyer should not be expecting a car that performs like Maruti 800 at the price of Maruti 800.

- **Pressure from Substitute products:** The main threats come from affordable two wheelers, which are increasing the range of models available as well as the features. Also, an improvement in public transport will directly impact the industry, though to what extent, is difficult to measure.

- Tatas can be a threat to Maruti’s monopoly in 800 cc segment, if their Rs.1 lakh car concept (Nano) becomes successful. Till then, it is either Maruti 800 or Alto or Santro in Rs 3.5 lakh category. In terms of board competitive structure, the Indian passenger car is a differentiated oligopoly. Evans M (2003) says that the major players in the Indian car scenario are Suzuki’s Maruti Udyog Ltd.(MUL), Hyundai, General Motors, Tata, Mahindra, Honda, Toyota and Ford. Substantial product differentiation exists with wide range of product type, price, level of technology employed, durability, fuel efficiency, etc [55].
The inter firm competition can be defined as given in the following table.

<table>
<thead>
<tr>
<th>Level of Competition</th>
<th>Product Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competing companies: nearly 12 major companies</td>
<td>Suzuki, Hyundai, Ford, Honda, Fiat, Mitsubishi, Tata, HM, Mahindra, Mercedez, Toyota, Skoda and others.</td>
</tr>
<tr>
<td><strong>Product Form</strong></td>
<td></td>
</tr>
<tr>
<td>1. Economy cars (Rs. 2-4 lakh)</td>
<td>Maruti 800, Alto, Zen Estilo, Omni, i10, Wagon R, Santro, Getz, Indica and others</td>
</tr>
<tr>
<td>1. Lower Luxury Cars (Rs. 5-6 Lakh)</td>
<td>Swift, Hyundai, Accent, Esteem, versa, Logan, Indigo and others.</td>
</tr>
<tr>
<td>MUL, FIAT, FORD, HYUNDAI</td>
<td></td>
</tr>
<tr>
<td>2. Upper luxury care (Rs 7-10 lakhs)-</td>
<td>Baleno, SX4, Toyota, Corolla, Skoda, Octavia, Maruti, versa and others</td>
</tr>
<tr>
<td>MUL, TOYOTA, HONDA</td>
<td></td>
</tr>
<tr>
<td>3. Premium cars (more than Rs. 10 lakh)</td>
<td>Toyota, Corolla, Honda, Accord, Honda, Civic, Mercedes Benz, BMW, and others</td>
</tr>
<tr>
<td>GM, Opel, Toyota, Honda</td>
<td></td>
</tr>
<tr>
<td><strong>Product Category</strong></td>
<td>Four wheeler: Passenger cars and SUV’s M&amp;M + Some of the above passenger vehicle companies</td>
</tr>
</tbody>
</table>

Table 3.7 Competitor Set

Source: Avery, K.L., D.N. Myers, B. Cordell and B.J. Harris (2009), Evaluating the Sustainability of Passenger Cars, TRL Limited, London

3.1.11 Competitive Strategies adopted by leading manufacturers

The following section gives the description of the competitive strategies adopted by leading automobile manufacturers of India.

i. **Maruti Udyog Limited:** Maruti is credited with starting off the first revolution in the Indian passenger car market in 1984 with the introduction of Maruti 800. Maruti has consistently taken a marketing outlook by introducing several other brands- the spacious Omni van; the sporty, hardy four wheel drive Maruti Gypsy; the fancy
Maruti 1000 and the luxury model-Maruti Esteem. The Maruti Zen was introduced in 1993 to plug the gap between its premium models and utility models, especially the Maruti 800. In addition, Maruti has upgraded its design for the basic Maruti 800 model, and plans to undertake such a revision again in 1997. It is pursuing a policy of constant innovations and product line extension in spite of enjoying a near dominant status in the car market for the past decade (Worcester R M & Downham J and Van Nostrand Reinhold, 1978) [56]. However, with the entry of Daewoo, Peugeot and some others there is already some pressure on Maruti. It has made aggressive moves to counter the threat-by increasing its capacities and bringing out new models of 800 and Esteem in view of the growing car market. Expansion in capacities would help MUL to retain its cost leadership position in the economy segment, which is likely to remain by far the biggest segment of the car market for many years to come. Regarding weaknesses, it has earned the image of fragile cars and high cost of spares. And, another disadvantage that MUL faces is that it does not have any diesel cars in its portfolio. As far as the broad strategy is concerned, Maruti seems to be concentrating on maintaining low costs through volumes and thereby cornering the largest chunk of the passenger car market. Customer orientation, specially servicing facility, is another key factor by which the other car marketers can score (Sterling, J. U. & Lambert, D. M, 1989) [57]. Maruti is not lagging behind on this count and as the market coverage increases, it has to keep pace with the quality of its service.

ii. **Premier Automobiles Ltd:** Till the mid-1980s PAL did not have to adopt a formal marketing strategy. The resulting lack of marketing orientation has probably contributed to the marginalization of PAL. Dibb, S (1992) says that competition from the Maruti 800 has forced PAL to segment and focus its offering to specific targets [58]. PAL undertook extensive advertising to explain the superior facets of its products (especially the 118 NE). In the mid-90s premier Auto tied up with Peugeot to manufacture and market the Peugeot 309 model in India. The car is targeted at the same segment as the Maruti Esteem. PAL has also tied up with Fiat to market the Uno brand in India. Because of the shift in consumer attitudes, the 118 NE no longer holds the premium image that it had earlier. With the arrival of
the Mercedes-Benz consumers perceptions about the “premium car” has changed. Thus PAL will have to position its products (the 118 NE and the Padmini) distinctly in the market, with the planned introduction of so many new car models.

iii. **Hindustan Motors:** HML did not face much difficulty in marketing its products till the mid-1980s. This is because the Ambassador was one of the four models available in the Indian market. Thus hardly any marketing strategy was required for HML. This complacent attitude was shaken with the government granting licenses to new car manufacturers to bring in better technology (Dibb, S & Simkin L, 1994; Plank R. E, 1985) [59, 60]. The entry of MUL resulted in HML launching the Contessa and later the Contessa classic at the premium segment of the market. It also revamped the Ambassador and branded it the Ambassador Nova. HML’s strength has conventionally been the ruggedness and safety offered by its cars. Ease of maintenance and spare part costs were other important pluses. HML has exploited these features along with spaciousness to market the Ambassador in the early 90s. It has positioned the Contessa as a premium offering. HML is marketing the Opel Astra in India. The company expects that it will become the top-of-the-line model for HML.

iv. **DCM Daewoo:** Daewoo has the advantage of being the “earliest of the new comers”. In the few months since the launch of the Cielo, the brand is already being talked about as the car which would take the wind out of Maruti’s sails at the upper segment of the market. The Cielo offers better features at nearly the same price as the Maruti Esteem. The Cielo already has an image of being successful as it grabbed a 30% market share in the family cars segment within a few months of its launch. According to Knight D (1991) though the Cielo is slotted as a luxury segment offering, Daewoo claims that it will eventually become a mass market car [61]. The large 530 liters trunk compared to the 370 liters trunk of the similarly priced Maruti Esteem would emphasize this aspect. Daewoo has shown a great deal of faith in the expected growth of the family cars segment and aims to sell about 150,000 cars a year by the year 2000 (Anderson E. and Sullivan, M, 1993; Fornell C and Wernerfelt B, 2003) [62,63]. It should be noted that Daewoo has ignored the small car
segment in India in spite of manufacturing a small cars in South Korea. This is based on the supposition that the small car buyer would move up the scale if he is offered a distinctly superior product at the right price. Daewoo, however, plans to introduce a small car, the Tisco, in 1998. Daewoo claims to take the reason-why approach in its selling, backing the Cielo’s benefits with a clear cut purchase logic. Apart from the product, the company hopes to differentiate its offering through “other parts of the package” - after sales service, for instance. Daewoo, however, has the expected disadvantage of a new entrant - all the automobile component manufacturers are in Maruti’s control. Also, Daewoo would also have to establish a dealer network by itself.

3.1.12 Indian automobile industry turning competitive:

The Indian automobile industry has a registered tremendous growth over the past one decade and has emerged as one of the most attractive industries for investment. According to Keaveney, S.M (1995) one of the major reasons for the growth of the automobile industry in India has been the growing markets for the different types of vehicle due to increase in disposable income and standards of living of middle class families [64]. The growth and potential of such markets in India can be judged from the fact that India is the fourth largest passenger vehicle market in Asia and fifth largest commercial vehicle market in the world. Presently there are more than 40 manufactures of different vehicle in India which were just less than 10 before the Indian’s government liberalization measure in the 1990s. in the addition, there are also more than five manufactures of engines in India. The automobiles manufactures located all over India, are dealing in products across all vehicle segments like commercial vehicle, multi-utility vehicles’, passenger cars, two wheelers and three – wheelers.

With the growing opportunities in the automated industry of India the completion has intensified. To meet the growing demands of the market different manufactures have been using different measures and means at different times depending upon the type of vehicle segment they are completing in and their status in the segment. Maruti Udyog limited has been maintaining its leadership in the small car segment right from its inception. The
manufactures like Hyundai, TATA, and Fiat have also been doing well as followers in this segment. In the light commercial vehicle segment TATA has been dominating through it has to face a tough competition with Bajaj auto limited and Mahindra and Mahindra. In two-wheeler segment hero Honda has been to emerge as the largest motor cycle manufactures in the world. The growing demand and better performance of the existing companies have encouraged many global companies to enter the Indian automobile industry mainly through joint ventures with Indian firms (Stanton J and Pieres G D, 2005; White, P.D, 1992) [65,66]. More recently even a few manufactures have developed some kind of strategic alliance other than joint venture with global players with aim to improve their competitive both in domestic as well as in global markets.

In the past, the industry has successfully used cost as a source of competitive advantage. However, in the near future the new sources of competitive advantage like technology fuel consumption. Experts strongly believe that environment changes might transformer not only competitive structure of the industry but its traditional philosophies and custom as well. Thus the organization within the industry would face serious challenges growing customer’s expectations and intense completion in the future.
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