

Maruti Suzuki India Limited: the Celerio

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Maruti Suzuki India Limited (MSIL) reported a decline of 10.3 per cent in total car sales in January 2014 at 102,416 units against 114,205 units in the same month the previous year. Even the sales of star performers, such as the Maruti Alto Wagon R, declined by 17 per cent to 38,565 units compared to 46,479 units in the same month the previous year (*Live Mint & The Wall Street Journal*, 2013; IBEF, 2014). This drop in sales meant that MSIL needed a product to revive its declining sales, and they launched the much-anticipated and affordable hatchback “Celerio” with its breakthrough technology of automated manual transmission (AMT) (*Daily Bhaskar.com*, 2014a; *NDTV Profit*, 2014). Anand Prakash, the Commercial Business Head (West Zone) at MSIL, said, “This is rebound in sales with the launch of every new product. We are hopeful that it (Celerio) will bring rise in sale of cars” (*Business Standard*, 2014a; 2014b). The task facing MSIL was not only to drive sales to the current customers, but to spread awareness and create purchase intent among the potential customers about the benefits that Celerio offers, including AMT.

India: geographical and macroeconomic introduction

Located in South Asia, India has a vast area of 32.8 billion km² and is separated from the rest of Asia by mountains and sea, which gives it a unique geographical location. India is the seventh-largest country in terms of area and second-largest in terms of population (of over 1.2 billion). Pre-liberalization, India was a closed economy and had a very stringent internal business policy, so much so that renowned businessman J.R.D. Tata said in 1969:

In the current Indian regulatory system, I cannot decide how much to borrow, what shares to issue, at what price, what wages and bonus to pay, and what dividend to give. I even need the government's permission for the salary I pay to a senior executive.

Since 1991 and post-liberalization, India has moved toward a free market economy where there has been a substantial reduction in the state's control over the economy, and this has also led to increased financial liberalization. India is now the tenth-largest in terms of nominal gross domestic product (GDP) and third-largest in terms of purchasing power parity (PPP), the nineteenth-largest exporter and the tenth-largest importer in the world in 2012. India's nominal GDP was US\$1.824 trillion in 2012, and the country registered US\$309.1 billion in exports and US\$488.6 billion in imports (*Central Intelligence Agency*, 2013).

Car industry in India

In 2011, the number of registered vehicles was approximately 141 million, and 15.5 million of these were cars (*Exhibit 1*) (*Ministry of Statistics India*, 2013). There has been a decline of 11.6 per cent in passenger cars sales in India between 2012 and 2013 (14.7 million to 13 million) (*IBEF*, 2014). Car density in India is 17 compared to other countries around the



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world, which is considered quite low (OICA, 2013). As a whole, the automobile industry in India provides direct and indirect employment to over 13 million people, and in 2011, there were 3,695 factories producing automotive parts. The average firm made US\$6 million in annual revenue with profits close to US\$400,000 (IBEF, 2014).

Exhibit 2 shows the major players in the Indian car market and their market shares for the year 2013. MSIL has captured almost half of the Indian passenger car market with a market share of 49 per cent (*Live Mint & The Wall Street Journal*, 2013). While Suzuki's main rival, Hyundai Motor India, has captured a market share of 21 per cent, other rivals are posing a threat too, with Honda Car India taking 6.56 per cent and Tata Motors taking 6.18 per cent (*Auto Car India*, 2014b). MSIL has entered into the automatic transmission (AT) segment in hatchbacks with the Celerio with great fanfare and high expectations. MSIL Managing Director and CEO Mr Kenichi Ayukawa said at the Celerio launch:

Given the congestion on Indian roads, the demand for auto mode is no brainer. Cars with automatic transmissions at present account for less than 5 per cent of the total passenger vehicles sold in India (*The Hindu*, 2014).

Maruti Suzuki company background

Since its inception in 1981, MSIL as an automobile manufacture has gained the trust and faith of its customers and has always been known for delivering value – on the lines of their low cost of acquisition, high fuel economy, less maintenance hassles and wide service network. In 1982, MSIL's first manufacturing factory was set up in Gurgaon, Haryana, and that same year, India sold just 40,000 cars. With the roll out of the now-discontinued Maruti 800, a new history was created that was primarily focused on customer satisfaction, a concept that had been unheard of until then. MSIL's core values are primarily focused on innovation, quality, creativity, partnerships, openness and learning (*Daily Bhaskar.com*, 2014b), and they have been a market leader in the Indian car market since their inception. Today, MSIL alone sells 1.5 million cars every year, and a car is sold by the company every 12 seconds thanks to their offering the low cost of ownership in addition to other benefits such as great performance, high fuel economy, environment friendliness and low maintenance. MSIL's total unit sales reached the 1.17 million mark for financial year 2012-2013 (Exhibit 3). Exhibit 4 shows the balance sheet of MSIL for the financial year 2012-2013 when the company had registered a profit after tax of Rs. 23,921 (in million rupees) for the financial year 2012-2013 (*Maruti Suzuki India Limited*, 2013).

What drives MSIL? The company is known for its long-standing relationship with customers and its dedicated and passionate professional team of over 9,000 that sells 17 different makes of cars (with over 150 variants) and a huge service network spanning 1,436 cities and towns, a sales network spread across 917 cities and two state-of-the-art factories at Manesar and Gurgaon. It has a diesel engine plant that produces seven lakh diesel cars a year while strictly adhering to the safety guidelines to help make India's roads safer (*Live Mint & The Wall Street Journal*, 2013; IBEF, 2014).

MSIL and its portfolio

Maruti Suzuki has a complete range of cars, from the entry-level Alto to the hatchbacks Ritz, A-Star, Swift and Wagon R; sedans DZire, Kizashi and SX4; in the "C" segment Eeco, Omni; multi-purpose vehicle Suzuki Ertiga; and sports utility vehicle Grand Vitara (Exhibit 5) (*India TV News*, 2014). Exhibit 6 shows the comparison among the hatchbacks available in the MSIL product portfolio on the basis of price, utility, performance and features for all hatchbacks of the same VXi models.

Celerio – product description

Maruti Suzuki Celerio developed the AMT technology and introduced it to the public. with the promise of delivering a high fuel economy up to 23.1 kmpl and a starting price of

Rs. 4.29 lakh (for an ex-showroom model in Delhi) (*India TV, 2014; Auto Car India, 2014a; The Economic Times, 2014*). The Celerio model was developed based on the revolutionary and innovative technology of auto gear shift that had been manufactured by Magneti Marelli and known for its excellent balance between efficiency and cost, which has consequently resulted in the lowering of its cost compared to competitors (*Top Gear, 2014; Business Today, 2014; Menon, 2014*). By using this technology, the cost difference between the manual and the automatic has dropped down to Rs. 39,000 from the original price of Rs. 1.2 lakhs, which is an added advantage.

Unveiling the Celerio, Mr Kenichi Ayukawa, Managing Director and CEO said:

Maruti Suzuki has always believed in offering cars that set new benchmarks of technology, style and overall costs in India. Maruti Suzuki Celerio is the latest example that brings path breaking Auto Gear Shift technology in cars for the first time and that too, in country's most popular compact car segment. The Celerio promises a new, convenient and fun to drive experience, with top class fuel efficiency, at a highly attractive price and low maintenance cost. We are confident that Celerio will soon become a popular choice among customers as they enjoy the benefits that this new technology brings (*Pao, 2014; Capital Market, 2014*).

MSIL has worked to address the three key issues facing AT cars: high cost of acquisition, low fuel economy and maintenance hassles. Maruti Suzuki India Chief Operating Officer (marketing and sales), Mayank Pareek, said, "We thought if we could address these issues, we will be addressing a good segment of consumers who are booking for automatic transmission in mass segment". He also added that nearly 25 per cent of consumers who come to the company's showrooms enquire about cars with AT, but the conversion rate was poor once they learned about the issues related with such vehicles (*Livemint and Wall Street Journal, 2014*).

The Celerio was developed at an investment of around Rs. 570 crores and with EZDrive technology as addressed those issues. The difference in price with a manual transmission is not significant (*Maruti Cars India, 2014*). Exhibit 7 shows the specifications of Celerio's manual and automatic variants, and the detailed features and specifications of Celerio are discussed in the following text.

Design

The Celerio brings an all-new design to the Maruti Suzuki portfolio (*India Today, 2014*) with many new design features such as: colored outside door handle, colored door mirror, front fog lamps, a twin slat bonnet grille in chrome and an oversized air dam. It also has full wheel covers and alloy wheels (optional) (*Livemint and Wall Street Journal, 2014*). Overall, the design is simple, managing to achieve both a low coefficient of drag for better aerodynamics and lower manufacturing costs.

Interior

The Celerio's interior is similar to the Maruti with an excessive use of plastic in the spacious cabin and the modern features-filled dashboard. The gear shift stick is placed so it is easy for the driver to reach it for both the variants and the boot space is about 235 liters, above the average for the segment (*The Hindu Business Line, 2014a*).

Performance

The engine used in the Celerio is the same as the one used in the Alto K10 and the Wagon –R, a 1-liter K 10B (*Autocar India, 2014; Sandhira, 2014*), but the difference is in the transmission, and Maruti and Suzuki employees have a specially created AMT with a five-speed manual gearbox for the car (*IBN Live, 2014; Money Control, 2014*) which gives the driver ease of driving in the traffic-congested streets of cities (*The Automotive Live India, 2014*).

An overview of the AMT technology

Since the 1950s, cars in North America have had AT, but they did not become popular in Asian markets until the 1990s. AMT was first introduced to the Asian car market with the Ferrari 355 F1 in July 1997 (*Autoblog, 2012*), and the technology is still undergoing a sharp growth in performance.

MSIL outsources AMT (also called Freechoice) from Magneti Marelli, as they offer the perfect balance between efficiency and cost. AMT, in this case, is an electro-hydraulic mechanism for automating manual transmission and gives the benefit of lowering the production cost compared to traditional ATs (*Magenti Marelli, 2014*). The use of this AMT technology also ensures lesser consumption of fuel, and lower fuel consumption will result in lower emissions. On mass-produced automobiles, a 5 per cent reduction in fuel consumption was recorded compared to the AT version of the same automobiles, as well as a reduction in emissions equal to 5 g/km of CO₂ (*Autoblog, 2012*).

AMT works on an electronic control unit and a hydraulic system which manages the clutch and gear shifting and allows the driver to change gears without manually using the clutch. The device from Magneti Marelli operates on the manual transmission of a car in the same way as the driver would: it opens and closes the clutch, engages and disengages the gears and, when necessary, also controls the choice of transmission (automatic or sequential mode for changing gear). These three control movements are ensured by three specific hydraulic actuators, controlled by hydraulic electro-valves (*Overdrive, 2014*).

Current situation

Car market leader MSIL launched its much-anticipated hatchback, Celerio, with the revolutionary auto gear shift at the 12th Auto Expo in New Delhi, held on 6 February 2014 (*Motoroids, 2014; IIFL, 2014*). The automatic variant has the same mileage as the manual transmission at 23.1 kmpl. The Celerio launch ended the argument that superior technology must be expensive (*Silicon India News, 2014*), and it was observed that, due to the wide gap in price between the automatic and manual transmission, variants lead to buyers choosing the manual transmission cars.

Maruti Suzuki's mission has always been to provide the customer with low cost of acquisition, high fuel economy at an affordable price and low maintenance issues thanks to its huge service network. MSIL promoted Celerio on the lines of offering AMT at an affordable price, and the current task is to prepare a slogan for the hatchback and design a communication strategy to efficiently spread awareness regarding its benefits. The product has been tailor-made for the Indian conditions and culture to transform the market by introducing this revolutionary and innovative product that cuts down the cost of manufacturing and offers leading automotive technology to customers at an affordable price.

Communication challenges

Even before the hatchback was launched into the market, there was a buzz about the products and Google users used keywords such as "Celerio", "Celerio Maruti", "Suzuki Celerio" and "Celerio Price" to look for information about the hatchback. According to a recently published Google Trends Report, the Celerio became the most searched hatchback in its compact car segment (*Indian Express, 2014*), and MSIL is expecting its revolutionary hatchback to be a major success in the automotive market, but it still must put efforts into building brand awareness and reaching customers through communication. MSIL needs to look at segmenting the market and deciding which segment to target by designing a powerful slogan and planning a communication strategy.

Even before the launch process starts, MSIL must look at segmenting the Indian market based on geographic, demographic, psychographic and behavioral factors. Demographic information includes factors such as age, family, size, family life cycle, gender, income,

occupation, education, religion, race, generation, nationality and social class. Psychographic relates to psychological and personality traits, lifestyle or values, and in behavioral segmentation, the market can be divided into groups on the basis of their knowledge of, attitude toward, use of or response to a product.

The next challenge is deciding which segment to target. Over the past few years, the demand for AT or automatic gears has increased. One of the reasons could be growing number of women drivers in India (*Drive spark, 2014; The Hindu Business line, 2014b*). It is quite evident from the benefits AT offers, in particular the clutch less driving.

The next step of the launch process for the company was to set an influential slogan for the car that would emphasize the main features of the vehicle:

- AMT;
- mileage – 23.1 kmpl (high fuel economy);
- ease of driving in traffic – clutch-less driving;
- affordability;
- low maintenance hassles;
- low cost of acquisition; and
- interior and exterior design.

For a product to be branded, it must be differentiated and it can be differentiated based on form, features, customization, performance quality, conformance quality, durability, reliability, reparability and style. MSIL can differentiate its product as Celerio is in the market among other competitors including Hyundai Grand i10, Honda Brio and Ford Figo (*Exhibit 8*). The next step will be tackling with issues such as increasing the public awareness through the use of communication channels which need to be focused on the targeted customer segment.

Major modes of communication available within the company include advertising (print media, broadcast media, network media, electronic media and display media), sales promotion, events, public relations and direct marketing. The company also has to consider the cost associated with the above forms of communication channels and their marketing effectiveness.

The company may also focus on online media because Internet penetration level increased at a rate of 40 per cent year-on-year. The number of Internet users in India reached 205 million in October 2013 and was expected to reach 213 million by December 2013 (*Exhibit 9*). Mr Rajan Anandan, Chairman, *IAMAI (2013)*, said:

The Internet in India took more than a decade to move from 10 million to 100 million and only three years from 100 to 200 million. From here on, we can hope to develop a robust Internet ecosystem with a multitude of local and global players and a thriving Internet economy. Internet is now, clearly, mainstream in India .

Once customers learn about the launch of Celerio and its features and benefits, the process of adoption or rejection begins. MSIL has to look carefully at the adoption process of Celerio (*Exhibit 10*) which occurs when an individual becomes a regular user of a product. As Celerio is a revolutionary innovative and new product, the adoption of the hatchback by the mass segment of customers was always going to be a challenge for MSIL.

Keywords:

Marketing,
Launch strategy,
Celerio,
Communication mix,
Maruti Suzuki India Limited,
Segmentation and targeting

Dilemma

The hatchback became the most searched car on the Google as per the Google Trends Report during the Auto Expo week. The challenge in front of MSIL is to understand the communication challenges, understand their competitors and design a marketing strategy to effectively communicate to potential and existing customers to have a successful product launch.

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Exhibit 1

Table E1 Number of registered motor vehicles in India

Motor vehicles
Number of motor vehicles registered in India
(taxed and tax-exempted) (as of 31st March)

Year	Light motor								Total no. of vehicles
	Two-wheelers	vehicles	Jeeps	Cars	Taxis	Buses	Goods vehicles	Miscellaneous	
1	2	3	4	5	6	7	8	9	10
2001	38,556,026	1,777,130	1,126,148	5,297,219	634,357	633,900	2,948,300	4,017,946	54,991,026
2002	41,581,058	1,878,261	1,177,245	5,748,036	688,204	635,006	2,973,740	4,242,787	58,924,337
2003	47,519,489	2,113,781	1,180,057	6,594,166	825,416	720,696	3,491,637	4,562,042	67,007,284
2004	51,921,973	2,167,324	1,282,113	7,267,174	901,889	767,593	3,748,484	4,661,385	72,717,935
2005	58,799,702	2,337,264	1,307,926	8,072,650	939,738	678,521	3,877,622	5,488,296	81,501,719
2006	64,743,126	2,492,726	1,376,744	9,109,855	1,039,845	762,341	4,274,984	5,818,646	89,618,267
2007	69,128,762	2,697,449	1,460,364	10,146,468	1,042,347	1,098,422	5,118,880	6,014,568	96,707,260
2008	75,336,026	2,903,821	1,547,825	11,200,142	1,201,862	1,156,568	5,600,938	6,405,672	105,353,854
2009	82,402,105	3,146,619	1,638,975	12,365,806	1,307,805	1,205,793	6,040,924	6,843,006	114,951,033
2010	91,597,791	3,615,086	1,760,428	13,749,406	3,615,086	176,642	6,431,926	7,552,876	127,745,972
2011	101,864,582	4,016,888	1,974,253	15,467,473	1,789,417	1,238,245	7,064,495	8,045,441	141,865,607

Exhibit 2

Figure E1 Major players in the Indian car market and their market shares for the year 2013

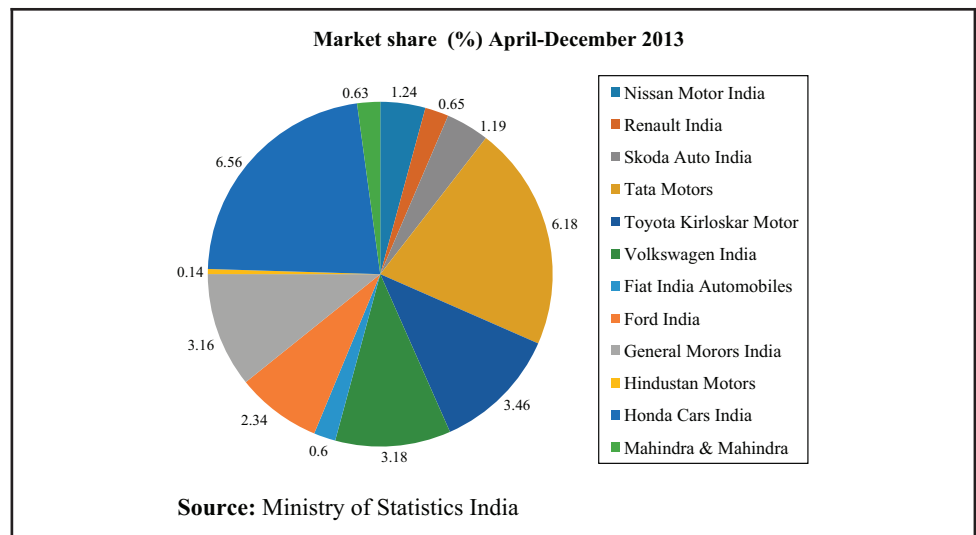


Exhibit 3

Table E11 MSIL's total unit sales for different financial years

	Total unit sales				
Unit	792,167	1,018,365	1,271,005	1,133,695	1,171,434
Year	2008-2009	2009-2010	2010-2010	2011-2010	2012-2010

Source: Maruti Suzuki Annual Report (2013)

Exhibit 4

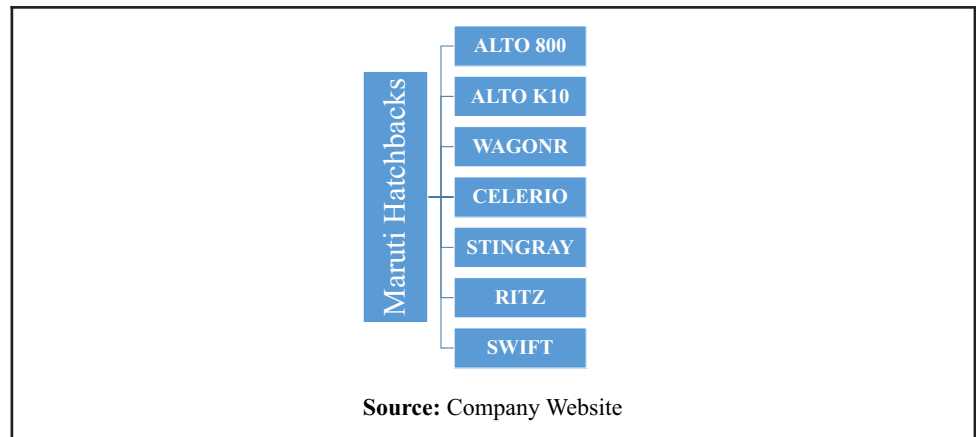
Table EIII Balance sheet of MSIL for the financial year 2012-2013

<i>Balance sheet</i>			
<i>As at 31 March 2013</i>			
<i>Equity and liabilities</i>	<i>Notes to accounts</i>	<i>As at 31 March 2013</i>	<i>As at 31 March 2013</i>
<i>Shareholders' funds</i>			
Share capital	2	1,1510	1,445
Reserves and surplus	3	184,279	150,429
		185,789	151,874
<i>Non-current liabilities</i>			
Long-term borrowings	4	5,429	
Deferred tax liabilities (net)	5	4,087	3,023
Other long-term liabilities	6	1,036	966
Long-term provisions	7	2,259	1,693
		12,811	5,682
<i>Current liabilities</i>			
Short-term borrowings	8	8,463	10,783
Trade payables	9	41,674	33,499
Other current liabilities	10	11,661	15,892
Short-term provisions	11	6,482	5,292
		68,280	65,466
Total		266,880	223,022
<i>Assets</i>			
<i>Non-current assets</i>			
<i>Fixed assets</i>			
Tangible assets	12	95,765	73,108
Intangible assets	13	2,227	2,099
Capital work in progress	14	19,422	9,419
		117,414	84,626
Non-current investments	15	18,485	13,933
Long-term loans and advances	16	12,787	13,410
Other non-current assets	17	8,946	263
		157,632	112,232
<i>Current assets</i>			
Current investments	18	52,298	47,541
Inventories	19	18,407	17,965
Trade receivables	20	14,237	9,376
Cash and bank balances	21	7,750	24,361
Short-term loans and advances	22	11,153	7,783
Other current assets	23	5,403	3,764
		109,248	110,790
Total		266,880	223,022

Source: Maruti Suzuki Annual Report (2013)

Exhibit 5

Figure EII MSIL's hatchback range



Source: Company Website

Exhibit 6

Table EIV Comparison among the hatchbacks available in the MSIL product portfolio on the basis of price, utility, performance and features

	<i>Maruti Alto K10 VXI Hatchback, five-seater</i>	<i>Maruti Wagon R Stingray VXI Hatchback, five-seater</i>	<i>Maruti Celerio VXI AMT Hatchback, five-seater</i>	<i>Maruti Swift VXI Hatchback, five-seater</i>	<i>Maruti Ritz VXI AT Hatchback, five-seater</i>
Ex-showroom price (Rs.)	3,31,678	431,304	443,640	490,625	576,283
Displacement (cc)	998	998	998	1197	1197
Power	68 PS @ 6200 rpm	68 PS @ 6200 rpm	68 PS @ 6000 rpm	87 PS @ 6000 rpm	87 PS @ 6000 rpm
Torque	90 Nm @ 3500 rpm	90 Nm @ 3500 rpm	90 Nm @ 3500 rpm	114 Nm @ 4000 rpm	113 Nm @ 4500 rpm
Transmission	Manual	Manual	Automatic	Manual	Automatic
Turning radius	4.6	4.6	4.7	4.8	4.7
Ground clearance (mm)	160	165	165	170	170
Boot space	160	180	235	210	240
0-60 (seconds)	5.72	N/A	N/A	6.19	N/A
0-100 (seconds)	13.97	N/A	N/A	14.3	N/A
True speed (km/hr)	156.2	N/A	N/A	170	N/A
Steering type	EPS	EPS	EPS	EPS	EPS
Fuel type	Petrol	Petrol	Petrol	Petrol	Petrol
<i>Mileage</i>					
City (kmpl)	N/A	N/A	N/A	11.5	N/A
Highway (kmpl)	N/A	N/A	N/A	15.8	N/A
ARAI (kmpl)	20.2	20.51	23.1	18.6	17.16
Mileage overall (kmpl)	N/A	N/A	N/A	12.36	N/A
Fuel tank capacity (liter)	35	35	35	42	43

Source: Company Web site

Exhibit 7

Table EV Variants				
Variants	LXI	VXI	ZXI	ZXI (optional)
Manual transmission	O	O	O	O
Auto gear shift	O	O	–	–

Table EVI VA varied color spectrum includes three new colors				
New	Sunshine ray	Cerulean blue	Cave black	
Existing	Blazing red	Pearl arctic white	Glistening gray	Silky silver

Table EVII Specifications			
Length	3600 mm	Power	68 PS/6000 rpm
Width	1600 mm	Torque	90 Nm/3500 rpm
Height	1560 mm	Wheel base	2425 mm
Fuel efficiency	23.1 kmpl	Turning radius	4.7 m
Kerb weight	810 kg	Boot space	235 liters
	830 kg (full options)	Ground clearance	165 mm

Exhibit 8

Table EVIII Maruti Celerio manual vs rivals price comparison			
Maruti Celerio	Hyundai i10	Ford Figo	Honda Brio
LXI-Rs. 3.90 lakh	Era – Rs. 4.01 lakh	LXI – Rs. 3.99 lakh	E – Rs.4.18 lakh
VXI – Rs.4.20 lakh	Magna – Rs.4.22 lakh	EXI – Rs.4.38 lakh	EX – Rs.4.34 lakh
ZXI – Rs.4.50 lakh	Sportz – Rs.4.51 lakh	ZXI – Rs.4.74 lakh	S – Rs.4.67 lakh
ZXI (O) – Rs.4.96 lakh	Not available	Titanium-Rs.5.42 lakh	V – Rs.5.12 lakh
			VX – Rs.5.41 lakh
			lakh

Table EIX Maruti Celerio automatic vs Honda Brio automatic price comparison	
Maruti Celerio EZ Drive AMT	Honda Brio 5-speed automatic
LXI – Rs.4.29 lakh	VX – Rs.6.19 lakh
VXI – Rs.4.59 lakh	–

Table EX Comparison of Celerio with competitors' AMT hatchbacks				
	Maruti Celerio ZXI (O)	Hyundai i10 Sportz	Ford Figo Titanium	Honda Brio VX
ABS	Yes	No	Yes	Yes
EBD	No	No	Yes	Yes
Number of airbags	2	No	2	2
Steering mounted controls	Yes	No	Yes	Yes
Power windows	Yes	Yes	Front only	Yes
Alloy wheels	Yes	No	Yes	Yes

Exhibit 9

Figure EIII Number of internet users in India

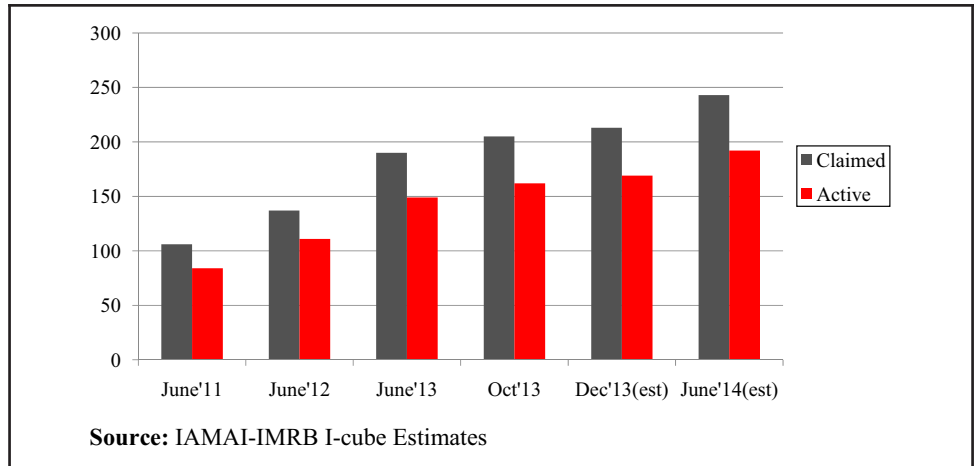


Exhibit 10

Table EXI Product adoption process

Rogers adoption/innovation curve

Category	Innovators	Early adopters	Early majority	Late majority	Laggards
(%) of customers	2.5	13.5	34	34	16

Source: www.valuebasedmanagement.net

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