



Maruti Suzuki - The Leader in Automaker Segment”: A Comprehensive Analysis of the Company with Porter’s Framework and Model.

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ABSTRACT:

This research paper examines the growth and market position of Maruti Suzuki in the Indian automobile industry. The discussion are on its stock performance, historical trend, Porter's Five Forces and Value Chain models. Established in 1983, the company is able to provide affordable, quality vehicles in auto sector till date. The paper also tells how different government regulations have affected the company’s growth and prosperity. The paper ends with the future prospects and brief on the study.

Methodology:

This research is on multi view approach. A comprehensive analysis based on the marketing framework. This study is a descriptive analysis which tells us the factors contributing to the growth of company.

- Data Collection: Collected from various sources, like company reports, journals, and industry data.
- Porter's Five Forces Analysis: Market competitiveness is analysed.
- Value Chain Analysis: Maruti Suzuki's operational efficiency and value creation are assessed.
- Policy Impact Analysis: Government policies' influence.
- Marketing Methods Analysis: Company’s branding and marketing strategies.

Introduction:

In India during the 80's only few companies were there in the auto industry, Their main focus werer the upper middle class sector. The government also had majority of the influence at that time giving fewer options for the aspiring customers.

Maruti Suzuki entered at that time (1983) and was established as a joint venture between the government and Suzuki Motor Corp. Their main goal was to produce affordable cars with better quality for the people.

The company’s first offering was the Maruti 800 which had a tremendous success. Factors like low cost, size, and fuel economy made it the preferred vehicle in the middle class families. The company's production capacity and distribution network had a fast expansion which led it to become market leader in India.

Maruti Suzuki had expanded domestic and global competition in the mid 2000s. Accordingly, the business presented new models and expanded the range of its contributions to address the issues of different buyer segments. Maruti Suzuki's focus on cost and quality permitted them to keep a cut throat cost structure and keep on overwhelming the Indian market.

The Maruti Suzuki Nexa range offering were very good quality vehicles, which took special care of the high end customers in the market, was introduced in 2015. The NEXA checked Maruti Suzuki's entrance into the top notch fragment of the market and addressed a significant break from the organization's established reputation of affordability. Clients preferred the Nexa range, and Maruti Suzuki had the option to enhance its sources of revenue subsequently.

Market position:

The company offers various products catering to different segments of the Indian market with a huge 50% market share. Maruti Suzuki’s cars like the Alto, Swift, Dzire, Baleno, and Vitara Brezza are its most popular offerings.

Maruti Suzuki recently focused on making electric and hybrid vehicles to stay aware of the overall development towards cleaner and all the more harmless to the ecosystem vehicle choices. The business has presented various hybrid and electric vehicles in the Indian market and plans to help its interest in this area.

Due to its brand value and distribution network, company is leading the Indian automobile industry. Maruti Suzuki continues to innovate and differentiate its products and services in order to maintain its position and adopt to the changing customer needs. It has grown so much as to symbolize India economic growth simultaneously with emotions since Maruti's beginning in 1980's.

Stock Performance



Source: Google financials

PORTER'S FIVE FRAME ANALYSIS

Threat of new entrants:

The automobile market in India is extremely aggressive, with several challengers interested to gain for market share. However, the manufacturing has high entry barriers things like capital needs, costly R&D expenses, and various regulatory limits. As a result, there is little warning from new competitors entering this segment unless it is a well resource company like existing players including Honda, Hyundai, Tata etc.

Bargaining power of suppliers:

Maruti Suzuki material and components is being sourced from a large number of suppliers, and its bargaining power is limited. Suppliers have narrowed their business from years, and they act as assemblers rather than suppliers only. Major suppliers for the industry is around 25 as of now. To make sure the quality of products and to reduce its reliance on suppliers Maruti has implemented Supplier development program. Thus bargaining power is moderate of that of suppliers.

Bargaining power of buyers:

The automobile sector is very price sensitive, and with plethora of options to choose from in India. Maruti Suzuki's pricing strategy of providing affordable cars is the key factor for maintaining market share. Still buyers have option to switch to other brands if they think that Maruti Suzuki's products are not of value anymore. Therefore, the bargaining power of buyers is moderate to strong.

Threat of substitutes:

In this sector the largest challenge is the transition from IC engines to electric counterparts. Climate change is pushing automakers' hands and has drawn attention worldwide to the damaging effects of combustion engines on the environment. 14% of carbon emissions are attributable to the transportation industry (Hannappel, 2017).

Even for the electric cars the main issue is the availability of improved batteries and there isn't enough infrastructure for the vehicles to charge. Less carbon-emitting automobiles are supported by governments in order to assist the necessary ecological transition.

Rivalry among existing players:

The vehicle market in India is fiercely competitive with most of the rivals being Japan based companies which are technologically advanced like Hyundai, Nissan, Tata Motors, and Mahindra are some of the domestic competitors that Suzuki must contend with. However, Due to the huge brand recognition Maruti Suzuki has an advantage. Affordable price, and wide distribution network is a great advantage as well. Hence there is very high competition.

Porter's value chain model

Inbound logistics:

- Maruti Suzuki sources raw materials such as steel, plastic, and rubber from suppliers.
- They have Milk run system which eliminates truck underutilization with its suppliers.
- The company has a supply chain management system that ensures timely delivery its manufacturing facilities.

Operations:

- Maruti Suzuki has advanced manufacturing facility such as one in Gurgaon with flexible assembly line.
- The lean manufacturing principles adopted from Suzuki like 'Do it right the first time' , Maruti is able to formulate Maruti production system(MPS) .
- The main focus of company are in aspects of cost, quality, safety, and production.

Outbound logistics:

- The company has distribution network with over 3,000 dealerships across India.
- Modes of transportation includes dealerships, rail, road, and sea.
- Systems like Visual cargo, ERP etc has been able to aid in logistics and resources.

Marketing and sales:

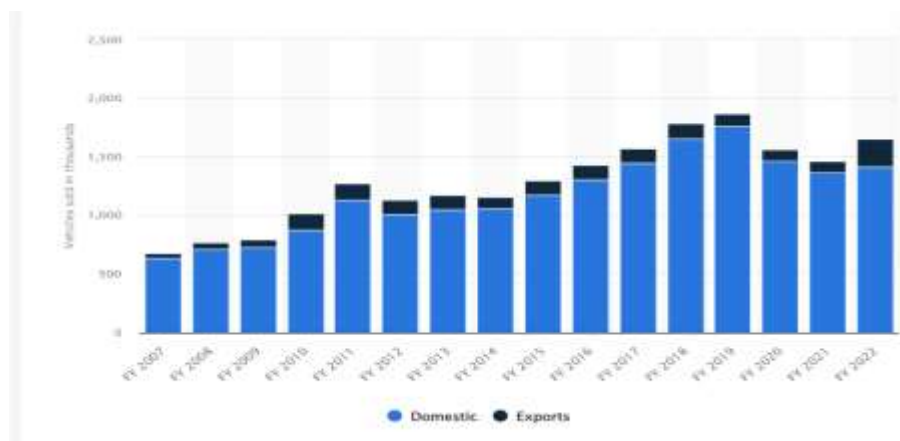
- The company uses marketing and sales channels such as electronic media, social media, and promotional events to reach customers.
- They've always adopted 360 degree approach in terms of customer, branding and experience.
- The reselling venture like True Value has been vital in customer retention.
- They have been able to partner with Toyota in terms of strategic product innovations.

Service:

- Maruti Suzuki after-sales service network has over 4,000 service centres across India.
- Attractive service offering like 'customer convenience package' is curated for clients.
- The Maruti care app which helps customers to book a service with ease
- Features like SOS road side assistance, payment convenient, dealer locator, door step service are star factors in customer satisfaction.

Maruti Suzuki's value chain analysis gives us the integrated approach company has adopted in efficient value creation. This helps in producing a product which is value - cost balanced, and deliver them with a broad distribution network to the customers. Company needs this value chain to be able to maintain the position in the market which Maruti seems to have been trying and succeeding for long term.

Historical Sales trend of Maruti Suzuki



Source: Statista.com

"It is clear that today nobody understands and caters to Indian car buyers better than Maruti," says Deepesh Rathore, cofounder, EMMAAA Consultancy. (Source : Economic Times)

How policies affected

1. National Electric Mobility Mission Plan (NEMMP): This was launched in 2013 for the purpose of adopting electric and hybrid vehicles in India. This will motivate both manufactures and buyers because of the subsidy, exemption from tax, low interest finance support.. Maruti Suzuki working on developing electric and hybrid vehicles to adopt to the policy and monetize on eco-friendly vehicles in India. According to the policy certain percentage of vehicles sold by manufacturers should be electric or hybrid.

2. Automotive Mission Plan 2016-26: The focus of this plan is to make India a manufacturing hub for automobiles globally. Mission is to improve and promote local manufacturing by minimising import duties, tax incentives for new manufacturing units, and improving the infra. This would benefit Maruti Suzuki to lower its input costs and favourable aspects for expansion.

3. Bharat Stage VI (BS-VI) Emission Standards: The BS-VI standards which came up in April 2020, ordered that all vehicles sold in India ought to follow the most recent emission standards. The strategy expects to lessen air contamination brought about by vehicle output/emissions. The adopting of the strategy has allowed a huge expansion in the expense of assembling vehicles, as producers have needed to put resources into new innovation to follow the standards. Maruti Suzuki has been able to comply to the standards by presenting new motors and upgrading its current models.

4. Make in India: The Make in India program introduced in 2014 is focused on supporting domestic manufacturing and draw foreign capital to industries including the auto sector. Policy helps in ease of businesses like streamlining license and permit application processes, cutting bureaucratic interventions, and enhancing infrastructure. Maruti Suzuki by having lower input costs and a more hospitable environment for growth has benefited a lot.

These policies have created opportunities for growth and improvements. Maruti Suzuki has been able to use these strengths like strong brand recognition and robust distribution network, to adapt to these changes in policy and maintain its leader position in the market even by facing challenges in terms of compliance and costs increase.

Marketing Methods

Maruti Suzuki has also made heavy marketing investments to improve its brand awareness and consumer loyalty. They launched advertising campaigns like "Kitna Deti Hai" (How Much Does It Give), which emphasizes the fuel efficiency of its vehicles, and "True Value," which focused on its used car dealership. The company used a variety of marketing campaigns to promote its products and services to variety of clients.

Social media has likewise been utilized well by Maruti Suzuki to collaborate with clients and market its products. The business is very dynamic via social media sites like Facebook, Twitter, and Instagram, where it engages with customers and distributes data about its services and products. To improve client relations, the company has launched initiative like "Alto anniversary Festivity" and "Ignis #ReadySteadyIgnis."

Future prospects:

Maruti Suzuki is coming up with huge portfolio in the future. The strategic partnership with the Toyota with technology and component sharing is optimistic for the further developments. Between 2023 and 2026, automobile market is anticipated to expand at a CAGR of 10.8% in India, Supported by factors like disposable income increase, urbanization, and the government's initiatives on electric vehicles.

Introduction of the hybrid Baleno and the WagonR electric, Maruti Suzuki has forayed into electrification portfolio. A lithium-ion battery manufacturing facility in India being built would assist in the price of electric vehicles.

Conclusion:

Maruti Suzuki is well established in the Indian vehicle segment, where there is fierce contest among established firms, unobtrusive negotiation power among supplier and customers, and no danger from new entries. The organization has kept up with its market-driving position in India due to Maruti Suzuki's solid image, accessibility, and broad distribution network. For over thirty years, Maruti Suzuki plays had a huge impact in the Indian car segment. The organization's impact of brand image, pricing, and broad network are factors in its prosperity. Future possibilities for Maruti Suzuki in the Indian market seem promising, and the business is obviously arranged to profit from development likely in the country's auto sector.

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