Partial fulfillment of strategic formulation management

Business, Industries

This project is as the part of assignment for the partial fulfillment of Strategic Formulation Management course of fourth trimester, where the objective is to know and analyze the various strategic concept of Mahindra & Mahindra tractor. The tractor industry in India has developed over the years to become one of the largest tractor markets in the world. From just about 50, 000 units in early eighties the size of tractor market in the country has grown up to ver 200, 000 units. Today industry comprises of 14 players, including 3 MNCs. The opportunities still are huge considering the low farm mechanization levels in the country, when compared to other developed economies across the world. Key concern for the industry is its dependence on agricultural income in hands of farmers and the state of monsoon. The key players are Sonalike, Jhon Deer, Mahindra, New Holland etc. Mahindra and Mahindra Limited was incorporated on October 2, 1945 as a private limited company under the Indian Companies Act of 1913 by two brothers, Mr. J. C. Mahindra and Mr. K. C. Mahindra. It was converted into a public limited company on June 15, 1955. Mahindra & Mahindra Ltd, one of the largest private sector company in India, is the flagship company of the Mahindra Group. The company commenced operations in 1945 to manufacture General Purpose Utility Vehicles and later on entered into manufacturing of Tractors and Light Commercial Vehicles (LCVs). Over the years, the company has expanded its operations from automobiles and tractors to steel, trading and manufacturing of Ash Handling Plants & Traveling Water Screens. The company is focused to become a world giant in the tractor business. It has already made its presence felt in countries in Europe, Latin America, Africa and United States of America. Chapter Plan: I. Introduction II. Industrial analysis III. Organizational analysis IV. Conclusion Industry analysis: There are various analysis are being done to know both immediate and extendedenvironment. PESTEL analysis: There are many factors in the environment that will affect any organization. Tax changes, new laws, trade barriers, demographic change and government policy changes are all examples of macro change. To help in analyze these factors we can categorize them using the PESTEL model. This classification distinguishes between political, economical, social, technological, ecological and legal factor. By PESTEl analysis we can know about extended environment and key drivers of change of an organization. Political factors: These refer to government policy such as the degree of intervention in the economy. What goods and services does a government want to provide, to what extent does it believe in subsidizing firms, what are its priorities in terms of business support and political decisions can impact on many vital areas for business such as theeducationof the workforce, thehealthof the nation and the quality of the infrastructure of the economy such as the road and rail system. The political factors related to tractor industry are • Government laidstresson the mechanization of agriculture with a view to boostfoodgrain production. Therefore agriculture sector started receiving financial assistance. Subsidy on agricultural loans from government • Change in taxation policy • 100% FDI policy • Regaining “ Agricultural dynamism”, a key goal of eleventh Five year plan Economical Factors: These include interest rates, taxation changes, economic growth, inflation and exchange rates. Economic change can have a major impact on a firm's behavior. The economics factors related to tractor industry are: • 95% of tractor sales are on credit. Credit is extended by commercial banks, state land development banks and regional rural banks. • Cost of tractors in India is the cheapest in world . The cost of a finished tractor here is as much as the cost of gear box in developed countries. Hence there exists tremendous scope for exports. • Detoriating foreign exchange situation in western country, poor buying capacity and comparatively cheaper import of second hand tractor from developed country reduces the export of tractor from India in recent days. • Less interest rate charged by banks for agricultural inputs • inflation may provoke higher wage demands from employees and raise costs • higher national income growth may boost demand for a firm's productsSocial factor: Changes in social trends like population increase can impact on the demand for a firm's products and the industry as a whole. The social factors related to tractor industry are • Due to land fragmentation farmers with small land holding are buying tractor • There is an increase in awareness among the farmers for the need of farm mechanization and are keen to acquire tractor with the help of credit facilities from financial institutions. • there is need for more tilling due to depletion of moisture and repeated cultivation of land . It is precisely for this reason that the demand for tractors was well maintained even during a draught period • Animal power available is too inadequate to meet power demand of our farmers. Mechanized operations are preferred to eliminate drudgery and delay, also labor shortage during harvesting increased the use of tractor • More farmers are opting for multiple cropping over last decade. Country's gross cropped area increased by about 4. 7%. This indicates the increased popularity of multiple cropping. Technological factor: New technologies create new products and new processes.

Technologycan reduce costs, improve quality and lead to innovation. These developments can benefit consumers as well as the organizations providing the products. Sometimes the technology reduces the life cycle of products. The technological factors related to tractor industry are • Accelerated acquisition of technology capabilities to raises productivity in agriculture. • Continuous technological innovation • Renewable energy development. Ex, coal gas renewable Ecological factors: Ecological factors include the weather andclimate change. Changes in temperature can impact on many industries including farming. With major climate changes occurring due toglobal warming, Acid rain, Green- house effect and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire to protect the environment is having an impact on many industries, as environmentally friendly products and processes are affecting demand patterns and creating business opportunities. The ecological factors related to tractor industry are • Irrigation facilities reduce reliance on the monsoon and allow for quick yielding varieties of food -grain . This reduces the cropping cycle to 3-4 months from the traditional 5-6 months. Reduced cropping cycle require deep tilling which translates into higher demand for tractors. • Strong monsoons, increase lending by nationalized banks which leads to farming of commodity pricesmoneyavailability catapulted tractor demand. • Global warming Legal factors: These are related to the legal environment in which firms operate. In recent years the changes legal factors of developed countries affected firms' behavior in other countries due toglobalization. Legal changes can affect a firm's costs if new systems and procedures have to be developed and demand if the law affects the likelihood of customers buying the good or using the service. The legal factors related to tractor industry are • Collaboration with government which shapes policy issues • Agricultural policy Diamond Analysis: This analysis is done to know the fairness and suitability of a market. The analysis is given below. Diamond analysis: Five force analysis: from five force analysis we can know the industry structure and the opportunity and threats. In is conducted to know about the immediate environment. The competitive structure of an industry can be analyzed using Porter's five forces. This model attempts to analyze the attractiveness of an industry by considering five forces within a market. According to Porter (1980) the likelihood of firms making profits in a given industry depends on five factors: Bargaining power of buyer: The stronger the power of buyers in an industry the more likely it is that they will be able to force down prices and reduce the profits of firms that provide the product. For tractor industry: • The consumer base of tractor is highly disbursed throughout India. • Due to High switching cost tractors companies can compromise on quality and price • Lack of awareness among farmers like pricing, offerings. Etc. • there are a few, big buyers so each one is very important to the firm This leads to low bargaining power of buyer Bargaining power of supplier: The stronger the power of suppliers in an industry the more difficult it is for firms within that sector to make a profit because suppliers can determine the terms and conditions on which business is conducted. For tractor industry: • The suppliers do not pose any threat of forward integration • Though steel forms a major inputs , the tractor industry is not most important customer for steel industry • Many number of supplier are there for tractor industry • Switching cost from one supplier to another is less Hence bargaining power of supplier is less. Threat of Entry: the extent to which barriers to entry exist. The more difficult it is for other firms to enter a market the more likely it is that existing firms can make relatively high profits. For tractor industry: • The tractor industry is capital-oriented with intensive technology requirement • Need of a large dealer network • High switching cost • Competitors are very reactive towards new entry • Brandloyaltyof existing brands is high in tractor industry, Ex, Mahindra in rural market • Up to extent the existing companies have control over the suppliers • High startup capital is required Hence the barriers to entry are high. These barriers are however moderated by 100% FDI policy Threat of substitute: This measures the ease with which buyers can switch to another product that does the same thin. The ease of switching depends on what costs would be involved and how similar customers perceive the alternatives to be. For tractor industry: • There are no credible substitutes to the tractors • The only option available is bull-plough • Power-tellers very low power of substitute Hence there is low threat of substitute for tractor. Rivalry: This measures the degree of competition between existing firms. The higher the degree of rivalry the more difficult it is for existing firms to generate high profits. For tractor industry: The rivalry is extremely high owing to the consolidation that the industry is witnessing • Entry of foreign players • Continuous technological innovation • Less merger and acquisition of tractor industry increases rivalries • Opening of world market Hence there is high degree of industry rivalry.

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