

# Maruti value chain



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Value Chain Analysis of Maruti Suzuki Value Chain A value chain is a chain of activities. Products pass through all activities of the chain in order and at each activity the product gains some value.

The goal of these activities is to offer the customer a level of value that exceeds the cost of the activities so that the company can charge a premium price for the product hereby resulting in a profit margin. The primary value chain activities which are used in MUL are: Inbound Logistics i. e the receiving and warehousing of raw materials, and their distribution to manufacturing. MUL's inputs primarily comprise raw materials and purchased components. In order to improve quality and generate economies of scale, MUL has reduced the number of vendors of components in India from 370 as of March 31, 2000 to about 100 as in 2005. By lowering the time and cost involved in dealing with more vendors, they have increased their supply chain efficiencies In case of repair and replacements, costs of defective components supplied are borne by the vendor oQuality aspect – Periodic vendor quality system audits are conduct in order to ensure that quality standards are sustained.

Vendor Quality Control Quality management system such as ISO 9000/ QS 9000 forms the basis for producing a quality product. To assist small and medium vendors in achieving ISO 9000 certification, in 1995 MUL adopted a cluster approach wherein vendors are grouped together, are trained in quality management and are assisted in obtaining ISO 9000 certification. This cluster approach was extended to helping vendors attain QS 9000 certification. oInformation systems – Vendors are linked to the MUL through the Internet-based information network, which maintains online information

regarding order status and delivery instructions. These has helped in reducing both inventory levels and lead times required for the supply of various components and sub-assemblies, and enable the vendors to more efficiently plan and dispatch their products.

oMaterial handling and storage- the company reduced its inventory holding period, from 30 days in 2002-03 to 19 days in 2004. In some of the major vendors MUL has implemented the “ Maruti Production System” which focuses on the eliminating the wasteful activities in their manufacturing processes such as improving their productivity, reducing the number of their components that are rejected, educing materials handling, improving their yield from materials, and reducing their inventories. This helps in reducing the costs of production, which also reduces the costs of the components being required by MUL. oTransportation Only a small amount of raw material and components consumed are imported and a much larger portion is purchased from the sources within India. The raw materials used in the manufacturing process primarily comprise steel coils and paints. In recent years, MUL is increasingly trying to localize the purchases of steel coils with a view to reduce cost.

Operations/Production : This is the processes of transforming inputs into finished products and services. Maruti is one of the largest passenger car manufacturing facilities of Suzuki outside Japan. It's manufacturing facilities are located at two facilities Gurgaon and Manesar south of New Delhi. Maruti's Gurgaon facility has an installed capacity of 350, 000 units per annum. The Manesar facilities, launched in February 2007 comprise a vehicle assembly plant with a capacity of 100, 000 units per year and a Diesel

Engine plant with an annual capacity of 100, 000 engines and transmissions. Manesar and Gurgaon facilities have a combined capability to produce over 700, 000 units annually.

**Improving Productivity** Improving productivity is an ongoing effort at Maruti. They focus on elimination of wasteful activities taking place during manufacturing processes through the Maruti production system, or MPS, which is derived from the Suzuki production system. In addition to MPS activities, in-house automation, increasing utilization of production lines, outsourcing of low value-addition jobs and reduction in materials handling have contributed to improvements in the productivity of their employees and the overall efficiency of their operations.

**Improving Operational Efficiency –** In 2002, Maruti started a program “ Challenge 50 initiative” to improve productivity by 50 % and reduce cost by 30 % by 2004-05.

Maruti involved various component suppliers in Challenge 50. Key vendors in collaboration undertook productivity improvement programs with experts from Suzuki. Maruti started implementing new manufacturing techniques and various value analysis and value engineering initiatives.

**Outbound Logistics:** This involves all the process in warehousing and distribution of finished goods. To reach the customers, Maruti has built a strong sales network of 600 outlets spread over 393 towns and cities.

They provide maintenance support to customers through 2628 workshops spread over 1200 towns and cities. Here is a snapshot of their distribution centers

**Marketing & Sales:** This involves identification of customer needs and the generation of sales. Maruti’s marketing objective is to continually

offer the customer new products and services that: a) reduce the customer's cost of ownership of cars; b) Anticipate and address the customer's needs and preferences in all aspects and stages of car ownership, to provide what MUL refer to as the " 360 degree customer experience. " Maruti came up with novel marketing solutions which increased the sales. It is also finding ways to increase dealer profits without impacting Maruti (getting into auto insurance was one such way).

Here are few of maruti's marketing strategy

- oPromotional Offers Maruti has targeted two-wheeler owners with promotional offers. In 2005 Maruti, in association with SBI, offered cash discounts of Rs 4, 000 on the M800, the Alto, the Zen, the WagonR and the Omni, and Rs 15, 000 on the Esteem, the Baleno and the Versa. Besides, it had come out with an exchange bonus of Rs 5, 000 on these vehicles.
- o' 2599' offer – In 2004, MUL introduced the ' 2599' offer under which a consumer could buy an M-800 by paying an EMI of Rs 2, 599 only, for a period of seven years. The down payment was fixed at Rs 40, 000.

- o`Do ka Chaar' offer for existing two-wheeler owners who can use their motorcycle as the down payment to take home a Maruti 800.
- oTeacher Plus The company has launched a scheme, `Teacher Plus,' with State Bank of India. They offered a lower rate of interest for teachers under the scheme. Teachers got a car loan at 8.

- 5 per cent across all maturities.
- oTV Commercials – Maruti has come up with many TV commercials which make people of India relate to it. In 2003, MUL came out with a toy car advertisement that became popular for its simplicity

and straightforward message. The advertisement depicted a child playing with a toy car. When reprimanded by his father the child replies, ' Kya karoon papa petrol khatam hi nahin hota' (What should I do? The petrol never finishes). Maruti Alto's first Let's Go ad showed a young couple suddenly deciding to drive off to Jaipur.

By the time the stripped-down version of the Alto was introduced in April 2004, research showed that people in smaller towns didn't really connect with the stylish, modern tone of the campaign. So, while the next ad also featured a stylish couple, it showed the girl upset at her parents' departure, and the man taking her on a drive to cheer her up. The family angle was played up in that ad. oMaruti ' True Value' This service is offered by Maruti Udyog to its customers.

It is a market place for used Maruti Vehicles. One can buy, sell or exchange used Maruti vehicles with the help of this service in India. Under the TrueValue scheme, designated engineers from Maruti at the TrueValue outlets conduct a 120-point quality check for every vehicle that comes for sale. Cars bought at the TrueValue outlets are refurbished at authorised workshops using the latest equipment. Another comfort for a buyer at the TrueValue outlet is that only genuine parts are used at these workshops.

oWarranty and Extended Warranty Program: MUL offer a two-year warranty on all the vehicles at the time of sale. The dealers are required to address any claim made by a customer, in accordance with practices and procedures prescribed by MUL, under the provisions of the warranty in force at that time. The dealers subsequently claim the warranty cost from MUL. MUL analyze

warranty claims from dealers and either claim the cost from the vendors, in the case of defective components, or bear the cost itself, in the case of manufacturing defects. MUL also offers an extended paid-warranty program marketed under the brand, “Forever Yours” for the third and fourth year after purchase. The extended warranty program is intended to maintain the dealer’s contact with the customer and increase the revenue generated from sale of spares, accessories and automobile-related services.

An effort is made during the period of the extended warranty to encourage the customer to exchange his existing Maruti car for a new Maruti car, or upgrade to a new Maruti car. Service: This consists of all the activities to support customers after the products and services are sold to them. Maruti has included various new service programs to meet unsaid needs of customers. Here are some of the services provided by Maruti servicing customers 24X7 ..

... 365 days.

...Maruti has been rated first in customer satisfaction survey 8th time in a row. Car pickup & delivery facility for women car owners – Maruti provides vehicle pickup and delivery from doorsteps.

Setting up “Express Service Bays” & “2 – Technician Bays”- Company has impressed its customers by offering them faster car service by introducing new concepts such as Express Service Bays & 2- Technicians Bays. Both the initiatives undertaken in this direction, have helped improve customer interface and also helped increase the productivity and capacity of existing workshops. Mega Camps The company aggressively conducts ‘Mega Camps’

throughout the country round the year. Activities undertaken during a mega camp include complimentary car wash, AC & Pollution check up, oil and fuel top ups, wheel alignments etc.

oService at your Door Step through Maruti Mobile Support Maruti Mobile Support is a first of it's kind initiative and is expected not only to help the company reach out customers in metro cities but also as a mean to reach semi urban /rural areas where setting up of new workshop may not be viable. Car Safety device: Immobilizer The company used technology to meet customer needs and even delight them. Following feedback that the company's cars were more prone to theft owing to their resale value, the company worked on an anti-theft immobilizer or " I-Cats;" system for all its new cars oComplete car needs The company's effort of providing all car-related needs — from learning to drive a car at Maruti Driving Schools to car insurance, extended warranty and eventually exchanging the existing car for a new one — under one roof at dealerships also enhances customer satisfaction. These primary activities mentioned above are supported by Support Activities like Infrastructure : MUL has two state-of-the-art manufacturing facilities in India. The first one is at Gurgaon spread over 300 acres and the other at Manesar, spread over 600 acres in North India.

oThe Gurgaon facility – Gurgaon facility houses three fully integrated plants. While the three plants have a total installed capacity of 350, 000 cars per year, several productivity improvements or shop floor Kaizens over the years have enabled the company to manufacture nearly 700, 000 cars per year at the Gurgaon facilities. The entire facility is equipped with more than 150 robots, out of which 71 have been developed in-house o The Manesar facility



Manesar facility has been made to suit Suzuki Motor Corporation (SMC) and Maruti Suzuki India Limited's (MSIL) global ambitions. The plant was inaugurated in February 2007. The World Car derived from concept A-Star would be manufactured here. At present the plant rolls World Strategic Models Swift & SX4 and DZire.

The plant has several in-built systems and mechanisms. There is a high degree of automation and robotic control in the press shop, weld shop and paint shop to carry on manufacturing work with acute precision and high quality. The plant is designed to be flexible: diverse car models can be made here conveniently owing to automatic tool changers, centralized weld control system and numerical control machines that ensure high quality. This is the company's fourth car assembly plant. Diesel Engine Plant- Diesel engine plant at Manesar is Suzuki & Maruti's first and perhaps the only plant designed to produce world class diesel engine and transmissions for cars. The plant is under a joint venture company, called Suzuki Powertrain India Limited (SPIL). This facility has an initial capacity to manufacture 100, 000 diesel engines a year.

This will be scaled up to 300, 000 engines/annum by 2010 Human resource management: Maruti Udyog's employee base consists of highly dedicated and innovative human resource with common goals and objectives. Major importance is given to training more than 50 per cent of shop floor employees have been trained in Japan. Maruti's Work Culture – At Maruti, empowerment is being practiced. The employees are free to make suggestions. Teamwork and quality are important ingredients in Maruti. Also, problem-solving approach is practiced at Maruti.

For this purpose, a team of 5-8 members is formed to identify the problems and then finding solutions to the prioritized problems. These groups are known as Quality Circles. Participative management, teamwork, kaizen (continuous improvement), communication and information sharing, open office culture for easy accessibility, etc. are some of the management practices followed at Maruti Udyog Ltd. Information Technology The largest automobile manufacturer in India, Maruti Udyog Ltd. (a division of Maruti Suzuki) produces half a million cars annually.

But in the late 1990s, the company was facing rapid technological obsolescence; spiraling IT and support costs; increased pressure on recruiting skilled manpower and reducing high turnover; non-standard operational IT service levels and an unstructured approach to problem management. Maruti Udyog, at that time, was performing all IT support services in-house; Because of the turnover, service levels were poor and not cost-effective. Maintaining people resources for so many different things — hardware, software, networking, and systems software – was the greatest problem for the MUL. Outsourcing IT support and management to Compaq Computer Corporation (now known as HP) turned the troubled situation into a highly successful operation. Outsourcing IT processes is the most cost-effective means of handling the costly turnover.

The IT applications MUL runs are mostly enterprise wide. Some of the critical or major applications include oDealer Management System (DMS) -Maruti Udyog Limited joined hands with Wipro Infotech for implementing a dealer management system (DMS) that would help its dealers improve their performance and service customers better. This was the first of its kind

information network system implementation in India. The system enables dealerships of Maruti across India to access updated information from the car manufacturer and a real time view of their operational processes for better efficiencies. As far as the customers are concerned, they benefited from the 'single face of Maruti' irrespective of the dealership.

It helps in raising customer service levels and enhancing the quality of management at dealerships. The system, apart from dealer integration with a central database, also serves as a knowledge repository from where dealerships can access information on customer schemes, product features and price lists. The system issues alerts to dealerships whenever they are falling short of performance norms in various areas like level of customer complaints, handling and sales.

Implementing Citrix® MetaFrame XP™ Presentation Server Software – In partnership with HP, a global Citrix Business Alliance™ Partner, MUL implemented Citrix® MetaFrame XP™ Presentation Server and Microsoft® Windows® 2000 on three Load Balanced HP Proliant Servers DL80.

This new server farm provided robust and reliable access to applications such as Microsoft Office, Mail Messaging, Outlook, i2 CRM, UNIX®-based applications and MUL's custom-developed ERP system. A major benefit for network users is their new-found ability to log in to the network from any device and gain full access to their own desktop environment. For the IT support staff, this eliminates the need to visit each client desktop and create roaming profiles for every user. Now, partners such as Suzuki Motors and MUL's 200 dealers can connect to the