

Company and market analysis of hindustan motors limited



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\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [C. K. Birla:](#) \n \t
2. [Manoj Jha:](#) \n \t
3. [Yogesh Goenka:](#) \n \t
4. [The Product-f The ambassador](#) \n \t
5. [Decline—f](#) \n \t
6. [Company](#) \n \t
7. [Sales during 2010 \(million Rs.\)](#) \n

\n[/toc]\n \n

Hindustan Motors Limited is ancestor to all automobile manufacturing companies of India. It was established in 1942 before India's independence. It was a flagship company of C. K. Birla group. Initially company had a small assembling plant at Port Okha, Gujarat. Main purpose was to reduce transportation cost because all parts were imported from foreign companies. Later it was shifted to Uttarpara, West Bengal due to cheaper raw materials and cheap labor cost. This later resulted in one of the most successful motor car of India the ambassador.

Apart from the ambassador Hindustan Motors Limited has been active in production of various types of passenger cars, trucks and multi utility vehicle.

Hindustan motors collaborated with Mitsubishi motors, Japan and introduce mid size premium segment cars such as Mitsubishi Lancer, Lancer select and Lancer Cedia. The company brought first sports utility vehicle to India which
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was Mitsubishi Pajero. Besides passenger cars (Ambassador, Grand, and Avigo), Multi Utility Vehicles (Trekker, Porter, and Pushpak) and the RTV, Hindustan Motors also manufactures passenger cars in the mid size premium segment (Mitsubishi Lancer, Lancer Select, and Lancer Cedia) and has brought in Sports Utility Vehicle (Mitsubishi Pajero) into the Indian market in collaboration with Mitsubishi Motors, Japan. Company made collaboration with General Motors and their joint venture produced Bedford trucks and Vauxhall motors during eighties and nineties. The partnership became 50-50 when General Motors bought Hindustan Motor's plant at Halol, Gujarat in 1999.

After almost seven decades Hindustan Motors is still actively contributing in country's automobile market. Its manufacturing facilities are established in Madhya Pradesh, Tamil Nadu and West Bengal. Hindustan Motors' motto is quality, safety with environmental care. It has been providing total solutions for customer care.

Executive Summary:

C. K. Birla:

He is the chairman of the Board of Hindustan Motors LTD. He has a vast experience of business as he has been a successful industrialist since decades. Along with the chairman's post he serves as an independent non executive director of Hindustan Motors LTD.

Manoj Jha:

He is recently promoted as a Managing Director at Hindustan Motors LTD. He is an executive vice president of engineering division and member of the management board. He studied his engineering from Ranchi University.

Yogesh Goenka:

He is a chief financial officer, compliance officer and company secretary. He did Bachelor of commerce as well as AICWA, ACS, MBM..

OBJECTIVE OF THE COMPANY:

Main objective of the company is to provide an automobile with comfort and safety. The company has collaboration with international companies such as general motors, Vauxhall motors and Mitsubishi motor suggests that company has always been thriving for technology. Still the company is looking for development and technological enhancement to overcome recent declining in its sell. According to the chairman of Hindustan Motors the company main objective is to increase the selling of their models by improving its managerial structure. The company is looking for new and affordable product which can boost up their selling.

Main purpose of this project paper is to study about declining of their once most successful model the ambassador.

The Product-*f* The ambassador

The ambassador model was based on Morris Oxford model which was manufactured in Cowley by Morris motors. Initially Hindustan motors started the production of Land master in 1954 near Uttarpara plant Kolkata. This led

to production of ambassador in 1957. Thus 1957 can be counted as the year when ambassador first came into existence. The ambassador was considered to be best suited to harsh Indian terrain that's why it became very popular. At that time it was said 'if you want to have comfort have an ambassador'.

Till 1980's there were only two Indian cars available in Indian market: ambassador and padmini. Due to its comfort and ability to sustain heavy blows on harsh terrain ambassador captured almost 70% of the Indian automobile market.

It is to be noted that ambassador was once called the limousine of India because all politicians, famous businessmen prefer to have ambassador. It was a status symbol because of its proud appearance.

It is strange that till 2001 the ambassador remain popular in taxi segment because it was said that the ambassador has ability to sustain shock during motor accident better than any other car available at that time. The credit goes to the manufacturing department of ambassador because the chassis of ambassador was such rigid that it can bear heavy blow from front as well as from side and rear.

Till 90's India was seller's market means customer had to wait for a long time to get the product. Take an example of BAJAJ scooter, during 80's the condition was if son wants a scooter then father should apply for that so that after a long time son can be able to drive it. Well it is an exaggeration but the conditions for automobile market were very bad especially for a new company to jump in because government had laid very harsh rules on foreign company's entry and imported material became very costly.

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This give ambassador a dominant position for a few decades with some extraordinary features as discussed above and the ambassador succeeded to maintain it for a long period.

Decline—*f*

The product is in decline during last decade and the sales are decreasing it is surprising for such once successful model. To find out the product's recent condition PORTER model analysis and SWOT analysis have been carried out as shown below.

PORTER model analysis:-

Against new entrants such as Maruti Suzuki, Honda, Ford, Hyundai etc the company failed to compete and continued with their existing strategy. It has found that after the year of 2000 the product has been in decline the table below gives its detail.

Year

Number of passenger cars (ambassador) sold

1996

25942

1997

24711

1998

20109

1999

20004

2000

18746

2001

17456

2002

12436

2003

13765

2004

11009

2005

10087

2006

12341

2007

10786

2008

9876

2009

9800

2010

9342

Figure : Declining sales

As shown in the table despite of increasing number of automobiles in India the selling of ambassador is continuously decreasing.

The company failed to cop up with ongoing circumstances such as in case of suppliers it failed to judge the pace of the industry and it remained slow in comparison of others.

The company remained stick to only one brand means they didn't have varieties of products. The ambassador was available with nearly the same features throughout its existence. While Maruti Suzuki which has become the largest car manufacturer of India implemented various products having various features which made the company growing in terms of profit and selling.

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Company's market share has been decreased due to internal rivalry among union and management.

SWOT analysis:

Strength:

Ambassador was the first car produce by an Indian company. It became a huge success story as well.

There was a time when ambassador was exported to the countries like Pakistan, Bangladesh, Sri lanka and Myanmar. It was exported to Middle East countries as well.

Due to its long reign in India company has a broad network of service centers. It consists of 115 strong dealers, 50 parts dealers and 60 additional exclusive parts dealers.

In 2006 the company has invested huge amount to establish production capacity for its product part.

As stated earlier the image of ambassador as a car is still strong in Indian customer's mind as trustworthy vehicle in all terms.

Weaknesses

The model hasn't been changed much since its first appearance. A customer needs change with improvement in outer look as well as its performance. As far as performance is concerned the ambassador is OK if compared with the

modern cars. In case of look, it's not at all attractive or impressive for younger generation.

The company came to manufacturing when government rules were tough for any outsiders. As stated earlier Indian market at that time was seller's market. Low volume high price is all that Hindustan motors gave to its customers.

When the laws were made liberal and new companies jumped into Indian market the company didn't make considerable changes for manufacturing process which couldn't cop up with new demand.

Ambassador is the most dominant among all products of Hindustan motors. However new customers want safety with fuel efficiency. Ambassador promises safety but it was not fuel efficient when compared to modern cars.

The employees were not efficient due to union problems which were a result of improper human resource management.

Though the company had made several tie ups but later on when required to obtain new technology it lacks global export markets.

Opportunities

The ambassador is still recognized as the most comfortable car.

Old age people prefer to have ambassador than any other car due to its impressive record against accidents.

The company can modify the same car and it can make it more fuel efficient to attract middle class.

There are examples of such long reigning cars. Take an example of Volkswagen beetle which was introduced in early 40's and its production continued till the beginning of 21'st century. Volkswagen has achieved this by continuously changing the design and internal features. Same is needed to be done in case of ambassador as well.

Threats

Employees are not motivated enough to their job faithfully.

More and more new companies are coming to India as it is becoming a giant market for automobile industry. Every company's aim is to provide the most fuel efficient and trustworthy car.

According to company ambassador has been designed and manufactured over the years in such a way that it is almost difficult to change its features.

It is most important to see how company has implemented the marketing mix strategy to its product so that it is declining.

4 P'S OF MARKETING:

Product:

Ambassador the first Indian car manufactured in India. The most successful car of Indian automobile history.

Figure : Ambassador

The ambassador has a powerful 5420 cc engine, heavy axles, hydraulic brakes and bigger suspensions.

Before considering the ambassador first of all it is required to know what company should be looking for when they introduce their product.

For whom it is manufacturing its product?

How much benefit they are expecting?

Which position going to be the best for their product?

What is their product offering that others' is not?

When the ambassador was launched the company was fully aware that only rich people would be buying their product therefore they provided all facilities that were present at that time. Also ambassadors have been used by ministers as well so for them there were special models having security implements such as bullet proof glass.

The company was fully aware of what it going to achieve because at that time there was no competition and the market was open to it.

Price:

Pricing is another important element of marketing mix. Pricing brings money back to the company and company's profit depends on it. Other three Ps depends on price; it is easy to understand that remaining P require cost.

Product needs cost from early design to manufacture. Placing means distribution also needs cost. Promotion also requires cost. These costs are variable cost to the company. Pricing to be perfect must show supply and demand relationship. Pricing a product too high or too low cause loss to the company therefore it should lie in between. There are different factors which should be considered as shown below.

Fixed and variable costs

Competition

Company objectives

Proposed positioning strategies

Target group and willingness to pay

In case of ambassador Hindustan Motors has used Product Line Pricing i. e. For the same product the company has set different prices for different features.

Place:

Place strategies

Place strategies include the ways of distribution by the manufacturer. The manufacturer should have a clear idea about the market. The manufacturer should be aware of the demand and accordingly it should provide the supply. These demand and supply should be balanced properly because in a condition where supply is less than demand, the customer dissatisfaction in

acquiring the product results into loss for the company. In most conditions the customers starts favor other companies' product though they are not as better. Therefore just because of improper supply the company lost its good will.

There are mainly two kinds of placing strategies. The manufacture may go through any one of them depending upon which suits it the most. As shown in figure in one strategy there isn't direct contact between manufacturer and the customer in this case the company doesn't need to carry out surveys for demands all it needs to do is maintaining proper supply to the whole seller. However in this case the company may not come to know about what the customer wants and this leads to misinterpretation of customer need due to indirect contact having so many extra elements in between. This problem can be removed by maintaining direct contact of the company with its customer as shown in figure. In this case the manufacturer directly supplies its products to the customer. But this needs a wide distribution network by the company which is costly depending upon the size of the company.

First channel of distribution is called indirect distribution and second channel of distribution is called direct distribution.

indirect distribution direct distribution

Figure : Above indirect distribution (left) and direct distribution (right).

The ambassador has been distributed by indirect distribution method that's the reason why in later years the company fails to recognize the customer's need.

Depending on the type of product being distributed there are three common distribution strategies available:

Distribution:

According to the nature of the product there are few distribution strategies as shown below.

Intensive distribution: As the name suggests this distribution is high in numbers and widely spread. It generally doesn't need the survey as the products are common and general. Example: chocolate, soft drinks, biscuit

Exclusive distribution: Some products are there which need proper demonstration and guidance so that customer can be made fully aware of what he is paying for. These products are highly prices. Example: Cars, bikes etc.

Selective distribution: This kind of distribution consists of wide space where customer has a freedom to have a look and select a product from wide varieties. Example: TV, computers etc.

Hindustan motors have used exclusive distribution method over the year which is common for any car manufacturer.

Promotion

Promotion means advertising the product. A product without promotion is a complete failure as through the promotion the customer comes to know about the product. There are different promotion strategies as shown below.

Advertisement: Advertisement can be said as a non personal promotion activity through media.

Public relations: Good relations with the customers as well as media persons make the promotion easier as in this case company doesn't need to do anything.

Sales promotion: Company can give vouchers or coupons to attract the customer. Discount scheme, free scheme are examples of sales promotion.

Personal selling: Door to door selling or personal to personal selling comes under this category.

Promotion of ambassador comes under the public relations as due to its image as a successful car the media and people has been promoting it over the years. The company has never or barely used advertisement or sales promotion.

RECENT CONDITION:

Company

Sales during 2010 (million Rs.)

Hindustan motors

5802. 7

Maruti suzuki

296230. 10

Swaraj Mazda

7167. 60

Mahindra and Mahindra

186021. 10

Table : Comparison of sales with other companies

(Source: <http://bseindia.com/bseplus/StockReach/AdvanceStockReach.aspx?scripcode=500500>)

It can be seen from the figures that at present the company is far behind from market leaders like Maruti Suzuki and Mahindra and Mahindra.

CRITICAL ANALYSIS:

Critical analysis of this particular project requires thorough understanding of marketing mix strategy. To give personal views about anything first of all one should make himself familiar with the subject. That's exactly what I did. Before starting the project I went through on line papers and explanation about the marketing mix strategy. I found that though everywhere the concept to be used was marketing mix but its implementation was different. Like 'All roads lead to Rome' all of them were leading to the success of their company by successful implementation of marketing mix strategy. During the lectures I heard the tutors saying about getting into marketing mix by doing a practical experiment. It is obvious that they were not saying about establishing a new company or implementing a marketing mix strategy

actually. It's about taking any company and then putting my own ideas about marketing mix strategy into motion. The same thing has been done by me during this assignment. I have selected a company the product of which is in decline since three or four years. I carried out analysis based on what was taught to me. Now I am going to give my personal opinion about marketing mix strategy and its implementation.

In the beginning it is important about the value offered by the company to its customers. I have selected the oldest Indian automobile company named Hindustan motors. The product which I considered was ambassador car. The product has been successful until last two decades then it started declining due to the factors which I have discussed earlier.

So what is value?

In general the value can be defined as the ratio of function to the cost. Any company can increase the value of its product by increasing its function and decreasing its cost. Functions may vary accordingly such as it may be visual appearance, comfort, promising performance etc. It seems simple to increase value by increasing function or by decreasing cost but actually it is the most important and complex feature for any manufacturing company to be succeeded. A customer always judges the product by the value offered from it. Sometimes it may be more functions sometimes it may be less costs. The company should be therefore aware of what customer wants from its product. If company knows the value expected from the customer it tries to make some changes into the product in terms of functions or cost. This is not an easy task because the company has to make some changes in its

manufacturing process and sometimes within the organization. One wrong step can lead to complete contradict outcome and leads company to the loss.

According to Devst the value creation process is more effective in manufacturing company than other sectors (Deyst, 2000). Other sectors include service sectors such as an airline company, insurance company where the company provides service instead of the product. It appears that these service sectors change their goal and direction more rapidly than the manufacturing sectors. Therefore value creation process is not as important for them as it is for manufacturing companies.

For manufacturing companies final value of the product depends on value of the product during its manufacturing process. In other words according to Lean development of product and final value of the product are strongly related with each other (Lean, 1998). Thus the value should be defined after each phase of the product development process. However creation of value at each stage requires severe value addition to move ahead of the competitor.

There are few who think that value creation process can't lead company towards its goal. According to Lloyd value creation doesn't indicate the vision of the company. Value is nothing rather than a conceptual idea. I don't agree with that because I have found during the research for this particular company that defining value is the most important factor to attain marketing lead. Hindustan Motors failed to attain value in terms of appearance and fuel efficiency of ambassador when other companies were launching new

products into the market. This leads to decreasing sales of ambassador. The company didn't make proper market research and they continued to do the same over the past years. The outlook of the ambassador is the same as it was 40 years ago. The ratio of function to cost became unstable due to decreasing functions of the car. In terms of price also the car was costly as company was making limited production and failed to grasp new concept of high volume production for low price and high profit.

From my research of old papers and publications I found one thing in common. Most of the authors consider marketing as an art of selling. However now day marketing is becoming more than an art. It has become a necessity. Without marketing selling the product is impossible. Now days lots of companies are spending more and more money on marketing their product. The marketing value of the product is sometimes higher than the manufacturing and raw material value.

It is strange that Hindustan Motors took the marketing strategy very lightly. According to me the main reason is when they came into existence they didn't have any competitors all they need to do is manufacturing and selling of the car. As I have stated earlier before 80s Indian automobile market was seller's market which means manufacturing companies have the command on the market not the customers. Having customer's command on the market is essential otherwise the development stops. The same thing happened, ambassador remains the same car as it was when it was first introduced. Hindustan Motors didn't promote the car because as a single Indian car it was already famous. Distribution was not that much difficult

because car owners were few. The price of the ambassador was relatively
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high because those who needed the car didn't have another option. Also the government rules on importing the components were harsh and company was paying high prices for them. It seems obvious what the company did during those years. But when the scenario changed during 90s the market became open to all the government rules became soft and lots of other car manufacturers jumped into the Indian automobile market. This was the time when the ambassador should have changed its strategies. However they didn't make considerable changes on the other side new companies like Maruti Suzuki got the nerve of an Indian customer and introduced cheapest car in the market. Due to this drastic change once giant Hindustan Motors has become a company in loss with one of its most successful car an ambassador in decline.

FANTASTIC FOUR

The four Ps of marketing which should be studied and understood in a proper way to attain success. During the project I came to know that balancing these four is not an easy task as it seems. Any cannot pick the product randomly, it cannot sell it in the price it wants, it cannot distribute the product whenever and wherever it decides and it has to promote its products such a way that customer attracts to buy it.

I have considered all four Ps including my understanding about them,

Product

Pricing

Placing

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Promotion

Product: An initial P for any company to think about. It seems strange to consider which product to be made for marketing. As per my previous understanding marketing comes into picture after selection of product. This was true in old times. But now a day's company should be keen towards the product it is going to manufacture. The market condition , market surveys future of the product, availability of the raw materials, environment effect of the raw materials are some of the important factors to be considered before the start of manufacturing the product. I think right product at right time removes half of the troubles for marketing. Take an example of ambassador; it arrives in the market when there were no competitors. As a result it dominated the market for decades. Due to proper timing and place Hindustan motors saved their expenses for promotion. They didn't promote it ever i. e. since my childhood I have never seen an advertisement of ambassador or huge posters promoting the car. Ambassador got promoted by its customers which is ideal for any product. Sometimes good product becomes a loss for the company when it launched at improper timing. There are so many examples of excellent movies which didn't succeed on the box office due to adverse conditions.

Pricing: Pricing of the product is non variable factor for the company. The company decides the price of any product after considering other Ps. The expenses during the product stage i. e. manufacturing and raw material expenses. Expenses due to distribution and promotion also considered. The company adds its expected profit as well. Pricing is the most deciding factor because as I think many manufactures are not aware of the ideal price and <https://assignbuster.com/company-and-market-analysis-of-hindustan-motors-limited/>

the customers always think that they have paid more. This dissatisfaction leads to decreasing sales and loss of the company. I think that before pricing the product the company should make a proper survey and it should make the customers fully aware of what they are buying and how much they will get after paying the price. I have seen three kinds of customers,

Those who care about price only

Those who care about quality only

Those who care about balancing the price and quality

These customers are generally from three different classes, those who are looking for price are generally relatively poor, those who are looking for quality are rich and those who select the product after looking at price and quality are middle class people.

Depending upon the nature of the product the company can make changes in its product. In case of ambassador the company's initial target was rich people because the middle class of India was not in a condition to buy a car. The company provides good quality with comparatively higher cost but it got the customers from India who was looking for the quality. When the era changed and middle class customers increased who now were in a condition to afford a car changed the situation of the market completely. Failing to see this upcoming Hindustan motors fell behind the Maruti Suzuki because of higher price.

Placing: Placing according to me is a strong decider for the products success.

A product should be distributed such that it gets perfect conditions for it.
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Ideal customers, ideal geography can be considered as conditions which the company should be looking for. I think that company should be clear and perfect about the product distribution. It involves lot of investment to carry the product from the manufacturing plant to the market. It is economically critical to change the place by distributing the product from one place to another. That's why I think that for placing also the company needs proper survey in order to distribute the product at right place on right time.

Promotion: Advertisement is becoming utmost necessity for selling of the product. Modern market is complex with so many products and companies. It is required therefore for any company to promote the product in a way that customers know about the features of the product. Promotion should be maximum and precise, or I can say it should be concentrated heavily on its target. The company should be aware of the targeted customers and market and should therefore emphasize heavily on them. If it is improper than company will be investing heavily in useless activities. Without promoting or improper promoting the product leads to heavy losses as can be seen in case of ambassador. When it was launched it didn't have any need of being promoted. As a first Indian automobile it was already famous so the company didn't have any need to promote it and company did the same as well. But when as I have discussed later the market changed there was immediate need of promoting to show the new customers what the car is and why it was so successful. The company failed to do so and product sell decreased.

CONCLUSION:

After making a project report on the declining ambassador car I can say that with changing time the company should focus on the ongoing conditions as well as it should be prepared of future. Same strategy won't work for all time in all kind of situations. Customers, environment and competitors change accordingly and company should be looking for continuous improvement rather than remain satisfied from the present. Ambassador is an excellent example of how once market leader can go into loss due to improper marketing strategy by the company.