

Maruthi suzuki india ltd | analysis



**ASSIGN
BUSTER**

Maruti Udyog Limited is a subsidiary of Suzuki Motor Corporation, the largest manufacturer of mini passenger vehicles in Japan in terms of sales volumes. Suzuki was also the eleventh largest vehicle manufacturer in the world and the fourth largest manufacturer in Japan in terms of worldwide sales volumes in 2000. Maruti was ranked twentieth in terms of worldwide sales volumes amongst vehicle manufacturers, and has been the largest passenger car manufacturer in India. In fiscal 2002, it had the highest sales volumes of 339,964 cars and a market share of 58.6%. Maruti has a diverse product range that includes ten basic models with over 50 variants, of which nine models are manufactured locally and one is imported from Suzuki.

The company offers a wide range of cars across different segments. It offers 14 brands and over 150 variants – Maruti 800, people movers, Omni and Eeco, international brands Alto, Alto-K10, A-star, WagonR, Swift, Ritz and Estilo, off-roader Gypsy, SUV Grand Vitara, sedans SX4 and Swift DZire In an environment friendly initiative, in August 2010 Maruti Suzuki introduced factory fitted CNG option on 5 models across vehicle segments. These include Eeco, Alto, Estilo, Wagon R and Sx4. (Maruti, 2011)

Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/about-us.aspx> (Accessed: 21 March 2011)

Maruti Suzuki India Limited, the country's largest car manufacturer today rolled out its 1 Crore (ten millionth) car on March 15th 2011.

The historic 1 Crore car, a Metallic Breeze Blue coloured WagonR VXi (Chassis No 243899) rolled out from the Company's Gurgaon plant. With this

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landmark achievement, Maruti Suzuki becomes the only Indian car company that makes its entry into the select club of automobile manufacturers across the globe who have crossed this milestone. (Maruti, 2011)

Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/Maruti-Suzuki-rolls-out-its-1-Crore-Ten-Millionth-car.aspx>

(Accessed: 21 March 2011)

Over the quarter century of its existence, Maruti Suzuki's contribution as the growth engine for the Indian automobile industry is widely acknowledged. Maruti Suzuki has impacted the lifestyle and psyche of an entire generation of Indian middle class through the quality of its products and services that are in direct sync with the needs of the Indian populace. (Maruti, 2011)

Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/maruti-dna.aspx> (Accessed: 22 March 2011)

Situational Analysis:

Maruti Suzuki has a good market progress in automobile industry and has good sales performance from their own brand products. The current lineup is comprised of almost all Suzukis, including the Alto and the higher-end Swift and SX4.

The company follows a partnership approach with its various stakeholders, and believes that the prosperity and wellbeing of the stakeholders will fuel the growth of the company in the future. (Maruti, 2011)

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Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/Stakeholders.aspx#h4> (Accessed: 21 March 2011)

The company continue to enjoy a strength growth with Net Sales up by 1.3%, Operating Income up by 0.8% and Net Income up by 3.8%. The company's consolidated profit exceeded those of previous years with 103.2% increase of operating income and 105.4% of net income. (Maruti, 2011)

Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/suzuki-motor-corporation.aspx> (Accessed: 21 March 2011)

Due to continuous demand, the company is planning on expanding its production by building new plants to cater customer needs, to reduce waiting period and to meet export demands. (Maruti, 2011)

Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/Maruti-expansion-plan-in-final-lap.aspx> (Accessed: 21 March 2011)

Organizations Orientation

Orientation:

The process of receiving and welcoming an employee when an employee when he first joins a company and giving him the basic information to settle down quickly and start work.

-Armstrong, Micheal. A Handbook of human resource management practice.
Kogan page limited, 1999.

Types Of Orientation:

Product Orientation

Production Orientation

Sales Orientation

Marketing Orientation

Production Orientation:

Production orientation is often a characteristic of organizations which have developed specific skills or technologies. It often involves manufacturing products in large quantities in order to minimize the costs of production.

For Eg: The focus of the business is not the needs of the customer, but of reducing costs by mass production. By reaching economies of scale the business will maximize profits by reducing costs.

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Marketing Principles and Practice Written By: Adcock, Dennis; Halborg, Al;
Ross, Caroline

Published By: Pearson Education UK Published In: 2001

Product Orientation:

Production orientation is often a characteristic of organizations which have developed specific skills or technologies. It often involves manufacturing products in large quantities in order to minimize the costs of production.

For Eg:- We produce excellent, well-designed, quality products which are great value for money. Customers are sure to want our products.

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Marketing Principles and Practice Written By: Adcock, Dennis; Halborg, Al;
Ross, Caroline

Published By: Pearson Education UK Published In: 2001

Sales Orientation:

Sales orientation dictates that a business must aggressively promote its products. As the product already exists, sales staff are made responsible for identifying every potential customer. This does not mean that sales representatives are customer-orientated, as that would involve starting with customer needs and not the product.

For Eg:- The focus here is to make the product, and then try to sell it to the target market. However, the problem could be that consumers do not like what is being sold to them.

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Marketing Principles and Practice Written By: Adcock, Dennis; Halborg, Al;
Ross, Caroline

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Published By: Pearson Education UK Published In: 2001

Marketing Orientation:

Kohli and Jaworski (1990) defined market orientation in the following terms:

A market orientation entails

(1) One or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them

(2) Sharing of this understanding across departments

(3) The various departments engaging in activities designed to meet select customer needs. In other words, a market orientation refers to the organization-wide generation, dissemination, and responsiveness to market intelligence.

Page no: 8 Book name: Marketing Strategy and Competitive Positioning

Written

By Hooley, Graham J.; Saunders, John A.; Piercy, Nigel F.; Nicoulaud, Brigitte

Published By Pearson Education UK in 2008

MACRO ENVIRONMENT- EXTERNAL ANALYSIS

PESTEL

A technique for analyzing the general environment is called Pestel Analysis.

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Management and Organisational Behaviour, Written by: Mullins, Laurie J.

PublishedBy: PearsonEducationUK

PublishedIn: 2005

MILEAN/ISBN: 9786610601752

Pub e-EAN/ISBN: 9781405871716

Political

Political Factors

Impact on the industry

Effect on Industry Growth

Employment

New development and demand for more skilled labours

High skill job seekers may find it easy to get a job

Taxation and Labour Law

Increasing changes in the Taxes and increased regulation in labour law

Due to increase tax, the company had to increase the product price and it needs effective labour law

E commerce

The Company opening up online purchasing opportunities

Better chance for increase business and customer satisfaction

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Terrorism

Increase in number of terrorism in recent years

Affects the market growth and the economy of the company

Conclusion: The political factor plays a vital role in the success of the organization. The political factor are the external issues which affect the growth of the organization. Factors like new government taxing and terrorism will have a drastic effect on growth of the organization.

Economical:

Economical Factors

Impact on the industry

Effect on Industry Growth

Oil Price

High import and export rate

It causes increase in the product price

Currency & Tax

Change in the exchange rate.

Reducing Tax rates

Due to constant change in the currency exchange rates, tax rates and the duty rates keeps changing.

Economy

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High economic growth rate

It influence and raise the demand and purchasing power.

Interest and Inflation Rates

Interest and Inflation rates are forecast to increase

High interest and inflation rates will have a negative impact on organization growth

Conclusion: High economic growth may increase the buying power of the people, but the ever increasing oil price will have an impact on the export and import of product along with problems caused by varying currency exchange rate.

Social:

Social Factors

Impact on the industry

Effect on Industry Growth

Population

Second most in population

Skilled labour, among the lowest in the world

Brand value

Company has strong and well known brand name

It attracts people easily

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Cricket World Cup, IPL etc

Increase in tourism.

Good opportunity for marketing and for the business to boom

Conclusion: Huge population and ongoing Cricket world cup provides an excellent opportunity for business development and having a brand value is an added advantage.

Technological:

Technological Factors

Impact on the industry

Effect on Industry Growth

Technology

About 600, 000 engineers pass out each year

Enough man power for new development and innovation

Secure online transaction

Purchase and payment can be done in a secure way.

It will be easy for vendors, customers etc to buy and to make payments

Modernisation

Emergence of Indian automobile market as a major hub for auto manufacturing and research

More contribution to GDP, more profit, and brand value

Conclusion: Technological changes such as cutting edge design, eco friendly infrastructure and online security will be beneficial for both the company and the customers.

Environmental:

Environmental Factors

Impact on the industry

Effect on Industry Growth

Pollution

Industry follows international standards on emission and safety

More support from government.

Waste Management

Following industry norms

One of the highlights of the Organization

Conclusion: More efficient and eco friendly changes needs to be done regarding pollution control, but at the same time maintaining industry norms is the highlights of the company.

Legal:

Factors

Impact on the industry

Implications

International Trade

Company imports and exports products from different countries and also does business in many countries

Different trade law in each country may affect the business.

High import duty has to be paid.

Government laws

The company has to follow different rules in different countries to run business

Some laws in certain countries may affect the business

Deregulation/ Privatisation

Increased regulation and privatisation of the industry

It's an added advantage as it will give more growth opportunities on economic and technological front

Micro Environment – External Environment

PORTER’S Five Forces:

The five force model of Porter is an outside-in business unit strategy tool that is used to make an analysis of the attractiveness(value) of an industry structure.

Competitive Forces model Porter: Value Based Management website.

Available at:

http://www.valuebasedmanagement.net/methods_porter_five_forces.html (

Accessed on 21 March 2011)

Porter’s Five Force Model:

Threat to New Entrants:

Factor

Level of threat

Implication

Brand

Low

Maruti Suzuki has been in the industry for a long time, it commands most of the market share and has a strong brand name.

Financial investment

Low

There is less chance of any new entrant to invest as much as Maruti Suzuki and perform well at the current market. Start up cost of new entrant is low.

Competence

Low

Company shares a respectable market in India, it's rare for new entrant to catch up

Sales

Low

New entrants may sell their products at low prices but still Maruti Suzuki's strong brand name attracts customers

Conclusion: Maruti Suzuki has no or less threats from new entrants, because Maruti has established itself as a well known recognisable brand. It has a huge brand value and gained a good market position than any other player in the market.

Threat of Substitutes:

Factors

Level of threat

Implication

Substitutes

Medium

There are many substitutes products but Maruti Suzuki products are efficient and cost effective.

Importance of substitutes

Medium

There are not many products that are very efficient so their importance goes down

Cost rate

Low

There are few substitutes that are efficient or reputable, still Maruti Suzuki has a foot hold in that position

Conclusion: Though there are many Substitutes, Maruti Suzuki have gained a niche market

position for itself but the product efficiency in Maruti Suzuki is a concern.

Bargaining power of the customers:

Factor

Level of threat

Implication

Quality of the product

Medium

When people look for high Quality product, price is also considered important.

Competition

High

There are many Automobile Companies competing with Maruti Suzuki are so high in competition

Differentiation products

Medium

Customers always look for new and efficient products

Conclusion: Since Maruti Suzuki offers good quality and cost effective products with great services, customers usually don't consider features of the product so the level of threat is normally low when compared with other competitors in the market.

Bargaining power of the suppliers

Factors

Level of threat

Implication

Price of suppliers

Medium

Prices of the product goes up as the demand increases.

Power of suppliers

Low

Suppliers have to meet the customers needs to get orders in the future

Political issues

Medium

Political issue are to be met by the suppliers

Conclusion: There will be little or less threat as suppliers usually try to keep their customers happy.

Competitive Rivalry

Factors

Level of threat

Implication

Brand identity

High

All Competitive companies such as TATA, Hyundai, Ford have good brand reputation in the market

Company growth

High

Tough competition from other companies affect the growth

Cost structure

Medium

Most of the companies maintain their cost of profit accordingly to the other competitors.

Conclusion: There are products which may be considered as a competitor to

Maruti Suzuki so the competitive rivalry among stores is high

MARKET SEGMENTATION

Dividing a market into distinct groups of buyers with different needs, characteristics or behaviour, who might require separate products or marketing mixes.

Page 391, Principles of Marketing, Written by: Kotler, Philip; Wong, Veronica; Saunders, John; Armstrong, Gary

Published by: Pearson Education UK

Published In: 2005

Pub e-EAN/ISBN: 9781405871358

Consumer Market:

The variables used in segmenting consumer markets can be broadly grouped into three main classes:

Background customer characteristics;

Customer attitudes;

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Customer behaviour;

The first two sets of characteristics concern the individual's predisposition to areas, where as the final set concerns actual behaviour in the market place.

Page 274: Marketing Strategy and Competitive Positioning

Written By: Hooley, Graham J.; Saunders, John A.; Piercy, Nigel F.

Published By: Pearson Education UK in 2004

Segmentation

Profile

Psychographic

Social

Single , Married and Teenager

Behaviour

Outlook

Faithfulness

Usage rate

Common users

High faithfulness in the brand

Environmentally concerned

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Product:

Maruti Suzuki has a very wide range of products from small passenger cars to varying segments like sport, sedan, luxury.

These are flagship product they offer:

Maruti 800

Maruti Alto

Maruti Alto K10

Maruti Astar

Maruti Eeco

Maruti Gypsy

Maruti Omni

Maruti Ritz

Maruti SX4

Maruti Dezire

Maruti Swift

Maruti Grand Vitara

Maruti Estilo

Competitors

Maruti Suzuki now faces stiff competition from about 3 to 4 major competitors in the market. Newly entered U. S auto makers like General Motors, Ford, Hyundai and local companies like Tata, Mahindra & Mahindra are the main competitors of Maruti Suzuki. They also have a major portion in market share.

High Quality

Low Quality

Brand

Maruti Suzuki has been ranked India's most Trusted Brand in Automobile Sector for the year 2010 by India's leading Business newspaper The Economic Times.

Maruti Suzuki has its own brand portfolio of about 14 brands (such as 800, AStar, Alto, Omni, Ritz etc) and exclusive brands like Desire, Swift etc

Maruti (2011), Maruti Suzuki Ltd website. Available at:

<http://www.marutisuzuki.com/customer-delight.aspx> (Accessed: 22 March 2011)

Core Competence

Core Competence of Maruti Suzuki is their famous brand value and their reputed products. Being one of the leading manufacturers in automotive industry, it has a strong national presence.

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INTERNAL AUDIT:

Resources Audit:

Physical Resource:

-Three Production plant in INDIA

One plant in New Delhi.

Two plants in Gurgaon.

Financial Resource:

March'10 March'09

(Cr.) (Cr.)

Total income 29, 935. 40 21, 277. 00

Expenditure 25, 579. 80 18, 825. 70

Operating Profit 3, 737. 90 1, 903. 70

EBITDA 4, 355. 60 2, 451. 30

EBIT 3, 530. 60 1, 744. 80

EBT 3, 497. 10 1, 693. 80

Profit and losses of

the year 2, 402. 20 1, 236. 70

PAT 2, 497. 60 1, 218. 70

Dividend:

Equity Dividend 173. 30 101. 10

Equity Dividend (%) 119. 93 69. 96

Shares in Issue (Lakhs) 2, 889. 10 2, 889. 10

EPS – Annualized (Rs) 86. 45 42. 18

Source:

[http://economictimes.indiatimes.](http://economictimes.indiatimes.com/maruti-suzuki-indialtd/profitandlose/companyid-11890.cms)

[com/maruti-suzuki-indialtd/profitandlose/companyid-11890. cms](http://economictimes.indiatimes.com/maruti-suzuki-indialtd/profitandlose/companyid-11890.cms)

Differentiation and Capabilities:

Here 5M's can be used to analyze the Differentiation and Capabilities of Maruti Suzuki Limited.

Market:

Maruti is one of the leading retailer in INDIA and it is also expanding its market by reaching out the Global customer through its Quality of Service and Product.

Men (Human resource):

Maruti has employee strength of about 7, 600 which is an inclusive of Manufacturing division, Marketing, Sales, Service and Customer support as of March 2010.

<https://assignbuster.com/maruthi-suzuki-india-ltd-analysis/>

Source: <http://www.marutisuzuki.com/about-us.aspx>

Money:

Financial Resource:

March'10 March'09

(Cr.) (Cr.)

Total income 29, 935. 40 21, 277. 00

Expenditure 25, 579. 80 18, 825. 70

Operating Profit 3, 737. 90 1, 903. 70

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EPS – Annualized (Rs) 86. 45 42. 18

Machines:

Physical Resource:

-Three Production plant in INDIA

One plant in New Delhi.

Two plants in Gurgoan.

Materials:

Has strong presence in materials like Metals for the frames, copper in the electrical wiring, aluminum for the radiator and platinum, palladium and rhodium in the catalytic converter, Glass, Plastic, Rubber for tiers and lead is used in the battery.

SWOT ANALYSIS:

A SWOT analysis gives a summary of the strengths and weaknesses of the company together with the opportunities and threats it faces.

Referred from: Principles of Marketing, Written By: Kotler, Philip; Wong, Veronica; Saunders, John; Armstrong, Gary. Published By: Pearson Education UK, Published In: 2005

MIL EAN/ISBN: 9786610601332

Pub e-EAN/ISBN: 9781405871358

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STRENGTHS:

Strengths

High Brand Loyalty

Strong financial resources

Leading in niche market

Larger investment

Level of implication

High

High

Low

High

B) WEAKNESS:

Weakness

High operation cost

Threat from competitors

Level of implication

Medium

High

C) OPPURTUNITIES:

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Opportunities

Market for all class people

Support for Sports Model

Internet sales

Level of implication

High

Medium

Medium

D) THREATS:

Threats

Strong competition

Decrease in sales

Level of implication

High

Medium

Conclusion:

The strength of the organization lies in high quality products and the company's good financial resources. Though they do not have a particularly well suited market for their product, still they invest more on their products which is one of the strengths of Maruti. The weakness of Maruti lies in their

high operations cost and the threat from the competitors. Maruti has to focus on the areas of product design and quick service to the customers. The Threat lies in the Strong competition and the increase in the sale of the products due to the competition.

7) MARKETING PLAN

Ten steps to documenting your plan

Begin with certain inevitable preliminaries (contents, contacts, definitions).

Provide an executive summary.

Set the scene by describing the business.

Review the market, your competition and your market positioning.

Explain your vision, mission and objectives.

Describe your strategy.

Explain your plans for developing your products and/or services.

Set out your financial projections.

Highlight the risks and opportunities.

Reach a conclusion.

Referred by: Definitive Business Plan, The: The Fast-Track to Intelligent Business Planning for Executives and Entrepreneurs.

Written By: Stutely, Richard, Published By: Pearson Education UK,

<https://assignbuster.com/maruthi-suzuki-india-ltd-analysis/>

Published In: 2007 MIL EAN/ISBN: 9786611157036

Pub e-EAN/ISBN: 9781405893978

7. 1) COMPANY’S OBJECTIVES:

Short term(1 year)

Long term (2-4 years)

Increase the sale of high quality cars

Space and product extension

Increase the productivity

To expand the business in various countries.

To build high range of Sports car

To build the world cheapest car.

7. 2) STRATEGIES:

Maruti has a clear strategy to increase the profit and grow in market share.

The company has to plan, to achieve this by increase the sale with the existing customer, attract the new customers and moving into the new market. They have also planned to enhance the offers available through the company’s website. And the company has decided to expand the business in different parts of the world with cost effective to sustain in the competitive world.

7. 3) MARKETING MIX:

PRODUCT:

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Product is an important term in business, where all company will produce product with better quality, but Maruti is concerned to produce products according to the demands of the customers, to make more efficient and effective in terms of fulfilling the customer needs.

PRICE:

Maruti have high price for premium products and for Sports model, where there is a range of products or services the pricing reflect the benefits of parts of the range. They also use value pricing during the times of recession and increased competition. Maruti also produces the low price products to attract the customers and for both upper middle class and middle class people.

PROMOTION:

- The endorsement is with simple video .

- Making customer comfortable through test drive.
- Targeting people of all class.

PEOPLE:

Introducing services in a way that suits all range of peoples. They attract people using good promotion and retain the customers with good customer service and support.

PLACE:

Maruti Suzuki had 802 dealerships across 555 towns and cities in India. It has 906 dealer workshops and 1, 834 Maruti Authorised Service Stations in 1,

335 towns and cities. It has 30 Express Service Stations on 30 National Highways across 1, 314 cities in India.

8) BUDGET BREAKDOWN:

Country's largest car maker Maruti Suzuki India (MSI) said it would consider taking different measures after April to protect its margins due to fluctuation in Japanese Yen, post the devastating earthquake and tsunami.

“ For this month, we are completely protected. In fact, we are covered till April. Beyond that if Yen continues to appreciate, then we will have to take a call to counter it,” MSI chief financial officer Ajay Seth said.

The company's margins are affected whenever the yen appreciates, while it is beneficial if it depreciates. After the natural disaster that struck the island nation on March 11, the Japanese currency is quoted at about 81 yen against a US dollar compared to that of about 83 yen earlier.

There is strong volatility going on at present, with yen appreciating as much as to 76 yen against a dollar recently.

Market analysts pointed out that currency hedging is a strong possibility. “ Usually, Maruti hedges yen against the euro instead of rupee to mitigate the impact,” an analyst with a leading brokerage firm, who asked not to be identified, said.

On the component sourcing from Japan: “ Of our total raw material procurement, about 25 per cent are imported.”

Out of those imported parts, about 80 per cent are purchased in yen. During the October-December period last year, MSI spent Rs 6, 959. 03 crore in consumption of raw materials and components. It also paid Rs 460 crore as royalty in the quarter to its parent company Suzuki, which is about 5. 5 per cent of MSI's total sales.

The impact of Japan's natural disaster on MSI's production, it will remain unaffected for some time till next month as the company has enough inventory of components. " Besides the stock at the plants, getting some supplies, which will reach from Japan that started sailing just before the earthquake".

Last week, the company had said it was assessing the possible impact of the natural calamity on its components import from Japan. Earlier, MSI had cancelled the celebrations for rolling out its 1, 00, 00, 000th car in view of the catastrophe. Shares of MSI were trading at Rs 1, 170. 05 on the Bombay Stock Exchange during late afternoon trade, up 3. 42 per cent from its previous close.

SOURCE: <http://profit.ndtv.com/news/show/maruti-gears-up-to-counter-yen-impact-on-margins-145852? pfrom= home-Business>

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<http://www.whatmakesagoodleader.com/macro-environment-analysis.html>

<https://assignbuster.com/maruthi-suzuki-india-ltd-analysis/>