

# [Case study on the rise of the indian automotive industry essay sample](https://assignbuster.com/case-study-on-the-rise-of-the-indian-automotive-industry-essay-sample/)

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The purpose of this document is to assess the growth of the automobile industry in India, and to discuss some of the advantages and disadvantages of manufacturing automobiles on a large scale in this region. As the car manufacturing industry in this region grows, it is important to understand why companies would be attracted to this region, and what can be done to attract even more companies, making the manufacturing process more equitable for all involved. The advantages of both Nissan and Hyundai investing in the same region are herein discussed, as well as the drawbacks of investing in this region. It is hoped, that this document will provide a plausible prediction as to how manufacturing in this region might develop over time, and the importance of location strategy as Hyundai, Nissan and other investors continue to develop their manufacturing processes in this region. Base Attraction for Producing Automobiles for Domestic Sale and Exportation There are several reasons why a company might consider basing its manufacturing facilities in India.

One such reason is the large domestic market for affordable automobiles, as a result of the economic changes in the country that is prompting the growth of the middle class (Hill, 2013, P. 576). Additionally, Indian labor costs are low compared to other countries. Also, according to Hill (2013, P. 576), figures from Nissan suggest that wages in India will be one-tenth that of other nations, including Japan. Finally, due to the high value of education in India, primarily in the sciences and engineering fields, it is believed that key positions in the development of manufacturing processes and engineering will be relatively easy to staff. As the new process of automobile manufacturing grows and develops in India, there is the benefit that comes with any new process of being able to train and educate workers without the challenge of having to overcome preconceived ideas about the process. Advantages of Investing In the Same Region

As the automotive industry grows, it is likely that several competing companies may find it beneficial to locate within the same region. One key benefit of locating in a region with high levels of competition is the ready availability of part suppliers will likely increase due to the increased demand for their products. For example, both Hyundai and Nissan have established Chennai as a base for manufacturing facilities. It is likely that both Hyundai and Nissan will require supplies or parts from outside manufactures. Since the infrastructure of this area is too poor to allow for ease of shipping of such parts from outside the region, a manufacturer who wished to locate to this region might find that both Hyundai and Nissan would wish to purchase their parts in an effort to cut shipping costs. If both Hyundai and Nissan agreed to adjust their engineering so that one part would work on both cars, the manufacturer would double their sales, and both Hyundai and Nissan would have reduced costs for the parts. This relationship would benefit everyone involved. Drawbacks of Investing in India

Currently, the main drawbacks of investing in India relate to the economy and infrastructure of the country. According to Hill, Nissan reports that the roads are very poor and crowded. This increases the time it takes to have parts shipped, and requires manufacturers to be able to keep on hand and store large supplies of parts (Hill, 2013; P. 576). It stands to reason, that this would increase the need for both labor and plant facilities for storage and management of supply. Hill further notes the lack of availability of parts that are of high quality (Hill, 2013; P. 576). Other Attractive Countries

A manufacturer wishing to avoid having to overcome some of these challenges, might find other areas more attractive. Japan, for example, already has the facilities and skilled labor and professionals to streamline the production process, and begin exporting almost immediately. The drawback in Japan, however, would be higher costs of wages and higher costs associated with exporting. Certain European countries might also be attractive in that shipping and exporting costs would be lower. This is due to the facility being located more centrally to its target market. According to Hill, India was exporting almost one third of its cars by the year 2008, and plans to export more (Hill, 2013; P. 576). Being centrally located could greatly reduce distribution costs. Chennai Evolution over Time

As the automotive industry in Chennai continues to grow, it is expected more and more Japanese factories manufacturing parts will be located there. This will lead to a more stable economy for India, and perhaps an increase in domestic car sales, as well as exports. “ For example, under the guidance of teams of engineers from Nissan, the Indian parts supplier Capro, which makes body panels, has built a new factory near Nissan’s Chennai facility, using the latest Japanese equipment. Workers there have also been trained in the Japanese practice of kaizen, or continuous process improvement” (Hill, 2013; P. 576-577). With the greatest challenge to automakers being getting needed parts, it is expected that as the industry continues to grow, Chennai could become one of the greatest automobile powerhouses in the world. This suggests that a manufacturer’s strategy should include building alliance-based relationships both with suppliers and with competing companies. Also, that long-term growth factors, and expected socio-economic changes in the region should be carefully considered when deciding where to place a facility. Biblical Worldview

As good stewards of the resources that God has provided, it is important to plan carefully for a healthy future for any company. Understanding how the mission of the company can improve the quality of lives of those who it will employ, should be part of that mission. Being Christ-like in the world, does not only involve preaching the Gospel of Salvation, but it also includes teaching the skills necessary to prosper. It is likely, that a manufacturing facility based on Christian principles, placed in a region such as Chennai, would not only serve to provide automobile needs, or to make the company more profitable, but it could also help to build up the economy of a struggling country, and help to feed the hungry and clothe the poor. Summary

It is important to understand how a company can benefit from investing in a region such as Chennai in India. Understanding how the facility will be involved with competitors and suppliers, the benefits and drawbacks of the particular region in which the facility will be located, any alternatives that might be possibly better, and the future changes that will undoubtedly affect the profitability of the business are all important parts of strategic planning for any company wishing to expand its manufacturing facilities.