

# Hyundai marketing strategy essay



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Marketing Strategies – HYUNDAI The case discusses the marketing strategies of Korea based Hyundai Motor Company (HMC) in India.

HMC entered India by establishing its wholly owned subsidiary Hyundai Motors India Limited (HMIL) in 1996. Within a year of launch of its first product – Santro, HMIL had emerged as the second largest car company in India. The case describes in detail the entry, product, pricing, distribution and promotional strategies of HMIL. The case briefs the challenges faced by the company and its marketing plans in future. It also includes a note on the Indian passenger car industry, the leading player and its marketing strategy. I believe that the primary reason for HMIL's success is that we never allowed ourselves to be complacent.

We were continuously innovating at the marketplace, taking ourselves head on the competition. “ 1 – YS Kim, former Managing Director, Hyundai Motors India Limited in 2002. “ As long as Hyundai keeps giving the Indian customer fresh new products at competitive prices and builds excitement around them like they have successfully done, they can sustain their good run so far. 2 – Vinay Kamath, Journalist with Businessline in 2002 The Price Cut In August 2004, a leading business newspaper reported that Hyundai Motors India Limited (HMIL), an Indian subsidiary of the South Korea- based Hyundai Motors Company (HMC) was expected to reduce the price of its flagship car – Santro – by as much as Rs 40, 000. Industry experts were expecting a reduction in Santro's price in response to the price war being waged by the market leader in India – Maruti Udyog Limited (MUL), which had reduced the price of its largest selling car in the B segment – Alto – by Rs 58, 000 in two price cuts starting from September 2003. This move had resulted in Alto

replacing Santro as the largest selling car in the B segment in the period January to June 2004. Rebutting the report on price cuts, HMIL's managing director, BVR Subbu said, " We are not cutting prices on the Santro.

We have allowed our competitors the prerogative of cutting prices. " 5 Several dealers of HMIL also felt that the company would not reduce Santro's price as it had not adopted such tactics earlier. Santro had been the most successful product of HMIL and was also the largest selling car in the B segment till the fiscal year 2003-04. Introduced in late 1998, Santro had emerged as the second largest selling car in India after MUL's M800 and had retained its position till March 2004 (Refer Exhibit II for the total units and value sales of the top eleven car models in India). In mid 2004, HMIL with its four models, Santro, Accent, Sonata and Elantra, was the second largest car company in India with 19% market share in the industry.

The company was planning to launch another model, ' Getz', in September 2004. Analysts attributed HMIL's success to its ability to launch technologically superior products and its innovative marketing strategies. However, they expressed concerns that the company relied heavily on Santro and any fall in demand for that model would hit the company. It was felt that the introduction of new cars by the competitors and upgrading & price reduction of existing cars in the B segment would affect Santro's sales.

This would lead to a loss in Santro's market share. (Refer Exhibit III for the comparison of features of various models in the B segment). Background Note For a long time after India became independent in 1947, the car market had just two models to offer – the sturdy ' Ambassador' from Hindustan

Motors (HM) and the sleek 'Fiat' from Premier Automobiles (PA). This was the result of Government of India's (GOI) decision to keep the car industry tightly protected. For HM and PA, the GOI dictated as to what type of vehicle the two companies should manufacture.

No other domestic or foreign car manufacturer was allowed to enter the Indian car industry. The restriction on foreign collaboration led to poor technological improvements in Indian cars. As a result, car prices remained high while quality was inferior. This affected the growth of the industry. The demand for cars in 1960 was 15, 714 units and in the next two decades, this rose to 30, 989 units, which meant that the Compound Annual Growth Rate (AGR) was just 3.

5 per cent. In the 1980s, the GOI felt the need to introduce an affordable small car, targeting the Indian middle class. As manufacturing a small and affordable car required better technology than was available indigenously, the government tied up with the noted Japanese company, Suzuki. The government formed a joint venture with Suzuki and founded Maruti Udyog Limited (MUL). It held 74% and Suzuki got 26% equity stake in MUL.

In 1983, MUL launched the 'Maruti 800', priced at Rs 40, 000... Hyundai's Entry in India One of the major players that entered the Indian car market was HMC through its subsidiary HMIL. Before making its move, the company closely studied the industry for a year. The company's officials talked to vendors, dealers and customers to get a thorough knowledge of the industry.

Marketing Santro Santro received an encouraging feedback from customers who appreciated its unique design that gave more headroom and facilitated

easy entry and exit... Launch of Accent By mid 1999, the major players realized that the ' B' segment would be the fastest growing in the car industry. To cash in, Telco re-launched its ' Indica' by introducing several new features and solving the glitches in the original model Repositioning Santro By late 2002, the competition in the B segment had increased significantly.

MUL's Alto which was launched in October 2000 had received a good response. Although HMIL's Santro remained the largest selling car in the B segment, MUL commanded the largest market share in this segment due to the combined sale of its three cars – Zen, Wagon R and Alto... Status in 2004 The financial year 2003-04 ended on a positive note for HMIL.

The company achieved revenues of Rs 50 bn and profit after tax (PAT) of Rs. 1. 90 bn in the financial year 2003-04 compared to Rs 43 bn revenues and PAT of Rs 1. 65 bn in the fiscal 2002-03...