**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**THIRD TRIMESTER (Batch 2019-21)**

**END TERM EXAMINATION, APRIL-2020**

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| Course Name | **Strategic Management** | Course Code | **GM301** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

It is a closed book examination and no electronic gadgets are allowed.

All questions are compulsory and carry equal marks.

All institute rules regarding exams apply.

**Maruti Suzuki India Limited**

Maruti Suzuki India Limited, formerly known as Maruti Udyog Limited, is an automobile manufacturer in India. It is a 56.21% owned subsidiary of the Japanese car and motorcycle manufacturer Suzuki Motor Corporation. Incorporated in 1981 as a government company the ownership structure was changed in 1982, a license and joint venture agreement (JVA) was signed between Maruti Udyog Ltd, and Suzuki of Japan. At first, Maruti Suzuki was mainly an importer of cars. Local production commenced in December 1983; and in 1984, the Maruti Van with the same three-cylinder engine as the 800 was released and the installed capacity of the plant in Gurgaon reached 40,000 units. Initially there were also some concerns that the Indian market was too small to absorb the comparatively large production planned by Maruti Suzuki (the other car manufacturers like FIAT and Hindustan Motors sold few thousand cars annually), with the government even considering adjusting the petrol tax and lowering the excise duty in order to boost sales. However, favourable government policies, weak competition and growing Indian middle class fueled growth of the Indian car market. In 1985, the Suzuki SJ410-based Gypsy, a 970 cc 4WD off-road vehicle, was launched. In 1986, the original 800 was replaced by an all-new model of the 796 cc hatchback Suzuki Alto and the 100,000th vehicle was produced by the company. After liberalization of the Indian economy in 1991, Suzuki increased its stake in Maruti to 50 per cent, making the company a 50-50 Joint Venture with the Government of India the other stake holder.

The 15 years, between 1989 and 2004, was the best for Maruti and established their position as prima donna of Indian car market. A slew of models came in which included M1000, Zen, Esteem, Baleno, Wagon-R, Versa, Kizashi & Grand Vitara – some successful and some failures. By 1993 they had set up a 24-hour emergency on-road vehicle service; due to their growing presence across the nation. In 2000 they launched their call center for customer help, a first for the industry in India. in 2001 they launched Maruti-True value to facilitate the exchange of certified second hand cars as more Indian’s were buying cars, both old and new, and second-hand market was growing big; but lacked customer trust. The true-value brand clicked big as the Maruti surety pulled large number of customers from the unorganized market and presented a vast opportunity. In 2002 they entered the insurance business and in 2003 a financial tie-up with SBI, the largest Indian bank, to facilitate car credit. The same year they touched 4 million in total sales, with annual sale of nearly 5 lakh units per annum. 2003 also saw their IPO and stock exchange listing. In 2005 they launched the iconic Swift and touched 5 million in sales, since inception.

However, they have not been left unchallenged. Hyundai started the challenge in 1998 with their launch of Santro, with a film star endorsement, and has gone on to become a formidable challenger to Maruti in all segments. They are the second largest player in India with about 16% market share, the closest to Maruti’s 51% in 2018. They also have launched their sub brand KIA; which has gone on to perform well in the entry level SUV segment and is planning more variants especially in cars. The Indian challenge mostly has been from Tata and M&M; though mostly indirect in nature. They have also had to face competition from the likes of Toyota, Honda, Renault, Ford and GM in various segments and some of them really tough. Another issue Maruti faced was the changing consumer preferences. Indian’s were becoming more affluent and tastes and preferences were shifting from entry level to premium product categories. Demand for premium sedans, hatchbacks, entry level SUVs etcetera has been growing fast and Maruti was not in the scene till 2015. In 2015 they launched their NEXA range, which has since become a big hit and helped Maruti arrest its market share loss. They had dominated the market in the 1980s with nearly 3/4th of the total market share, which almost fell to 40% during 2015s and has slowly clawed back to nearly 50% currently. The company’s resilience can be attributed to its strengths which include great financial might, an exemplary distribution network, a low cost of ownership for the customers and brand equity.

The future for Maruti is very uncertain by all accounts. The company has been facing internal strife in the form of labour unrest. There has been frequent shutdowns and violence at premises affecting their production and supply prompting customers to look for alternatives. The environmental laws have been getting stringent putting pressure on costs and profits. The technology also has been fast evolving on to eco-friendly ones. Though Maruti has presence in hybrids and CNG variants; it has shown no inclination with electrical vehicles; the definite future of the car industry. Smaller players like Tata, M&M, MG etcetera has been proactive in introducing electrical variants and the government has made it clear to eliminate IC engines by 2030. Maruti has also has supply problems which has caused model recalls denting the image and pockets of the company. However, being the largest player, still has a control on the supply chain and suppliers & had been successful in backward integration to produce car parts like radiators, seats, gears etcetera. Currently Suzuki also has a 100% Indian subsidiary which caters to supplying to Maruti and the various international markets with car parts. The company also has been facing competition from alternate sources like public transportation (metro trains) in many cities; which is an important agenda for the governments. Chairman K C Bhargava, in a recent interview, has clearly indicated that the future growth for car makers will not be from the large cities (where public transport including cab aggregators like Ola are widely present) but from smaller ones. They have tied up with Toyota to co-develop and co-market some of their products making use of scales and complementing each other in various areas of passenger car industry be it technology development, product development, manufacturing, distribution or after sales service.

1. Elucidate on the various corporate growth strategies adopted by Maruti based on the facts presented in the case. (10 marks)
2. Conduct a PESTEL analysis for Maruti based on the facts given in the case; identify and briefly explain at least 8 factors affecting the company. (10 marks)
3. Conduct a Porter’s 5 forces analysis for Maruti; briefly explain in about 50 words how each of the forces are affecting Maruti. (10 marks).
4. Do an internal environment analysis, based on the facts given in the case, and prepare a SWOT analysis for Maruti; combining the points from questions 2&3. (10 marks)