

# Maruti Makes A Swift Move

In the eighties, Maruti Udyog, Suzuki's Indian venture kickstarted growth in the Indian auto market. Now, it is working in tandem with Suzuki and is becoming an important cog in the Japanese automaker's global operations. **N Chandra Mohan** profiles the company as it launches its latest offering, the Swift.



**JOINING THE WAR IN THE B-CLASS SEGMENT:** Maruti Udyog's MD Jagdish Khattar with the Swift



**TRIGGERING AN AUTO REVOLUTION:** The Maruti 800 which rewrote Indian auto history and sent competition out of business

**T**he car mart in India is sizzling. Almost all the major marquees of the world are here, Mercedes Benz, GM, Ford, Fiat, Honda, Nissan, Hyundai and BMW, to name some of them. Even the sybaritic Maybach has been launched and the mighty Humvee is just around the corner. Sales volumes may not be dazzling — they have just crossed the one-million mark — but at 25 per cent annual growth, it is the fastest growing market. And also among the most competitive, as the bulk of consumers have made the point that they are scouring for the value-for-money proposition. .

The Indian auto enthusiast is *au fait* with international trends and can currently take his pick from over 60 international models. But the company that introduced him to contemporary auto technology and rewrote the rules of the market was not in the global league of the business. It was Japan's Suzuki Motor Corporation, which entered into a joint venture with the government of India in the early '80s and set up Maruti Udyog. Until that time, the consumer had a choice of two cars made in India under licence. One was a Fiat, which was no longer produced in Italy. And the other was a '50s Vauxhall, all but forgotten in England.

Maruti set the cat among the pigeons with its small 800 cc car and virtually ran

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both companies out of business. It then achieved a near monopoly for almost a decade— until the global majors wised up on the potential of the Indian market and set up operations in the mid-nineties. Now the \$2.5 billion car giant Maruti has again joined war with its rivals; but this time they are more formidable and have deeper pockets. The latest battleground is the fast-growing B-segment in which Maruti has launched the Swift.

Nothing illustrates the success of its launch better than the reaction of rival car manufacturers who were rattled by its aggressive pricing and even took to knock-Swift ad campaigns. Maruti's latest hatch-

back model — its first new one since early 2002 when SUV Grand Vitara was introduced — has been competitively priced at \$9,000 (later revised to \$9,300) for the base model vis-à-vis more expensive models of Hyundai's Getz, Ford's Fusion and GM's Corsa Sail. With the Swift there is a lot riding for Maruti in an era of global competition.

Reflecting Suzuki's global strategy, the Swift also happens to be its first car to be launched in India just a few months after its debut in Japan and Europe. Besides India, this model will also be manufactured in Japan, Hungary and China. This fact itself tells a fascinating story of its own regarding Maruti's new avatar as a subsidiary of Suzuki since 2003 — after the latter secured control of the company when the government of India divested 27.5 per cent of its holding through an initial public offering. The government still retains a stake of 18.5 per cent in Maruti, while Suzuki has 54.2 per cent.

Maruti has been the flagship venture of Japanese collaboration with the government of India. At a time when few businessmen from his country dared to venture into Indian territory, Osamu Suzuki, chairman and CEO of Suzuki Motor Corp, was the first to enter into a joint venture with the Indian government as a minority partner in the early 1980s. "More than 20

## KHATTARSPEAK

**JAGDISH KHATTAR** managing director of Maruti Udyog, took over the reins of the company in 1999 when Maruti was under pressure from global automakers that had entered into the Indian market. Since then he has successfully managed to steer the company onto the growth path and driven its entry into new service businesses like car finance, car insurance, and pre-owned cars. Under his leadership, the company has also beefed up its R&D capability, with engineers from Maruti being involved in the development of new Suzuki models like the Swift.

### On whether the Swift was specifically designed for the Indian market:

The Swift is a global car. The launch of Swift in India is part of a global launch that includes Europe, Japan and China. The Swift is a truly global vehicle. Inspired by avant-garde European design in an innovative 1.5 box shape. Built to typical Japanese precision and attention to detail, it was adapted and tested to the unique Indian road conditions and customer requirements.

### Maruti as the R&D hub for Suzuki in Asia:

Maruti is certainly working towards it.

Suzuki has announced that it wants to make Maruti its R&D hub for Asia. About 50 young Maruti engineers have been trained in Suzuki for a period ranging from 6 months to 2 years. This will form the core group to drive future R&D efforts in Maruti.

The most basic level of R&D capability is to 'localise' production. This was the nature of capability that Maruti acquired — and had to be satisfied with — for many years. Next is the capability to 'face lift' models. Maruti has now acquired this capability. The third stage is collaborative development as in the case of Swift. The highest dimension of R&D capability is to develop new models.

### On what Swift means for Indian auto engineering capabilities:

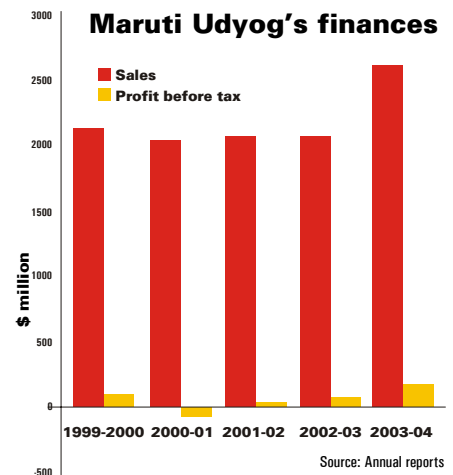
The Swift is also an example of the growing recognition of Indian intellectual and engineering capability as 25 Indian engineers from Maruti have worked with their Japanese counterparts in Suzuki for two years to design this vehicle as well as prepare it for Indian conditions. Maruti's R&D capability, evident time and again in the upgrades of Zen, Wagon R, Esteem, Maruti 800 and Omni, has attained a new level with the Swift.



years ago, India wanted a car that was affordable, fuel efficient, and of a quality comparable to a Japanese car. We gave India the Maruti-800", says Jagdish Khattar, Maruti's managing director. The advent of that hatchback did more than that by triggering an automobile revolution in India.

Suzuki's priority since then was obviously to shore up Maruti's dominance in the auto industry. It was not as if the company was selling fewer cars. Far from it. Thanks to the automobile revolution that it triggered with the Maruti-800, the market itself boomed like never before. If it took more slightly than 10 years since December 1983 for the company to produce one million cars, it only took 3 years since then to keep adding a million more. By April 2003, the company thus had produced four million cars. The pace quickened thereafter to 2 years for the fifth millionth car to roll out on April 27, 2005.

In its new incarnation as a Suzuki subsidiary, the company thus found itself operating in an intensely competitive market place with 13 global auto majors now operating in India — some of whom had begun to directly challenge Maruti's dominance in making small cars. The company's initial response was to shore up market share by acquiring the capability to facelift its existing models like Zen, Wagon R, Maruti-800 and cash in on their brand equity. These aesthetic upgrades coupled with sharp price cuts boosted sales significantly. The company's share of the competitive B segment currently is 54.7 per cent.



But all of this was for starters. Suzuki intended to take on the competition in the small car segment by launching new models in India as part of its global strategy. The Japanese parent is a global leader in making small cars and its flagship facility is the Kosai plant in Shizuoka, south-west of Tokyo, which regularly features as one of the most productive manufacturing plants in the world. The yardstick often cited is the target of 180-odd cars produced per employee in Kosai. Maruti lags behind as robotisation levels in Gurgaon, near Delhi, are much lower than in Japan. To catch up, the company has aimed at reaching Kosai's productivity levels by 2005.

This strategy included better productivity (manpower reduction, improving equipment utilisation), cost savings (reducing in-house cost per vehicle and material handling). The plan also includes safety and accident prevention. All these parameters were constantly tracked and fresh targets set. The broad idea was that Maruti's productivity must be raised by 50 per cent if it is to hit Kosai's level to become a world-class facility. This sort of benchmarking clearly is an indication that Maruti is fast becoming one of Suzuki's hubs for small car manufacture, as evidenced in the case of Swift.

Small batches of engineers also began to be sent to Japan for training for varying durations. There are now 50 Suzuki trained engineers at Maruti. Moreover, 21 Indian engineers were involved at the design stage of the Swift. Maruti thus is confident to acquire what is termed as full model development capability.

**T**o cater to the demands of the growing market, Maruti is adding capacity and beefing the diesel option to its range. It is setting up a new plant near its existing one at Gurgaon and is investing in a facility to make 100,000 common-rail direct injection diesel engines under licensing agreement from Fiat Auto and Adam Opel AG. More than half of this production will be exported to other Suzuki subsidiaries like Magyar Suzuki in Hungary and China.

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#### On the Web

Maruti Udyog: [www.marutiudyog.com](http://www.marutiudyog.com)

## MARUTI'S VENDOR BASE



AS THE FLAGSHIP Japanese venture in India, Maruti is credited with setting up the vendor base for automobiles in the mid-80s in northern India. A good number of its vendors who used to supply Suzuki followed it to India and formed joint ventures with Indian companies. The latter were chosen for their entrepreneurial and financial capability, among other criteria rather than through tenders. Given the nature of the car industry, Maruti and the suppliers went in for a long-term relationship - such contracts account for 70 per cent of its requirements -- much like in Japan. This imparted confidence to suppliers to make large investments. Maruti and Suzuki themselves contributed equity in the case of 13 such supplier companies where investment required was high and the

manufacture. Its strategy and tactics have to be necessarily viewed through the prism of Suzuki's global strategy. Suzuki can develop a model like the Wagon R or Swift and have it simultaneously manufactured

### Major Maruti vendors

- Asahi India Glass ● Bharat Seats
- Caparo Maruti ● Citicorp Maruti
- Finance ● Climate Systems India
- Denso India ● J.J Impex (Delhi)
- Jay Bharat Maruti ● Krishna Maruti
- Machino Plastics ● Mark Auto
- Industries ● Mark Exhaust Systems

component was technologically sophisticated.

These include names like Denso, Asahi Glass, Koyo Steering among many others. Maruti worked closely with such suppliers to build their capability to localise production and reduce cost. This is being done to this day. These joint ventures also served to diffuse Japanese best practices, total quality management etc into Indian operations. Through these interventions, Maruti was able to build a base of suppliers which other car makers also utilised when they entered India in the mid-90s. This vendor base has proved to be a source of competitive advantage for Maruti as Suzuki has included it as a part of its Worldwide Procurement Plan to source components for its facilities all over the world.

in its subsidiaries in Japan, China, India and Europe after local adaptations. Suzuki can also source its component requirements, including diesel engines, from Maruti's vendor base.

All of this adds up to a picture of Maruti becoming a specialised assembler for Suzuki — a trend that is being observed in the global car industry. The auto majors are increasingly becoming more and more vehicle brand owners, who subcontract to specialised assemblers and part suppliers. The Swift experience suggests the prospect ahead for the flagship of Japanese collaboration in India. 🍃