

SWOT ANALYSIS OF MARUTI SUZUKI

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Abstract

The Indian automotive industry is unique and it is different from the automobile industry in the rest of the world. Prior to the liberalisation era Car market like all categories in India witnessed sluggish growth. Hindustan Motors and Premier Automobiles were the only major companies offering passenger cars to Indian consumers for a long time. Only the mega rich could afford to import latest cars from the global market. Ambassador designed based on 1950s model Morris Oxford was the largest selling car. The cars were manufactured at the West Bengal plant and they were driven to various destinations across the country. It is not a brand new car in a real sense as someone has already driven the car close to six hundred miles. Another model Premier Padmini is based on an old Fiat model. Hindustan Motors and Premier Limited could not be solely blamed for this complacency. The licensing era made it difficult for these companies to import state of art technology from global leaders.

Keywords: *automobile industry, liberalisation era, Car market , passenger car, foreign direct investment, global players*

Entry of Maruthi

In the year 1983 Maruti Udyog Limited (Now Maruti Suzuki Limited) was started as a joint venture between Suzuki Corporation, Japan and The Government of India. Maruti 800 the first model launched by Maruti was an instant hit in the marketplace. Subsequent to the liberalisation policy of 1991 the Indian automobile sector was deregulated. De-licensing and increase in foreign direct investment cap in the passenger car sector allowed global players into the market.

Post 1991 Scenario

Before 1991 Maruti 800, Maruti 1000, Ambassador, Premier Padmini were the only cars made in India. Today almost all the leading global players have their presence in Indian automotive industry and the Indian automotive market is touted as the second fastest growing market in the world after the Chinese market. Indian Car industry is crowded with local players, international players and joint ventures.

SWOT analysis of Maruti Suzuki

Strengths

Maruti Suzuki Limited (Formerly Maruti Udyog Limited) brought sea of change to the Indian passenger market during the 1980s, so much so that the history of Indian car industry is divided as two phase - pre-Maruti and post-Maruti phases. Maruti Suzuki has been consistently scoring high rating in customer satisfaction surveys. Maruti Ranks highest in

Customer Satisfaction with Dealer Service in India for a 13th Consecutive year. It is enviable record, difficult to emulate and make it as a competitive advantage for the company.

After sales service is the game changer for speciality goods like passenger car. Over the past three decades Maruti has meticulously built a nationwide service network covering 2965 service stations across 1422 cities and towns. It will be very difficult for other players to catch up in this number game. Interesting Maruti holds the record for having the world's highest service station at Kaza, Himachal Pradesh, situated at an altitude of 3740 Metres (12270 Ft) above sea level. Service network across the length and breadth of the country is strength for Maruti.

Maruti is setting up a state-of-the-art Research and Development centre in Rohtak,. This shows the commitment of Suzuki Corporation in the joint venture. Added to the technological backup provided by the parent Suzuki Corporation, this Research and Development centre will give new impetus to the company in technological front.

As the domestic market for passenger car starts to saturate, focus might shift to export markets in the near future. Presently, Maruti Suzuki exports its car to 125 countries across the world, including mature western European market. No wonder this performance has got the company the Business world International Business Awards 2012, in the Exports (Auto & Engineering) Category.

Weaknesses

The profit after tax (PAT) as a percentage of sales is declining and for sure the bottom line is in red. PAT as a percentage of sales which was 10.70% during 2006-07 has come down to 5.61% in 2012-13, as shown in table 4.1.

Table 1: Sales and Profit after Tax of Maruti Suzuki Limited

Year	Rs. Million		PAT as percentage of sales
	Sales	Profit after Tax (PAT)	
2005-06	1,20,034	11,891	9.91
2006-07	1,45,922	15,620	10.70
2007-08	1,78,603	17,308	9.69
2008-09	2,03,538	12,187	5.99
2009-10	2,89,585	24,976	8.62
2010-11	3,58,490	22,886	6.38
2011-12	3,47,059	16,352	4.71
2012-13	4,26,125	23,921	5.61

There are two occasions when Maruti Suzuki had to recall cars for replacing faulty components. In the first instance In the year 2010 Maruti recalled 1,00,000 A-star cars are recalled for rectification. In the second instance Maruti Suzuki recalled 13,157 diesel cars variants of sedan Swift Dzire, Swift hatchback and small car Ritz, manufactured between

November 13 and December 4, 2010. In the third case Maruti's popular model Swift ran into trouble as many customers complained about brakes not working in bumper to bumper traffic. This is a weakness and will dent the image of the company in both local and global markets.

18th July, 2012 was the black day in the history of Industrial relations in India in general and Maruti; Awanish Kumar Dev, general manager (HR) was burnt to death and nearly many senior executives were mercilessly beaten and sustained severe injured at the company's Manesar plant in Haryana. This incident has created a deep divide between workers and management and legacy of the incident will be hard to erase.

Opportunity

The domestic demand for passenger cars is showing an increasing trend for the past six years as it can be inferred from the following table. As the market leader Maruti Suzuki stands to gain a lot from this trend. The company is well poised to take advantage with strengths like wide distribution network, diverse product portfolio and excellent track record in customer satisfaction.

Table 2: Domestic Sales and Exports of Passenger Cars in India

Year	Sales	Growth in sales (%)	Exports	Growth in exports (%)
2005-06	1,143,076		175,572	
2006-07	1,379,979	20.73	198,452	13.03
2007-08	1,549,882	12.31	218,401	10.05
2008-09	1,552,703	0.18	335,729	53.72
2009-10	1,951,333	25.67	446,145	32.89
2010-11	2,501,542	28.20	444,326	-0.41
2011-12	2,618,072	4.66	507,318	14.18

Source: Society of Indian Automobile Manufacturers

With strong brand image and wide product portfolio the company is well placed to take full advantage of the raising domestic and exports. Maruti infarct, offers 16 brands and over 150 variants

Threats

As discussed in chapter one the competition in Indian passenger car segment is increasing, as there are nearly 20 players in the market. With niche players eating market shares, it will be difficult for Maruti Suzuki to retain the hot seat and to improve the market share.

Increase in interest rate coupled with skyrocketing price of fuel, are speed breakers and it will be very difficult in the forthcoming years to sustain the growth rate of previous years. This trend will worsen as US dollar is getting stronger against Indian Rupee.

Conclusion

The major strengths of Maruti Suzuki are good track record in customer satisfaction, possibly the widest distribution network in the country, success in international markets, technological Support and Back up from Suzuki Motors, Japan. The company has an enviable record of getting the highest score in Customer Satisfaction with Dealer Service in India for a 13th Consecutive year. Their weaknesses are labour problems, profit after tax (PAT) has not increased with increasing sales and quality problems and recall. The opportunities before the company are growing domestic market (barring the recent downturn), strong image and wide portfolio of products. The threats faced by Maruti Suzuki are increasing competition as there are nearly 20 players in the market and with niche players eating market share, it will be difficult for Maruti Suzuki to retain the hot seat and to improve the market share. Increase in interest rate coupled with skyrocketing fuel price is other threats faced by the company

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