COMSTRAT '98

FCB+ULKA

COMSTRAT '98

CASE STUDY : 'PROJECT MINT'

BACKGROUND

Once upon a time, if anybody threw a stone on the Indian roads, four times out of five it would have hit a Maruti. Such was the dominance of the Maruti Udyog Ltd. that when global players charted their entry strategies for India, they bet their money on the premium/luxury segment. The economics was simple. At the lower end was a strongly entrenched player, whose depreciated plants and economies of scale would be virtually impossible to replicate, and on the other end, a segment which tied in with their product offerings and higher margins. Thus the last few years saw the Cielo, the Escort, and the Astra, begin "Mission India" in the mid sized car segment.

MARKET

The Indian automobile market is showing the classic signs of an evolving brand market. From a virtual 'one car market', today cars are segmented on various price points and features from the Mercedes at Rs 20 lakh+ to the much awaited Kinetic City car at about Rs 1 lakh. And it is not just the cars that are getting bigger and better, niches like the Multi Utility Vehicles (Armada, Tata Sumo and now Safari), Mini vans like the Mahindra Voyager, are slowly becoming more and more attractive segments in their own right.

For now however, the small car market is clearly where the volumes are. Total volumes in the small car segment (including Maruti 800, Zen and the Omni) were just over 2.71 lakh cars. In 1996-97 the Maruti 800 sold 1.84 lakh cars and the Zen approximately 0.42 lakh cars. Thus Maruti sales accounted for nearly the entire pie in the segment.

The mid sized segment is the Indian market's most crowded lane. In the first three quarters of 1997-98, just 0.37 lakh mid sized cars (cars in the price band between Rs.4.5 lakh to Rs.8 lakhs) were sold. Here again Maruti Esteem heads the pack with a 36.3% market share followed by Cielo at 20%, Escort at 15% and the Opel Astra with 18% market share. Also with a couple of major launches expected in this segment, the Mitsubishi Lancer and Honda City, the lane is expected to get even more crowded.

Refer : Annexures 1,2 & 3

CONSUMER

The income threshold level (Annual Household Income)for new cars is about Rs 200,000. However, for used cars the threshold levels are lowered to about Rs 100,000.

The NCAER survey on Indian market demographics with data pertaining to 1993-94 estimates there are 4 million households which earn more than Rs.86,000 pa. It also estimates that there are 6 lakh very rich households (those earning more than Rs.10 lakhs pa). Most car buyers in India are the first time buyers who are most often upgrading from two wheelers and are looking for an easy-to-drive-and-maintain vehicle.

Price is a big driver in the consumer mental make up. Pricing is the key as Cielo discovered, after an unexpected price cut of 20% its sales for January, '98 doubled to about 900 cars from December (and this is the relatively less price sensitive segment). Consumers will migrate to where they feel they are getting higher value.

Refer : Annexure 6

PROJECT MINT

"It is the Kohinoor of India and will turn a new leaf in India's history", said Union Industries Minister Mr. Murasoli Maran when he unveiled TELCO's small car, code-named the 'Mint', TELCO's biggest project till date.

The car (to be christened at the time of launch in November, '98) is to be launched in two versions — standard and luxury, and diesel and petrol. A 1400 cc, four-cylinder engine with a maximum of 54 bhp for the diesel and 60-65 bhp for the petrol version, five speed synchro gears and fuel efficiency of 16 kms to a litre.

The total investment in this project when complete would be Rs.1700 crores with about Rs.300 crores spent on developing the car. The brief given to the design team simply said, 'It was too be a small car with big features, both in facilities and performance' — design a car which would compare favourably to the Maruti Zen in all aspects.

The car is expected to hit the road in the third quarter of the current year at a price of Rs. 2.5 lakh for the basic version and the luxury version should be about Rs. 50-60,000 more. TELCO is targeting a sale of 60,000 cars in the first year and aims to reach a level of 1.5 lakh cars at the end of the third year.

Refer : Annexure 4

DISTRIBUTION

For any car marketer, the dealer is slowly becoming a critical success factor and all the new car companies are focusing a lot of attention on dealerships. Also most companies are looking for dealers who can offer a comprehensive single window service.

Maruti has 120 dealers and 150 outlets which are ably supported with a network of service agents — today any street mechanic can attend to the basic repairs of a Maruti car. Telco is in the process of setting up 100 dealerships for the small car, mainly recruited from the ranks of its 120 existing dealers.

At present Ford has 19 dealers but by September 1998 they would have this beefed up to 26 dealers which would also be in places like Madurai, Surat, Amritsar etc. (showing a shift in concentration from the metros ?)

Others like Hyundai are going for a hub-and-spoke system where they will have network of several small dealers who can give personalised services and would be plugged to the mother centre who would have the latest equipment.

Honda is concentrating on training of salespersons while Daewoo has launched a 24 hour helpline for assistance in case of breakdowns. All in a bid to pamper the buyers.

Commissions for dealers typically range between 2% to 3.5% but in a bid to trim the excess inventories companies are also offering dealers 'unofficial' cash discounts ranging from Rs.80,000 to Rs.1 lakh.

Soon the days of 'waiting periods' also will be a thing of the past with companies like Honda and Daewoo planning to do away with 'bookings' and consumers will be able to buy cars 'off the shelf'.

PROMOTION

Advertising is what could make a critical difference in the way a brand is perceived in the consumers mind. Cielo with its flavour of the month campaigns seem to be the most visible of the car makers. With new campaigns frequently, the Cielo stands for different things to different people. At the other end is the Ford Escort, very clearly positioned as the car for 'achievers' using the Leander Paes analogy. The Opel Astra on the other hand, is positioned on a somewhat more functional plank of superior (German) technology. The Esteem is positioned more in the area of value, offering 'affordable luxury'. The Maruti 800 is also learning to live in a competitive era, with a new campaign positioning it on 'dependability/reliability'.

Refer : Annexure 5

THE CHALLENGE

The small car market is all set for a shakeout. At the bottom end of the market is the used car and Kinetic snapping at its heels. Daewoo, making its long term intentions clear with the imminent launch of D'Arts and Hyundai waiting in the wings with its Santro, the 'Mint' has a tough task in hand. Add to that a resurgent Maruti with the formidable 800, Zen and a possible new offering, the 'Mint' might be getting squeezed from both ends.

THE TASK

To help Mint achieve its stated objective of a 30% market share, in the small car market, develop a comprehensive communication strategy recommendation for 'Project Mint'. This could include a branding approach/name, the key target audience, the positioning, the brand personality etc. Please support your recommendations with the requisite rationale, critical assumptions etc. (Creative concepts/renditions are not a part of this assignment).

Annexure 1 :

Company-wise Car Sales 1996 & 1997 (January - December)

Company	1996	1997
DCM Daewoo	19,063	4,316
General Motors	4,028	10,230
Hindustan Motors	25,942	24,711
Mercedes Benz	2,051	2,893
Maruti Udyog	312,950	346,159
Pal Peugeot	7,601	7,623
Premier Auto	9,769	13,092
Telco	8,495	5,851

** Source : AIAM (Association of Indian Automobile Manufacturers)*

Annexure 2 :

Company Market Shares (1997-98 : April-November)

Company	Market shares
Maruti Udyog	82%
Hindustan Motors	6%
Premier Auto	3%
Pal Peugeot	2%
Mahindra Ford	2%
General Motors	2%
Daewoo Motors	1%
Mercedes Benz	1%
Telco	1%

** Source : AIAM (Association of Indian Automobile Manufacturers)*

Annexure 3 :

Number of Cars Sold in the Year 1996-97

Economy Cars	No. Sold
Ambassador	24,111
Fiat Uno	1,458
Maruti 800	185,517
Maruti Zen	41,831
Maruti Omni	45,014
Premier Padmini	8,748
Total Economy Cars	**306,706**
Total Cars	**374,110**

Annexure 4:

How the 'Mint' Stacks Up vs. The Competition

	Mint	D'Arts	Santro	Zen MH410	Maruti 800
Manufacturer	TELCO	Daewoo	Hyundai	MUL	MUL
Engine					
Type	Diesel/Petrol	Petrol	Petrol	Petrol	Petrol
	1400 cc	800 cc	999 cc	993 cc	796 cc
Max Power	53.5 hp (D) / 60 hp (petrol)	52 hp / 6000 rpm	55 bhp/5500 rpm	50 bhp/ 6000 rpm	39.5 bhp / 5500 rpm
Fuel Efficiency	16 kpl	17 kpl	17 kpl	14 kpl	16 kpl
Dimensions					
Length	3660 mm	3495 mm	3495 mm	3495 mm	3335 mm
Height	1480 mm	1485 mm	1590 mm	1405 mm	1405 mm
Width	1625 mm	1495 mm	1495 mm	1495 mm	1440 mm
Fuel capacity	37 liters	35 liters	35 liters	35 liters	27 liters
Price (est. Ex-Delhi)	Rs.2.5-3 lakhs	Rs.3 lakhs	Rs.3.15 lakhs (with AC)	Rs.3.49 lakhs	Rs.2.19 lakhs

* *Source : Newspaper Reports*

Annexure 5 :

Media Spends (in Rs '000) : January-December

Car	Press '97	TV '97
Maruti 800	1,128	10,019
Zen	7935	NA
Maruti Esteem	89,165	64,844
Fiat UNO	10,352	NA
Opel Astra	69,826	5,033
Cielo	150,276	67,812
Peugeot 309	16,670	727
Sierra	16,504	11,424
Sumo	21,409	23,051
Ford Escort	68,497	22,808
CATEGORY	**685,663**	**360,061**

* *Source : Press Spends : ORG Map. TV spends : Admon.*
Note : Other media expenses like Radio, Outdoor, Direct Mail, Exhibition, Road Shows would vary from company to company from 15% to 50%.

Annexure 6 :

Distribution of Households MHI / SEC by Town Class (nos. '000s)

	Total No.	Top 8 Metros	Other 10 lakhs +	5-10 lakhs	1-5 lakhs	Below 1 lakh
Unweighted Sample	106,349	26,085	24,302	12,307	28,756	14,899
Est. HH's	44,856	11,467	4,214	4,509	9,882	14,683
SEC						
A1+	403	220	44	39	54	47
A1	2,059	827	248	267	393	324
A1/A2	4,692	1,555	542	573	1,014	1,009
B1/B2	7,777	2,056	791	852	1,848	2,229
C	9,313	2,595	884	975	2,029	2,829
D	10,749	2,603	1,046	971	2,460	3,670
E1/E2	12,324	2,658	950	1,139	2,631	4,946
MHI (Rs.)						
Upto 750	5,386	683	333	426	1,235	2,709
751 - 1500	12,972	2,852	1,146	1,258	2,932	4,784
1501- 3000	14,939	4,094	1,462	1,470	3,383	4,530
3001 - 5000	6,916	2,090	719	792	1,499	1,816
5001 +	4,643	1,749	553	564	934	843

* *Source : NRS 1995*

A1+ is subset of SEC A1 & A1 is a subset of group A1/A2

SEC A1+ refers to the household which belongs to SEC A1 and its monthly household income is above Rs.10,000.