

A Case Study on the Emerging Market for Leading Premium Sports Luxury Car Manufacturers in India

Sonam Sachdeva*

Roopam Sachdeva**

Anmol Krishan Sachdeva***

Abstract

From the past few decades, India has been offering the top-notch luxury sports car makers a huge market. There has been a significant growth of about 25% in the premium automobile segment over these years. In the light of this growth, automobile giants such as Automobili Lamborghini SpA, Audi, Bentley, Porsche and Mercedes to name a few have started devising their marketing strategies to boom their sales in the Indian Market. Despite the tax challenges posed by the market, the focus has been growing to reach out the masses in the Indian super luxury sports car buyers segment. The case stresses upon the challenges faced by these automobile giants (Automobili Lamborghini SpA and Mercedes in particular) and their counter marketing strategies. The Star Agility strategy used by Mercedes Benz is also being talked about.

Keywords: Indian Market, Sports Luxury Car Manufacturers, Automobili Lamborghini SpA, Mercedes and Marketing Strategies, Star Agility, Tax and Duties

Introduction

The overall Indian automobile market has been rapidly growing in the past few years and has been marked with a tremendous growth rate of 25%. The number of buyers in the super luxury car segment has increased immensely. The range for luxury cars begins from Rupees 25 lakhs. This category of cars is affordable by many people in India. As an outcome, many premium sports car manufacturing giants have started working on development of marketing plans to target such higher income groups in the Indian market. Many of the renowned super luxury car manufacturing companies have already been on the board for years now. These include companies such as Rolls Royce, BMW, Mercedes, Ferrari, Lamborghini, and Skoda etc. Surprisingly, the demand for such expensive cars has also witnessed a growing trend in the past few years.

Sonam Sachdeva*, Empanelled Faculty,

Department of Commerce,
University of Delhi

Roopam Sachdeva**, Student MBA Programme,
Bharati Vidyapeeth Institute of Management
and Research, New Delhi

Anmol Krishan Sachdeva***, B.Tech Student,
Maharaja Surajmal Institute of Technology,
New Delhi

Objectives

The case has been developed with following objectives:

1. To develop better understanding of different Marketing strategies used by top-notch luxury car manufacturers in India.
2. To analyze the present scenario of Indian Automobile Industry.
3. To develop an understanding of the challenges faced by this sector and marketing tactics adopted therein.

The most prominent factors giving rise to the growth of luxury automobiles amongst the Indian customers can be understood as follows:

1. Rise in the economy of the country leading to higher disposable income with the Indian population.
2. New financing schemes introduced by various financial institutions and banks like 100% ex-showroom funding, low EMIs, Excise Duty benefits, special schemes for Companies, Government officials etc. that lure the customers.
3. With the boom in the IT sector, youngsters have been able to earn higher pay-packages thus can afford luxury cars.
4. Reduction of import taxes on various imported cars leads to their reduced price thereby incrementing the count of buyers.

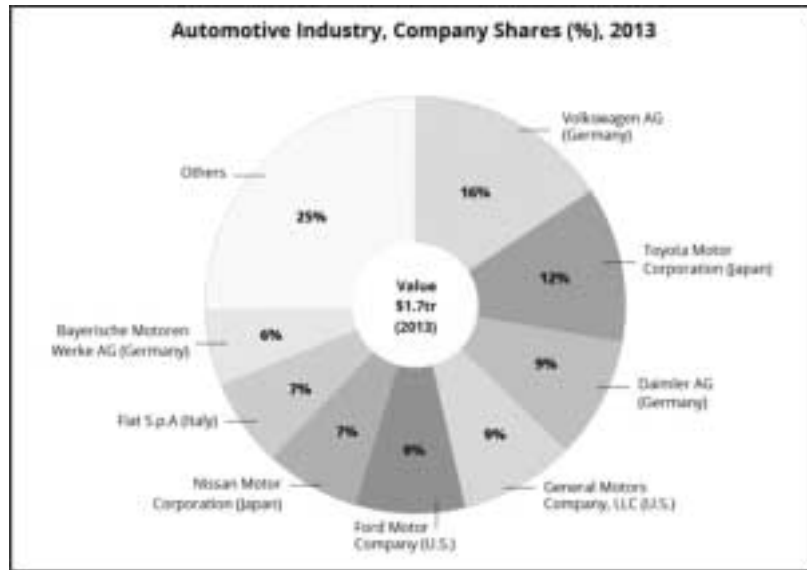


Figure 1: Luxury Car Market in India-2013

Source: <http://www.reportlinker.com/ci02294/Automotive.html>

Due to these above mentioned encouraging factors, the car manufacturers in this segment have started targeting the Indian market. They can adopt the marketing practice called *Masstige* in future to increase their customer base.

Masstige is a modern marketing tool that aims to address the needs of masses by offering the products at attainable prices. The main objective of such a practice is to reduce the gap between mid-market and super premium one. Thus, it can be concluded that the marketing strategy has two components; one, the products are viewed as super premium or luxury ones and, second, the price is competitive and attainable by masses.

About the Companies

Automobili Lamborghini SpA

Automobili Lamborghini SpA is an Italy based automobile manufacturing company. It was founded in 1963, headquartered in Sant' Agata Bolognese, in Northeastern Italy. Being a part of the Volkswagen group, it offers wide range of products such as automobile, marine engines, motorcycles and branded merchandise etc., to name a few. It adds a new dimension to the super luxury car segment by offering concept cars. It has over 122 dealerships worldwide.

It is a wholly owned subsidiary of AUDI AG with five other subsidiaries under its control. It has established a special R&D Department called Squadra Corse. It provides an integrated approach to the driving experiences by Lamborghini. It also has a special Museum, 'The Lamborghini Museum' that reveals the different milestones in the timeline of the company.

Mercedes

Mercedes Benz is a German based automobile manufacturer, a constituent unit of Daimler AG established in 1926, and headquartered at Stuttgart, Germany. It manufactures luxury cars, buses, trucks and vans, motorsports etc. The journey of company in India began in the year 1994. It also manufactures multi concept cars. The Logos have been changing in the past. The company provides a wide range of products into passenger luxury car segments. In more than 100 years of its life span till date, it has remodeled its offerings every time. Its products are offered across 93 locations worldwide, with production facility at 17 locations in 5 continents. The award for Fortunes' 100 Best Companies to Work For is also in its hall of fame.

Mr. Max Hoffman is the driving force behind the success and growth of this International brand. Throughout the years, it has been practicing a holistic

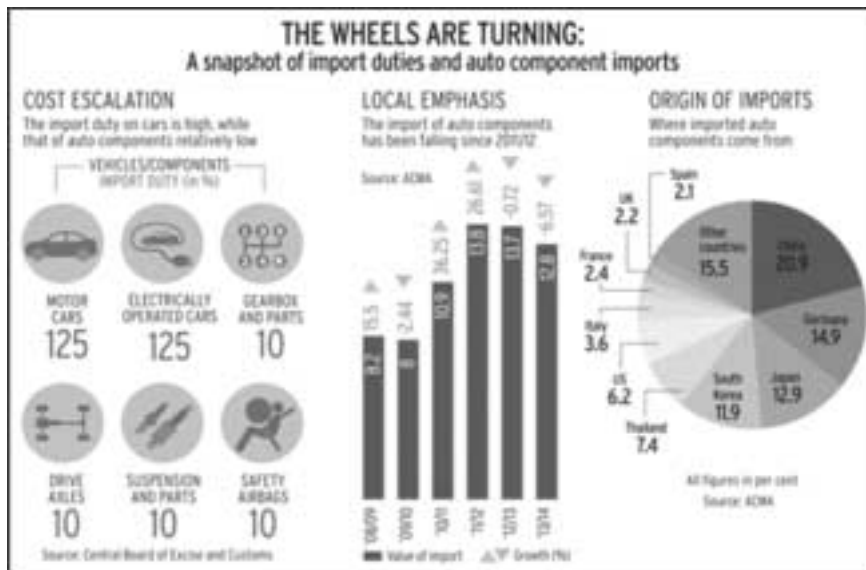


Figure 2: Changing Import Scenario

Source: Business Today (<http://www.businesstoday.in/magazine/corporate/luxury-carmakers-increasing-use-of-india-made-components/story/220534.html>)

approach to sustainable management. Different communities and funds have been established by the company to support different sectors of the society.

The Challenges Faced by Indian Automobile Sector

The Automobile sector has gone through many ups and downs over the past few decades. Many international players have started their production activities in the country. As a result, the domestic players are going through a tough time. The ever rising crude oil prices pose another danger to the growth of global automotive industry, also affecting the economic growth of India. The skyrocketing price, in turn requires special redesigning of engines. High tariff rates, adverse currency exchange rates, and rise in excise duties are also a matter of great concern when it comes to the challenges faced by this sector. Increased input costs further aggravate the problem.

In an exclusive interview with ET, Stephan Winkelmann, chief executive of Lamborghini, discussed that the major challenge in the Indian market is the high import duty and taxes. The basic customs duty on the cars was 60% in the year 2011, while it reached 100% level in year 2013. Congested Indian roads are another challenge for the company.

Irrespective of this fact, the company has launched its third dealership in Bengaluru. The Indian market is an emerging hub for companies like Lamborghini. It can be witnessed from the fact that the number of page hits on the company's website from India is quite more in comparison to other countries, with India being at No.2 position. The number of high net worth individuals in India is also growing rapidly. India is amongst the greatest fan community of the company. The company has always stood in favor of reduced import duties, but it cannot petition the central government to do so as it is a very small player in this segment. For instance, it has been able to sell only 94 cars in Indian Market till 2013. It expects to double its sales. The first generation entrepreneurs, sports enthusiasts and self-made individuals are amongst its target market. The most prominent strength of the company is unmatched Italian Design and Class, superior quality and an iconic brand name.

In order to counteract the challenges faced, the company is continuously working towards product range development in order to increase its future sales. Company offers a wide array of International Merchandise, under the name "Collezione Automobili Lamborghini". Prodigious marketing tactics are being adopted to revamp its sales and networks. The delivery

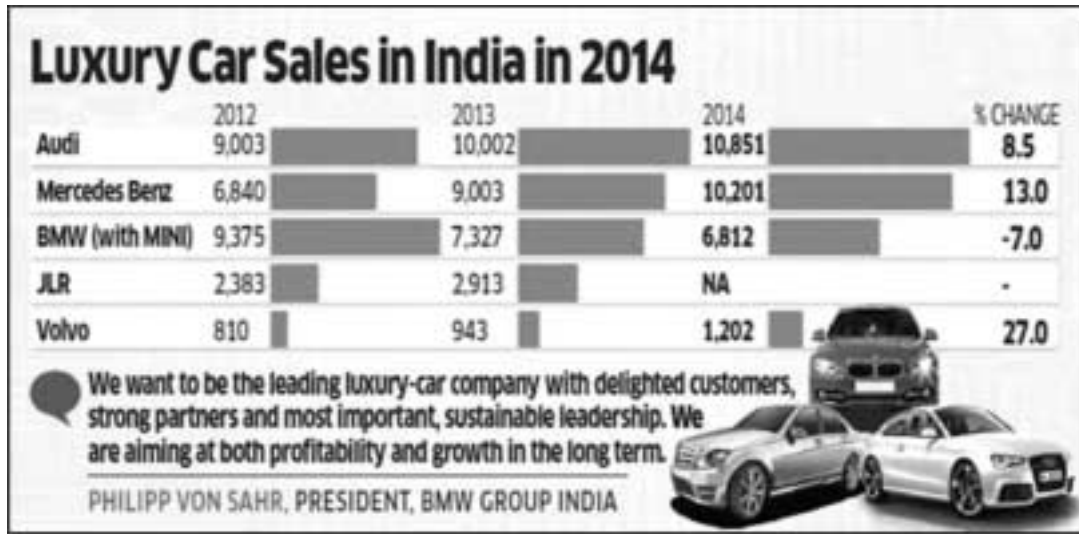


Figure 3: Luxury Car Sales In India

Source: <http://4wheel.in/audiretainsno1spotinluxurycar/>

is targeted at its initial customers. It sponsors various track events such as Formula One and also provides snow driving and night driving experiences. It tries to build strong emotional connect with the brand. Company offers wide range of cars in different colors, especially flashy ones such as green, orange, and yellow, which are best suited to attract the Indian buyers. Personalization option is also available that gives it an edge to boost its sales. Hub-and-spoke model to reach out to more customers is another marketing strategy

adopted by the company.

Experts believe that the sales will increase rapidly once the infrastructural setup and economic conditions of the country stabilize. The company is set to establish its new driving academy in India. This strategy focuses on three aspects; one, the convenience of the buyers, second, creating aspirations and the last, extraordinary experience. The company practices Niche Marketing strategies. The continuous improvement in logistics is another tactic adopted. Extensive branded

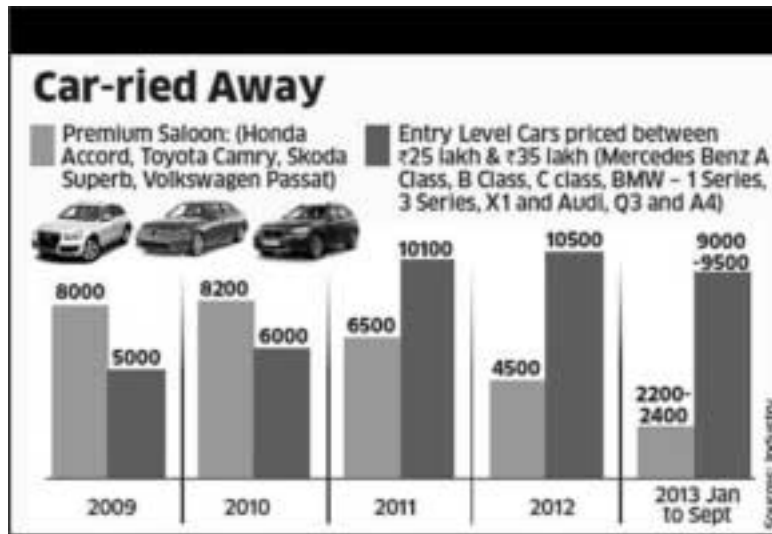


Figure 4: Pricing of Entry Level Cars

Source: LUXPRESSO (<http://luxpresso.com/news-cars-jets/indian-buyers-opt-for-entry-level-luxury-cars-over-premium-saloons/25276>)

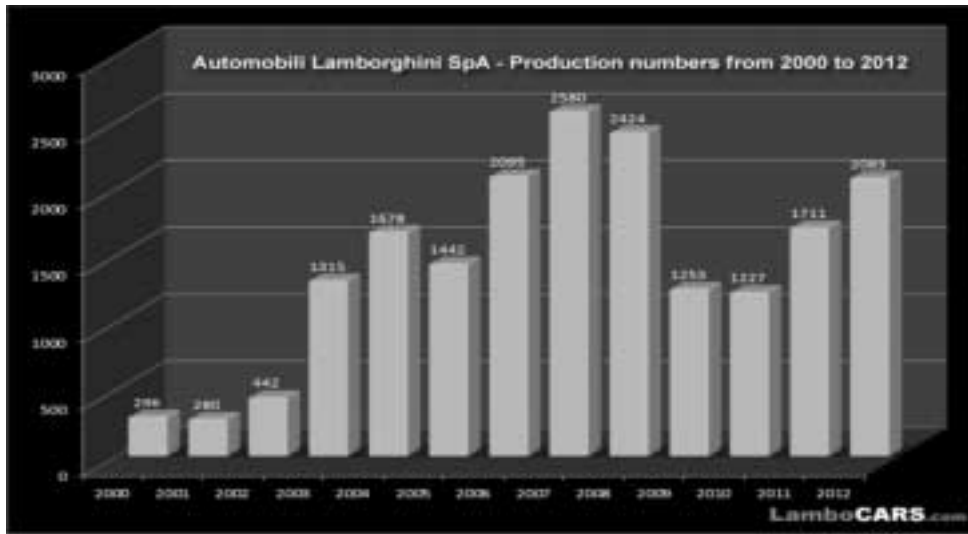


Figure 5: Global Sales Of Lamborghini

Source: LAMBOCARS (http://www.lambocars.com/lambonews/automobili_lamborghini_spa_official_company_information.html)

www.IndianJournals.com
Members Copy, Not for Commercial Sale
Downloaded From IP - 115.254.44.5 on dated 24-Apr-2019

merchandise retailing in Indian market helps the company to expand its scale of operations. The company also provides extensive training sessions to its dealers as it believes that the dealers are the face of the company. Few other factors supporting the company's growth are customs duty structure, infrastructure and strength of Indian currency.

Lamborghini is not the only super luxury car manufacturer who is targeting Indian market. German based auto manufacturer, Mercedes-Benz is also in this race. For the company, "very high taxes" is the biggest challenge.

Indian congested roads favor small cars. Keeping this

in mind, Mercedes has come up with its compact hatchback series-the A and B class. The range for these cars is quite low, due to which, people prefer them. Price is made low by localizing the production operations. Many assembly plants have been established by the company. It follows a practice of Completely Knocked Down (CKD) operations to bring down its prices. The company is planning to expand its production capacity in the light of its success. The company is adopting a two dimensional strategy. First, bringing the best technology and models as early as possible, and second, to come with a new structure and high performance of cars, i.e. SUV structure. The company's marketing strategy focuses



Figure 6: Marketing Spent of Premium Luxury Car Companies

Source: PITCHONNET (<http://pitchonnet.com/blog/2012/06/11/luxury-un-wheeled/>)



Figure 7: Comparative Sales of Luxury Car Makers in India

Source: WORDPRESS (<https://onestepupindemocracy.wordpress.com/2015/04/07/a-glimpse-of-the-luxury-automobile-market-in-india/>)

on presenting a new side of the company, i.e. jovial and enterprising side. In the past years, it has been able to slaughter its prices to reach out to more customers.

To keep itself in touch with the target consumers, Mercedes has tried to increase its communication with the help of Online Advertising, Social Media, Television and Print Media, Offer warranty, Customer Service at time of sales and carrying out excellent Public relations. It has also been able to improvise its

products with regards to safety and technology. The company enjoys an excellent dissemination channel.

The main ideology of the company is thus, to change the perception about the brand in the minds of the consumers. The most common message sent out by the company is that they are more approachable than ever.

Conclusion

Top notch companies see India as their prime target

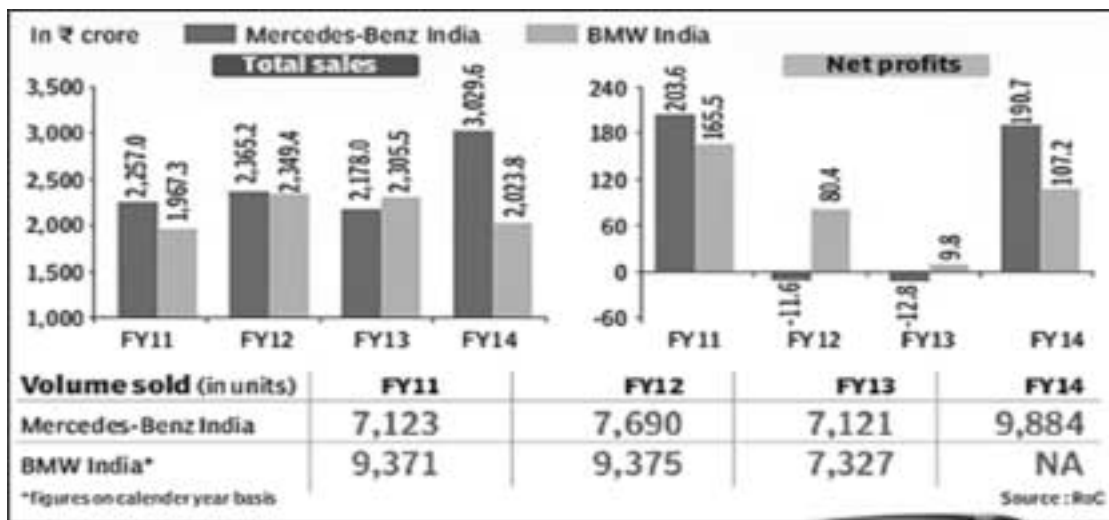


Figure 8: Sales Volumes of Mercedes and BMW in India

Source: FINANCIAL EXPRESS (<http://www.financialexpress.com/article/industry/automobiles/bmw-mercedes-shift-gears/18670/>)

market. Thus, Mercedes and Lamborghini are leaving no stone unturned to rule out the challenges faced by them in the Indian Market. They are trying to come up with new tactics to grab more market share and boost their sales. These companies are constantly

struggling to leverage their market value and customer base. Continuous efforts such as product development and slicing of prices are true indicators that India is the next emerging market for many super car manufacturers.

Web References

1. <http://www.gizmag.com/interview-lamborghini-ceo-winkelmann-design-director-perini/28914//>
2. <http://www.thesmartceo.in/special-features/owning-the-fast-and-furious.html>
3. <http://economictimes.indiatimes.com/industry/auto/news/passenger-vehicle/cars/import-duty-taxes-among-our-biggest-challenges-in-india-stephan-winkelmann-lamborghini-chief/articleshow/45291817.cms>
4. https://www.google.co.in/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0CCQQFjAB&url=http%3A%2F%2Fwww.moneycontrol.com%2Fnews%2Fbusiness%2Findia-key-mkt-for-mercedes-aim-to-double-volumes-by-2020_1237466.html&ei=Z_SfVIGUHcqeugTAlDwCQ&usq=AFQjCNERm2BQjFBdZ8IFedbKU2Qjvtso4Q
5. http://articles.economictimes.indiatimes.com/2011-08-15/news/29889261_1_luxury-cars-car-sales-audi-india
6. <http://www.dnaindia.com/money/report-mercedes-aims-double-digit-growth-despite-difficult-market-1985292>
7. http://www.mercedes-benz.co.in/content/india/mpc/mpc_india_website/enng/home_mpc/passengercars.html
8. <http://www.lamborghini.com/en/home/#!slide/5218>
9. <http://www.thehindu.com/business/Industry/lamborghini-bets-big-on-indian-market/article6701779.ece>
10. http://www.business-standard.com/article/companies/lamborghini-sees-high-import-duty-affecting-sales-in-india-114112500643_1.html
11. <http://www.thehindubusinessline.com/features/brandline/battle-luxurious-bmw-and-mercedes-are-trying-to-race-ahead-of-audi/article6704892.ece>
12. <http://www.firstpost.com/business/here-is-what-indias-luxury-car-market-looks-like-in-2015-2339586.html>
13. <http://www.reportlinker.com/ci02294/Automotive.html>

Teaching Note

Case Synopsis

Indian Automobile Sector is one of the most competitive manufacturing fields in today's scenario. It is evident from the fact that many top international car manufacturing companies such as Porsche, Mercedes, BMW, Lamborghini, Bentley and Audi etc. are making continuous efforts to reach out to more people in Indian market. The case focuses upon the challenges faced by these top manufacturers (Automobili Lamborghini SpA and Mercedes in particular) and their market moves to capture more market shares and rule out the challenges so faced.

Hence, this case falls under the purview of marketing arena. It is a good source for educators and learners to

study about different kinds of marketing gimmicks.

Case Objectives

The main objectives of this case are as follows:

1. To develop better understanding of different Marketing strategies.
2. To analyze the scenario of Indian Automobile Industry.
3. To develop an understanding of the challenges faced by this sector and the marketing tactics adopted therein.

Position in Course

This case is best suited for marketing students pursuing different courses. The students must have clear and

adequate knowledge about different marketing concepts and strategies.

Teaching Pedagogy

1. Divide the class into groups of 2-3 members each.
2. Give the case for group reading for 10 minutes.
3. Allow each group one by one to present the analysis of the case and answer the questions one by one.
4. At the last, give your inputs to whole class. Discuss and appreciate good points and critically evaluate each group.

Assignment Questions

Q1) Discuss the impact of marketing challenges on the Automobile Industry as a whole?

Following can be the impact of these marketing challenges on the Automobile Industry as a whole:

1. Increased tax and interest propel customers to shift towards low budget cars.
2. The market growth is at stake.
3. Lesser profit margins.
4. Need for increased market planning.
5. Devising new and innovative strategies to counter the challenges faced.

Q2) Mention the challenges faced by Automobile Sector. Also list the marketing strategies adopted by it to minimize the effect of such obstacles.

Challenges:

1. High Tax duties.
2. Rising Crude Oil Prices.
3. Greater need for skilled human resource.
4. Increased input costs.

5. Adverse currency rates.
6. Congested Indian Roads.

Marketing Strategies:

1. Product Range Development.
2. Customization options.
3. Improvising delivery channels.
4. Sponsoring different events.
5. Retailing Merchandise.
6. Emotions based marketing.
7. Enriching driving experiences.
8. Extensive Training to employees.
9. Adopting new Communication channels.

Q3) List some of the marketing strategies that the company can adopt in future to boost its sale.

1. Scarcity marketing: A tactic where the company stress upon to control the quantity of product available at one point of time. It is primarily done because of the difficulty of acquiring raw materials or high quality products. Thus the company may choose to make the product available to only few customers.
2. Extensive Diversity Marketing: Developing a customized marketing plan for different customer segments based on their cultural differences. Thus carrying out aggressive marketing based on these variables.
3. Evangelism Marketing: Building huge fan base, brand lovers, who become advocates for the company's offerings.
4. Search Marketing: These days many customers search websites to seek answer to their questions. In this case Search Marketing can serve as a great tool to boost sales.
5. Focus more on emotional connections, as to why to buy the product.