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# Customer retention at Hyundai Motor India Ltd

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There will be intense big competition among the small car makers. Customers will now be able to select both their brand as well as pricing[1] (Rakesh Batra, National Automotive Leader, *Ernst and Young*[2], in December 13, 2009).

On May 13, 2011, two days after the successful launch of the new Hyundai Verna, Nalin Kapoor (Kapoor), Hyundai Motor India Ltd's (HMIL) General Manager (Sales and Marketing), was sipping coffee in his sixth floor cabin in Jasola, New Delhi, and looking at the company's internal reports. HMIL had been doing satisfactorily since it started operations in India in 1996. The year 1998 had seen the ambitious launch of the Hyundai Santro. Since then, HMIL had grown to become the second largest car manufacturer in India, an emerging market, after Maruti Suzuki India Ltd (MSIL)[3]. Kapoor was contemplating the increasing threat from major players like Volkswagen[4], Skoda[5], Toyota[6], Honda Siel Cars India Ltd[7] which had entered the Indian market and were offering their products in the compact car segment[8]. This segment had earlier been dominated by MSIL, HMIL, and Tata Motors[9].

The internal reports indicated that HMIL's customer retention ratio was less than that of its closest competitor MSIL and was declining further due to intense competition in the global market. Kapoor pointed out:

> Customer retention is a big problem in the automobile industry with the purchase span of customers varying from at least 3 to 5 years and the cost of brand switching being nil. Thus, the challenge for marketers is to provide continuous satisfaction to the customer by offering a quality product, excellent after sales service, and regular customer interaction to make him more engaged with the company.

HMIL had been running customer retention initiatives in the past like offering an exchange bonus and upgrade offers and running other public relations (PR) activities but these were short term in nature. Kapoor was quick to recognize the need for a sustained, long-term retention program. He commented:

> To counter the increasing threat from competitors we need to do something which makes our customers come back to us for their next purchase, as well as spread the positive word about us.

The marketing strategy team under Kapoor delved deep into formulating long-term retention strategies. One possible solution, they felt, was implementation of an effective loyalty program such as those already popularized by some automobile companies in the past, and a few of which were still operational. With the help of a management intern who worked under Kapoor's guidance, the marketing strategy team was able to extract useful information and customer testimonials regarding the loyalty programs being run by other automobile companies. In light of this information, the team started exploring the feasibility of implementing a customer retention plan at HMIL. However, Kapoor expressed his concerns:

> Even if such a strategy is implemented, will they be able to justify the costs in terms of designing, training, promoting, and the technical support postulated for such a nationwide program? What

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will the structure of the program be like so that it easily propels the customers to be loyal to HMIL? If not a loyalty card then what other strategies can be pursued to retain customers?

## The Indian automobile industry

In 2011, India's automobile industry was estimated to have a turnover of US$73 billion. It also accounted for 6 percent of the country's gross domestic product (GDP). Industry experts anticipated that the turnover would double to US$145 billion by 2016. India was the seventh largest vehicle manufacturer in the world[10]. It was also the second largest market for two wheelers. The sale of passenger cars and utility vehicles grew at 12 percent compounded annual growth rate (CAGR) over the last decade whereas the growth of commercial vehicles was around 4.4 percent CAGR (IBEF, 2011) (refer to Exhibit 1 for production statistics of Indian automobile industry over the last decade, i.e. from 1999 to 2010).

After India gained independence in 1947, the government launched efforts to establish multiple automotive component manufacturing units to support the growing automobile industry. However, the growth remained stagnant and slow in the 1950s and 1960s due to the ''license raj''[11] and nationalization. From 1970 to 1984, cars were considered to be materialistic pleasures. Manufacturing was licensed, expansion was restricted, and there were quantitative restrictions on imports. Tariff structures were also in place to restrict the market. Things began to change drastically after 1985 when Maruti Udyog, the government's joint venture with Suzuki, started operations with the launch of the ''Maruti 800''. The entire landscape of the automobile industry in India saw a dramatic transformation. Immediately after, a number of Japanese manufacturers commenced joint ventures for building motorcycles and light commercial vehicles[12]. Post 1991, the industry showed sustained growth due to increased competitiveness and relaxed restrictions. MSIL (Maruti Udyog Ltd was renamed as MSIL on September 17, 2007), Tata Motors and Mahindra & Mahindra[13] amplified their domestic and international expansions[14] (refer to Exhibit 2 for segment-wise market share of the Indian automobile industry as of 2011).

Despite a productive growth rate, there were challenges in sustaining this growth in the wake of increasing interest rates and booming input costs (*The Asian Age*, 2011). Moreover, in the long run, there was the need for attaining manufacturing competitiveness, implementation of alternate sources of fuel technology, brand building, and customer relationship management (CRM)[15].

The three main automobile manufacturing hubs in India were Chennai[16], Gurgaon[17] and Manesar[18] in Haryana, and the Chakan[19] corridor near Pune, Maharashtra. Chennai accounted for 60 percent of the country's automotive exports and was often referred to as ''The Detroit of Asia'' (Warrier, 2010) (refer to Exhibit 3 for the market share of car manufacturers in India in 2010-2011[20]). According to SIAM[21], the demand for cars in 2011-2012 was going to surge by 10-12 percent.

## About HMIL

Hyundai Motor India Ltd (HMIL) was a wholly-owned subsidiary of Hyundai Motor Company (HMC), South Korea. It was the second largest car manufacturer and the largest car exporter in India with its first establishment in Chennai. As of 2010-2011, HMIL marketed eight models of cars across all segments. The A2[22] segment included the Santro, the i10, and the i20 models, the A3 segment included the Accent and the Verna, the A5 segment included the Sonata, and the SUV segment comprised the Tucson and the Santa Fe (www.hyundai.com). In February 2011, HMIL Director (Marketing and Sales), Arvind Saxena, remarked, ''Starting from this year we are looking to launch two new models every year for the next three years''[23].

HMIL had grown from selling 8,447 units in 1998 to selling 603,819 units by 2010 (please refer to the Exhibit 4 for the sales trend of HMIL in India from 1998 to 2010). With a view to fulfilling its commitment to furnish the Indian customer with global technology, HMIL commissioned its second plant in February 2008. This produced an additional 300,000 units per annum, raising HMIL's total production capacity to 600,000 units per year[24]. The fully

integrated state-of-the-art manufacturing plant near Chennai boasted of the most advanced production, quality, and testing capabilities in the country. HMIL set up a research and development facility in Hyderabad in 2009 at an estimated cost of US$40 million[25]. The facility aimed to focus on quality products and design engineering and to ensure a prompt response to competitor's moves and to the changing tastes and preferences of consumers. HMIL was the first automotive company in India to attain the milestone of exporting one million cars in just over a decade. It had been the number one exporter of passenger cars in the country for the sixth year in a row till 2010. At that point, HMIL exported cars to more than 110 countries across the European Union, Africa, the Middle East, Latin America, Asia, and Australia. To support its growth and expansion plans, HMIL had a fortified network of 315 dealers and 640 service points across India which was perceived to be sizeable in 2011[26]. HMIL had also been awarded the benchmark ISO 14001[27] certification for its sustainable environment management practices.

## Need for customer retention

Experts from *Ernst and Young* believed that an estimated 200 million people were likely to be added to India's urban population by 2020. Simultaneously, customer needs were also evolving in terms of fragmentation of urban demand, cost of ownership considerations, and propensity to spend on extra features of their vehicle. And as competition intensified among vehicle manufacturers, companies required adjusting and modifying their strategies to aim for market share growth, sustainable profitability, and operational flexibility to preserve their long-term competitive position[28]. Industry critics commented that a car in India was no longer seen as a simple transportation tool but as a kind of lifestyle statement. Most of the customers felt that ''change'' was the motivation to buy a second car which, in almost all the cases, was a higher end car. Therefore, it became imperative for car manufacturers to retain their already existing customers in terms of improved after sales service, vehicle upgrade, and even purchase of a higher end model[29].

The marketing strategy department at HIML decided to review the existing loyalty programs offered by the competitors before they took a call on their customer retention plans. Kapoor advised his team to analyze the project report compiled by the management intern on the three different loyalty programs – the Hero Honda GoodLife program[30], Maruti Suzuki AutoCard, and Ford Car Gainz to know how these loyalty programs had fared and what the pros and cons of each program were. As the loyalty program scenario was still nascent in India, Kapoor wanted to first find out the acceptability of such programs in the automobile sector and how they were designed and promoted to invoke loyalty among customers.

## Hero Honda Goodlife program

This loyalty program was started by Hero Honda in 2000 as the Hero Honda Passport program. Neeraj Tiwari (Tiwari), Associate Manager (Marketing) of Hero Honda, said:

> The name ''Passport'' was given to cater to the inspirational value of the middle class of having a Passport which had a high inspirational value. Getting a passport was a very tedious process ten years back in India. The card was also designed as an ATM card. This was the 1st loyalty program in the Indian automobile sector.

He added ''The primary objective of the Passport program was basically to create a structured database to study the consumer behavior and implement marketing efforts accordingly.''

Over time, the program gained huge popularity among customers and was restructured as the GoodLife program in 2008 with more ''customer touch points.'' This time, the card came at a price whereas, earlier it was given for free. Tiwari explained the reason behind the fees charged:

> When you charge customers for something then the usage of that charged product increases. Card given for free was seldom used by the customer which was one of the major constraints of the Passport program. We wanted the customers to bring and use the card whenever they come to the Hero Honda dealership.

The GoodLife program had over 8,200,000 enrolled members by 2011 which clearly indicated its popularity[31].

''Customer touch points[32] were increased through more customer involvement by sending invites to local events, monthly contests, and frequent updates about recent activities and products through text messages and e-mails whereas the Passport program was confined to the traditional method of newsletters and direct mailers to stay in touch with the customers,'' added Tiwari. Recognizing the importance of dealer training and dealer involvement, Hero Honda conducted extensive dealer training sessions to integrate them into the program. According to Tiwari who was actively engaged in the restructuring of the program:

> The most important aspect here is the dealer involvement. The dealer maintains a close relation with regular customers and knows the card holders by name. He pays personal attention when it comes to implementation of certain features of the program. For example, ensuring that Rs. 100,000 accident insurance reaches the family members of the deceased person as promised under the GoodLife program (refer to Exhibit 5 for the features and benefits of the Hero Honda GoodLife program).

## Maruti Suzuki AutoCard

In 2006, MSIL launched a unique 3-in-1 AutoCard in collaboration with Citibank[33] and Indian Oil Corporation Ltd (IOCL)[34] which executed the functions of a Petro Card, International Credit Card, and Loyalty Card[35]. According to Amit Kaushik (Kaushik), Assistant Manager (Loyalty Program) MSIL, ''The objective of this program was to sell more cars through the loyalty program and keep the customers within the MSIL network''. Kaushik added:

> The program which seemed like a breakthrough marketing effort in the four wheeler automobile segment failed to live up to the expectations and was discontinued in 2009. The program in collaboration with Citibank failed due to banking issues such as lack of trust of customers on Citibank and a general negative perception of Citibank credit cards. There were several complaints by customers of fraudulent credit card practices and bank billing the customers for purchases they have not made.

The kind of structured back end support required to run such a countrywide program was lacking. The cards were reportedly not delivered to customers and customer complaints were not dealt with properly. Moreover, the Indian Oil petrol pumps often had faulty Citibank credit card machines. Those that did work did not accept the Citibank AutoCard. So, the functionality of the AutoCard as a Petro Card was virtually non-existent. The customers' frustration toward the AutoCard accelerated as reflected in the words of Sunil Kumar, a loyal customer of MSIL:

> I had taken my vehicle to Rana Motors, Wazirpur, for servicing and wanted my points to be redeemed (I had approx. 2000 + points) but was told that the Citibank AutoCard Swipe Machine is out of order for the last 15 days and hence they cannot redeem my points. In fact the machine has still not been installed till today as per Rana Motors. I really see no point accumulating points on this card if the same cannot be redeemed at the right time. In fact the points which I was supposed to have earned while paying through my AutoCard Credit card have also gone down the drain because of the malfunctioning of the machine. I would request the concerned authorities to have some exigency plans made in case of such a breakdown and also to tell me if I can still redeem the points since I had accumulated the points through the payment in cash.

It was also suggested by industry observers that the required dealer involvement and training was missing in the whole process and that the dealers were actually not aware of how they had to execute their duties relating to the AutoCard.

Some customers felt that the MSIL dealers were sometimes rude and postponed taking action by asking them to come later. ''I am struggling with an AutoCard since last 3 years and still in vain to get the points on. Such rude behavior of the dealers has encouraged me to go to a different make of vehicle rather than sticking to Maruti. Maruti needs to overcome the impression that it still holds the monopoly and the largest market share. Days are changing

fast and the market will not give Maruti enough time to react,'' recalled Darshan, another loyal customer of MSIL venting his resentment toward the loyalty program.

These reactions in no way reflected MSIL's core objective for this program. Customers were now talking of switching because of the inefficiencies they found in this program. The negative word of mouth was spreading around and before things got out of hand MSIL discontinued the program in 2009, totally revamped it, and launched it again a year later. This time, it came up with two types of cards: the MSIL AutoCard and the SBI Maruti Card[36], [37]. Kaushik pointed out:

> This way those who were apprehensive about opting for a credit card could also be included in the MSIL network and all customers of MSIL could reap the benefits of the loyalty program. The choice of bank for a credit card was SBI this time because customers associate the same trust and value with the brand as they associate with Maruti (refer to Exhibit 6 for the features and benefits of Maruti Suzuki AutoCard).

### The AutoCard executive

To iron out inefficiencies on the dealer side, the company integrated the dealers and provided extensive training to them to make the program successful. To promote the new program, every dealership had an exclusive AutoCard executive appointed to sell the card to new and existing customers. A bonus plan was tied up with the number of cards sold and executives were motivated through zonal quarterly competitions. In the words of Devinder Singh, Sr AutoCard Executive at DD Motors[38], New Delhi:

> For each Maruti AutoCard sold we get Rs. 50 as commission and for each SBI card sold we get Rs. 75 as commission. Also, there are attractive cash prizes for zonal competition winners which are held quarterly. We approach the customers after the sale has been made and inform them about the AutoCard program. During this, the customer comes up with various queries which are cleared and the sale is made. For existing customers, we make the sales pitch to them when they come to the service station for service or repair.

An extensive ''push'' strategy was employed at the dealerships to sell the card to the customer. There were point-of-sale displays in the showroom and service centers promoting the benefits of the AutoCard to the customers. The dealers also included the price of the AutoCard in the pricing of the new car but kept it optional.

### The back end process

MSIL apprehended that a strong technical support was required to facilitate such a huge program. McCann Worldgroup[39] was chosen as the central processing agency to accomplish all the support functions and preserve a structured database. According to an official at McCann:

> We also handle customer complaints and make sales pitch to customers who were earlier enrolled with Citibank AutoCard. The Maruti AutoCard is dispatched by us and the applications for the credit cards are forwarded to SBI.

The program became very popular in the metro cities with a 100 percent conversion ratio in Mumbai, New Delhi, and Kolkata. It was gathering momentum in tier two cities as well but enrolments were slow in rural areas.

## Ford Car Gainz program

This program was started in July 2004 as the first loyalty program for four wheelers in the Indian market[40]. An official at Ford stated:

> The program failed to create the desired impact and popularity as it was catering to a customer base of only 80,000 at that time. Moreover, the product line of Ford was not extensive at that point and the maintenance provided by Ford was considered to be expensive and there were very few Ford service centers to cater to such a program. The features and the benefits system was not adequate to provide an incentive scheme to the customers to switch to Ford or even remain ''loyal'' to Ford which was the core objective of the Car Gainz program.

Awareness about the program was low and not much of an effort was made to promote it. In the words of a customer, Raveesh Sikka who bought a Ford Ikon in 2002 and then upgraded to Ford Fiesta in 2009:

> Ford Car Gainz was quite ahead of its time; had such a program been there today it may have been successful. Back then it was seldom promoted by dealers and they hardly took interest in it unless asked (refer to Exhibit 7 for the benefits and features of the Car Gainz program).

### The road ahead

In 2011, HMIL initiated the launch of the new Hyundai Verna. The company made use of social media, but most of the CRM techniques it followed like the upgrade bonus and exchange offers were short term in nature. The company also had a dedicated interactive site for its i20 customers – ubertrooper.com – where members could post their experiences and photos with the car. There were regular events and contests held for customers like a slogan writing competition during the ICC Cricket World Cup 2011[41]. The winners got tickets for the World Cup matches.

Kapoor noted that companies such as Ford and Volkswagen were taking away market share from traditional leaders in India, like MSIL, HMIL, and Tata Motors. This intensifying competition reinforced his belief that a long-term customer retention program was necessary to bind the customers at least for three to five years till the time of their next purchase. Ensuring continuous satisfaction to the customer during this time period was also essential. On the other hand, the financial implications of implementing a loyalty program were high. The cost pertaining to setting up of the whole program, training, and promotion had to be assessed in terms of returns which were difficult to calculate. Moreover, a failed loyalty program would hamper the brand image of HMIL.

The facts provided by the management intern's report on the popular loyalty programs presented contradictory findings to the management team. On the one side was an outright triumph (Hero Honda) and on the other was a disastrous failure (Ford) although some programs became a success at a later stage (MSIL). Kapoor was caught in a dilemma on whether or not to launch the loyalty card. In response to the insights provided by the management team after reviewing the report, Kapoor expressed his concerns:

> If we launch a loyalty card similar to the ones already tested by other players, then how should it be structured and promoted? Can it clear the clutter in the highly competitive automobile industry? If we don't launch it then is it possible to exploit other retention techniques especially in the field of the booming social media to keep the customers involved? A retained customer reduces the acquisition cost but an unhappy customer due to a failed loyalty program will never come back to you.

### Notes

1. ''Competition to heat up as biggies gear up for small car launch'', available at: www.indiatimes.com (accessed December 13, 2009).

2. *Ernst and Young* is one of the largest professional service firms and one of the ''big four'' accountancy firms in the world. It was ranked by *Forbes Magazine* as the ninth largest private company in the USA in 2010.

3. MSIL was founded in 1981 as Maruti Udyog Limited. It is a subsidiary of Suzuki Motor Corporation of Japan and the largest car manufacturer in India (capability to produce 1.2 million vehicles per year). MSIL is the market leader with a market share of 48.74 percent in 2011. In the fiscal year 2009-2010, the company sold 1 million cars and registered net sales of Rs. 361,282 million (Rs. = Indian rupees or INR. As of 2011, US$1 was approximately equal to Rs. 50).

4. Volkswagen is a German automaker founded in 1937. It entered the Indian market in 2001. As of 2011, Volkswagen had a market share of 2.6 percent in India.

5. Skoda Auto started its operations in India in 2001 as Skoda Auto India Pvt. Ltd with two dealerships in Mumbai and Delhi. In three years, it set up a network of 38 dealerships service points

across the country. Skoda Auto is a part of the international Volkswagen Group and is based in the Czech Republic.

6. Toyota is a Japanese automaker founded in 1937 and is the world's largest automobile manufacturer by production. Toyota entered India in 1997 with a joint venture with the Kirloskar Group for the manufacture and sale of Toyota cars in India. As of 2011, Toyota had a market share of around 5 percent in India.

7. Honda Siel Cars India Ltd was incorporated in 1995 as a joint venture between Honda Motor Co. Ltd, Japan and Siel Ltd As on 2010-2011, they have a market share of 2.97 percent.

8. Compact car is a segment between ''super mini'' and ''mid-sized car'' length, varying approximately between 3,400 and 4,000 mm.

9. Tata Motors Limited (part of Tata group) was established in 1945, and is headquartered in Mumbai, India. It is India's largest automobile manufacturer with leadership in commercial vehicles and is among the top three in passenger vehicles. Total revenue for 2010-2011 was US$ 27billion.

10. ACMA – EY VISION 2020 report.

11. ''License Raj'' or the ''Permit Raj'' refers to the elaborate licenses, regulations, and accompanying red tape that companies had to encounter to set up and run businesses in India between 1947 and 1990.

12. ''Auto component industry to grow by 12-15% in 2011-2012'', available at: www.thaindian.com (accessed August 30, 2011).

13. Mahindra & Mahindra – established in 1945, it is the flagship company of Mahindra group headquartered in Mumbai. It is among the major automotive and farm equipment manufacturers in India with total revenue of US$5.31 billion.

14. Automotive Mission Plan 2006-2016.

15. Chennai is the capital city of the Indian state of Tamil Nadu and is the fifth most populous city in India.

16. Gurgaon is the second largest city in the Indian state of Haryana and is considered as the industrial and financial center of Haryana. It has the third highest per capita income in India.

17. Manesar is a fast growing industrial town in the Indian state of Haryana.

18. Chakan is a special ecomonic zone in the Indian state of Maharashtra and a major automobile hub.

19. ''Maruti, Hyundai, Tata Motors lose market share to smaller firms in 2010-2011'', *The Economic Times*, available at: www.articles.economictimes.indiatimes.com

20. SIAM or Society of Indian Automobile Manufacturers is the apex industry body representing 38 vehicle and vehicular engine manufacturers in India. It is an important channel of communication between the government, and national and international organizations. It works closely with stakeholders and actively participates in the formulation of rules, regulations, and policies in the automobile industry.

21. ''SIAM – demand forecast for automobile Industry'', available at: www.siamindia.com

22. The Indian passenger car industry is classified into six segments by SIAM on the basis of length of the vehicle. Here, the A2 segment, also referred to as the compact cars segment and comprises cars which are of 3.4 to 4 meters long. The A3 segment is the mid-sized car segment and is defined by cars having a length from 4 to 4.5 meters. A5 is the premium car segment and it comprises cars varying in length from 4.7 to 5 meters. SUVs or Sports Utility Vehicles is a generic marketing term given to refer to those vehicles which are similar to a station wagon built on a light truck chassis.

23. ''Hyundai to launch 6 models in 3 years and spend Rs. 200 crores on advertisements'', available at: www.zigwheels.com (accessed February 8, 2011).

24. ''Hyundai inaugurates new plant near Chennai'', available at: www.automotiveworld.com/news (accessed February 8, 2008).

25. ''Hyderabad Plant to be Hyundai's R&D hub'', available at: www.financialexpress.com/news (accessed August 29, 2009).

26. Jayashankar Menon, ''Hyundai registers consistent growth in India'', The Automotive Horizon, available at: www.automotivehorizon.sulekha.com

27. ISO 14001 is one of the subset of ISO 14000 series. These are the set of guidelines given by the International Standardization Organization. The rules address how to follow the best universal practices when adopting an environmental management system and how to decrease pollution and reduce industrial waste.

28. ''Mega trends shaping the Indian passenger vehicle industry'', available at: www.ey.com

29. ''Customer loyalty in Indian automobile sector'', available at: www.markmity.wordpress.com

30. Hero Honda was a motorcycle and scooter manufacturer in India. It started its operations in 1984 as a joint venture between Hero Cycles and Honda. The company was the largest two wheeler manufacturer in India. In late 2010, the two companies split after 26 years.

31. ''Hero Moto Corp GoodLife'', available at: www.goodlife.heromotocorp.com

32. Customer touch points – the interaction a customer has with the company.

33. Citibank is the consumer banking arm of financial services giant Citigroup. It was founded in 1812 as the City Bank of New York. As of March 2010, Citigroup was the third largest bank holding company in the USA by total assets.

34. IOCL or Indian Oil is India's flagship national oil company. As of 2010-2011, it was ranked as the 98 company in the list of Fortune ''Global 500'' listing. Their businesses run through the entire value chain from refining, exploration, transportation to marketing of petroleum products.

35. ''Citibank Maruti Suzuki AutoCard'', available at: www.rupeetimes.com

36. SBI or State Bank of India is the largest banking and financial services company in India with headquarters in Mumbai. It is state owned.

37. ''Maruti Suzuki Loyalty Programme'', available at: www.marutiautocard.com

38. DD Motors is an authorized multi-location Maruti Suzuki dealership that has been present in India since 1996.

39. McCann Worldgroup is one of the world's largest marketing communications networks and comprises eight companies, McCann Erickson, MRM, Exp, UM, Momentum, FutureBrand, McCann Healthcare and Weber Shandwick.

40. ''Ford launches new customer loyalty program'', available at: www.financialexpress.com (accessed July 14, 2004).

41. The 2011 ICC Cricket World Cup was the tenth Cricket World Cup. It was played in India, Sri Lanka, and (for the first time) Bangladesh. All the matches were One Day Internationals, and were played over 50 overs. 14 international cricket teams took part. Cricket is a very popular sport in India with a large portion of the Indian people being addicted to this sport.

## References

(*The*) *Asian Age* (2011), ''Auto industry to entice customers with new launches in 2011'', *The Asian Age*, available at: www.asianage.com (accessed January 16, 2011).

IBEF (2011), *Automobile Industry in India*, July, available at: www.ibef.org

Warrier, S. (2010), *Chennai, the Detroit of Asia?*, available at: www.business.rediff.com (accessed June 30, 2010).

Exhibit 1

| Table EI | Production statistics of Indian automobile industry: 1999 to 2010 | | | | | |
|---|---|---|---|---|---|---|
| Year | Car production | % change | Commercial | % change | Total vehicles produced | % change |
| 2010 | 2,814,584 | 29.39 | 722,199 | 54.86 | 3,536,783 | 33.89 |
| 2009 | 2,175,220 | 17.83 | 466,330 | −4.10 | 2,641,550 | 13.25 |
| 2008 | 1,846,051 | 7.74 | 486,277 | −9.99 | 2,332,328 | 3.35 |
| 2007 | 1,713,479 | 16.33 | 540,250 | −1.20 | 2,253,999 | 10.39 |
| 2006 | 1,473,000 | 16.53 | 546,808 | 50.74 | 2,019,808 | 19.36 |
| 2005 | 1,264,000 | 7.27 | 362, 755 | 9.00 | 1,628,755 | 7.22 |
| 2004 | 1,178,354 | 29.78 | 332,803 | 31.25 | 1,511,157 | 23.13 |
| 2003 | 907,968 | 28.98 | 253,555 | 32.86 | 1,161,523 | 22.96 |
| 2002 | 703,948 | 7.55 | 190,848 | 19.24 | 894,796 | 8.96 |
| 2001 | 654,557 | 26.37 | 160,054 | −43.52 | 814,611 | 1.62 |
| 2000 | 517,957 | −2.85 | 283,403 | −0.58 | 801,360 | −2.10 |
| 1999 | 533,149 | | 285,044 | | 818,193 | |

Source: SIAM

Exhibit 2

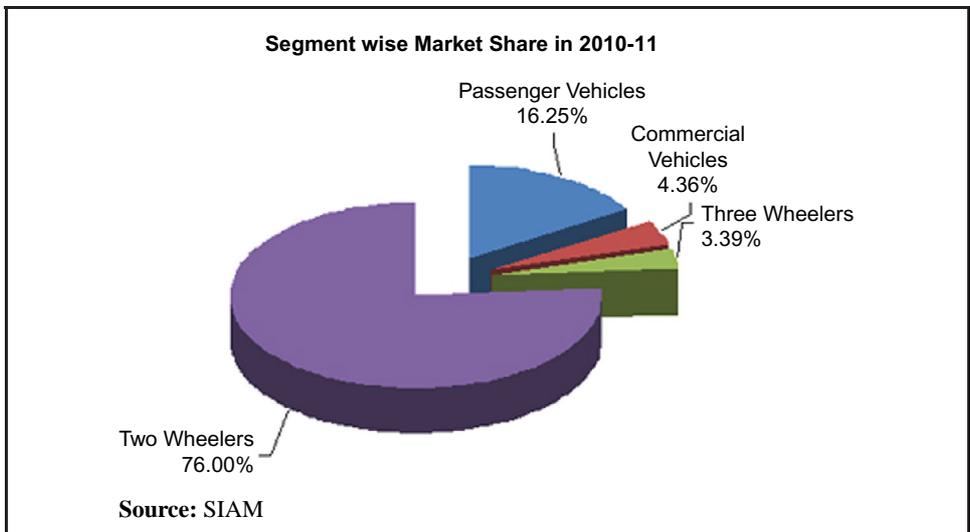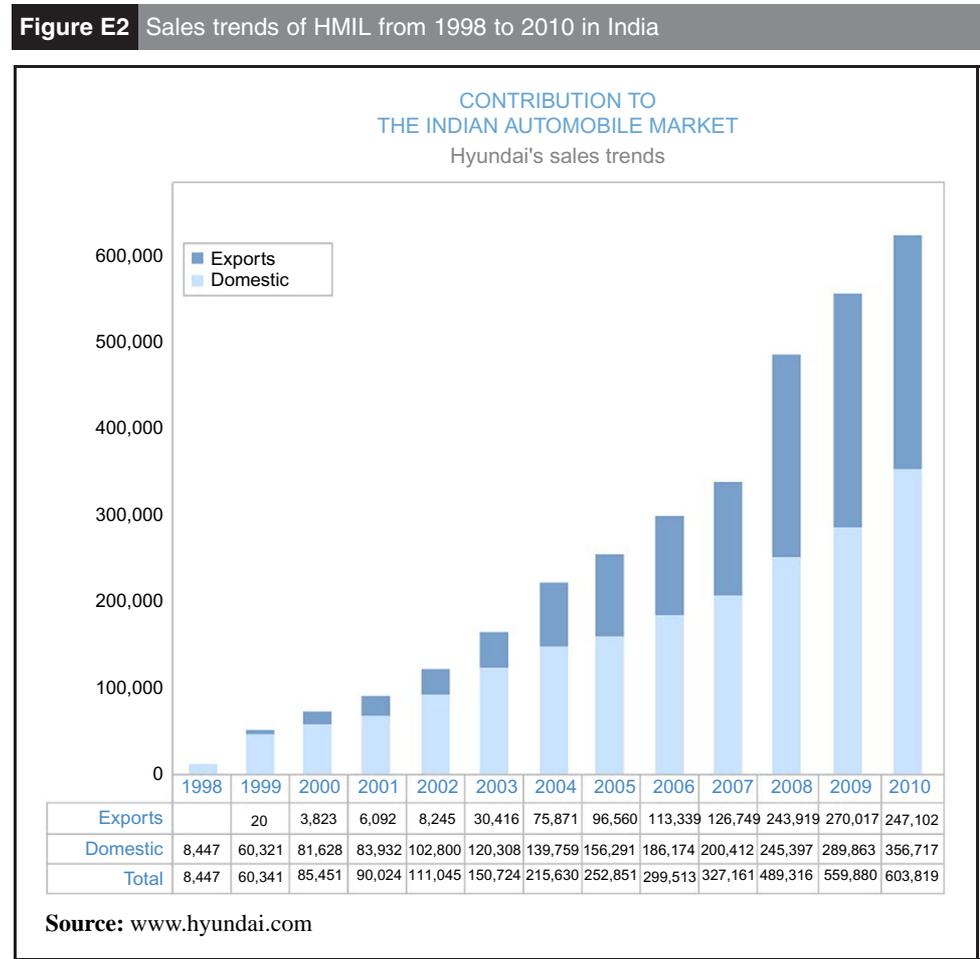| Figure E1 | Segment-wise market share of Indian automobile industry as of 2011 |
|---|---|



**Segment wise Market Share in 2010-11**

Passenger Vehicles 16.25%

Commercial Vehicles 4.36%

Three Wheelers 3.39%

Two Wheelers 76.00%

**Source:** SIAM

Exhibit 3

| **Table EII** Market share of car manufacturers in India in 2010-2011 | |
|---|---|
| *Car manufacturer* | *Market share (in %)* |
| MSI | 48.74 |
| Hyundai Motor India Ltd | 18.10 |
| Tata Motors | 12.92 |
| Ford | 4.81 |
| General Motors India | 4.40 |
| Honda Siel Cars India | 2.97 |
| Volkswagen | 2.60 |
| Others | 5.46 |
| **Source:** SIAM | |

Exhibit 4

**Figure E2** Sales trends of HMIL from 1998 to 2010 in India



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Hyundai's sales trends

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Exports | | 20 | 3,823 | 6,092 | 8,245 | 30,416 | 75,871 | 96,560 | 113,339 | 126,749 | 243,919 | 270,017 | 247,102 |
| Domestic | 8,447 | 60,321 | 81,628 | 83,932 | 102,800 | 120,308 | 139,759 | 156,291 | 186,174 | 200,412 | 245,397 | 289,863 | 356,717 |
| Total | 8,447 | 60,341 | 85,451 | 90,024 | 111,045 | 150,724 | 215,630 | 252,851 | 299,513 | 327,161 | 489,316 | 559,880 | 603,819 |

**Source:** www.hyundai.com

Exhibit 5

| **Table EIII** | Features and benefits of Hero Honda GoodLife program |
| --- | --- |
| Features | Covered for one year accident insurance Rs. 100,000 |
| | Entitlement for special rewards and discounts at any of the authorized Hero Honda dealerships/service centers |
| | Invitations to exclusive local events, such as movie shows, musical nights, and carnivals |
| | Periodic updates |
| Benefits | Discount on spares – discount of 5 percent on purchase of spares and accessories |
| | First transaction benefit – first transaction gift and 500 points as first transaction benefit |
| | Winner of the month activity – all members enrolled in a month in a lucky draw and four winners got a Splendor + |
| | Referral system – 3,000 referral points on referring a friend/family to buy a Hero Honda two wheeler |
| | Go green – 50 green rewards points for every pollution under control check of the vehicle. Present the pollution check certificate to the dealer and earn your points |
| | Service bonus – 100 points on every service and 500 points as a continuity bonus on every sixth service |
| How to earn points? | 1 Re. spent = 1 Re. earned |
| | Regular free service |
| | Regular paid service |
| | Referring anyone to buy a Hero Honda two-wheeler |
| | For upgrading your Hero Honda two-wheeler |
| | Making transactions on your birthday – double bonus points earned on transactions made on customer's birthday |

Source: http://goodlife.heromotocorp.com/goodlife_rewards.aspx

Exhibit 6

| **Table EIV** | Features and benefits of Maruti Suzuki AutoCard |
| --- | --- |
| *SBI Card* | *Auto Card* |
| Joining bonus of 200 Auto Points | Joining bonus of 100 Auto Points |
| Four Auto Points on Rs. 100 spent in Maruti network | Three Auto Points on Rs. 100 spent in Maruti network |
| One Auto Point per Rs. 125 for all retail spends | 3,000 Auto Points as additional discount on exchange of Maruti Car with a new one |
| 3,000 Auto Points as additional discount on exchange of Maruti Car for a new one | 1,000 Auto Points on referring a friend or relative to buy a new Maruti Car |
| 1,000 Auto Points on referring a friend or relative to buy a new Maruti Car | Exclusive discounts and offers on Maruti accessories |
| Fuel surcharge waiver of 2.5 percent across all petrol pumps | Exclusive promotions and discounts throughout the year |
| International Gold Credit Card With global acceptance | One time fee of Rs. 331 |
| Joining fees – Rs. 500 | |
| Annual fees – Rs. 500 | |
| Annual fees and joining fees can be reversed on spending certain amount from the card | |

Source: www.marutiautocard.com

Exhibit 7

| Table EV | Benefits and features of the Ford Car Gainz program |
|---|---|
| How to enroll? | Enrollment is free without any annual charge |
| | Application form to be filled at the Ford dealership |
| | Not applicable to Ford Escort owners |
| Rewards | Bonus points – earned every time the prescribed periodic maintenance service is availed |
| | Service points – when the Ford vehicle is serviced at an authorized Ford dealership. 1 Service point is earned for every Rs. 100 spent on spares/labor/Ford gear |
| | Loyalty points – loyalty points are earned on continued ownership and availing of the prescribed periodic maintenance services at authorized Ford dealerships |
| How to redeem? | The bonus points and service points can be accumulated and subsequently redeemed for spares/labor/Ford gear/extended warranty/trade in for a new Ford vehicle, whichever the member may choose |
| | Loyalty points can be redeemed only on trade in for a new Ford vehicle |

**Note:** Compiled from various sources

## About the authors

Rik Paul is a Research Scholar at IBS, Hyderabad and also pursuing his PhD from ICFAI University. Before joining IBS, Rik Paul has worked in multiple MNCs as an EHS consultant. His articles have appeared in both international and national journals of repute. His research interests include services marketing, service value, service quality and customer satisfaction and loyalty. He is actively involved in writing management case studies and is an expert in implementing alternative pedagogic tools. He is a winner of both national and international level case writing competitions. Rik Paul is the corresponding author and can be contacted at: rik.paul.iimt@gmail

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