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Survival to Innovation : A Case ofHonda Cars India

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Auto industry was severely hit by the economic crisis and the production fell to almost 50 % of the capacity. During this period of crisis Honda Cars India claims (during press releaseSeptember 4, 2013) to have achieved a sales increase of over 100% for the April-December 2013 period in the compact sedan segment from the Amaze launch in India. This innovative product of Honda -Amaze turned out to be a revolutionary product for Honda Cars India.

The automobile industry was worst hit by Global economic and financial crises in the last decade. The demand fell rapidly as consumers postponed costly purchases resulting fall in car sales. Cut throat competition, legislation, customer demand for more efficient cars and more value for money were already putting pressure on existing business models prior to the crisis and thereafter many companies are still struggling to remain competitive in the global market. Innovation doesnot require investment but implementation of innovation may require investment. The reduction in cash flows resulting from the crisis affected the necessary investments in innovation, e.g. in cleaner engines or batteries, making it more difficult for firms to meet emission reduction targets and regulatory measuresleaving very little scope for companies to do innovation to meet the stakeholders' needs.

To meet the challenge Honda introduced Amaze. Is system innovative product the heart for survival during crisis? This case tries to analyse how companies in a global industry gets affected by crisis in a host country adversely affected by crisis and how innovation plays crucial role in combating such crisis. The case also highlights that how companies focus on innovation keeping in account the interest of their stakeholders. The case emphasizes on various aspects of Honda in meeting the challenge and sustain in the industry through its innovative product Amaze.

Keywords: Auto Industry, Innovation, Sustainability, Supply Chain, Supplier, Honda

Introduction

The automotive industry is going to change more in the next 10 or 20 years, than in the previous 50 to 100 years, from factors such as external competition and changing consumer needs." – Louis Yiakoumi, Group Publisher, Automotive Logistics (February 2014)

Auto industry is the leading driver of global economic growth, says the International Organization of Motor Vehicle Manufacturers, and is a leading employer throughout the world. This industry is labour and capital intensive, globalized and export-oriented.Auto industry has undergone major transformations in business model since globalization and was the sunrise industry with global presence till it was hit by economic crisis.

The automobile industry evolved in the Global North as a brown sunrise industry in the early 20th century and internationalized into the Global South already from the 1920s under the control of Western automakers (OEMs). The industry underwent three business revolutions: From a craft based organization to a 'brown' standard mass assembling industry (Fordism), then into a customized, but divisional organized and vertically integrated mass production industry (GM's productive model), and further on into a production system of flexible specialization or lean manufacturing (Toyotism). Now it faces a fourth and 'green' revolution

(automotive sustainability) aiming to increase fuel efficiency and renewable energy, lowering emission and fuel insecurity, and pursuing complete recycling of scrap.

In recent decades, many developing countries have liberalized their automotive markets and allowed automobile TNCs to take majority control over joint ventures, transforming domestic automotive industries into foreign controlled sectors while leaving a few national automakers in developing countries viz-a-viz India, Malaysia and China. Decomposing and reorganizing the national value chain into regional and global automobile value chains OEMs and TNC original equipment suppliers (OESs) have off-shored and outsourced component and parts production to developing countries.

The global automobile crisis was a downward business cycle, not a structural crisis of the industry. Companies in the automotive industry responded with traditional crisis management (temporary downsizing, cost reductions, retraining, consolidation, innovation), and governments

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launched traditional stimuli packages (cash-for clunkers, tax reductions on smaller and/or cleaner cars etc). Strategic initiatives were taken to improve the competitiveness of the domestic industry (consolidation, liberalization) on the one hand and to transform it from a brown industry to a "greener" industry on the other hand (tightening environmental regulations, fuel efficiency and emission standards, subsidizing purchases of smaller and "greener" cars, investing in appropriate infrastructure and green technology R&D).

Innovation is an important driver of industrial renewal. The introduction of innovation in the form of new consumer goods, new methods of production or transportation, new forms of industrial organization, or new services provides the impulse that sets and keeps the capitalist engine in motion (Schumpeter, 1942). Schumpeter portrayed long-term economic growth as driven by the innovative market entry of new successful firms that at the same time were destroying the value of established companies.

Almost all features of a car are dependent on innovation: fuel efficiency, emissions, safety and security, seamless connectivity, information and entertainment, driving dynamics and performance, comfort, flexibility and space, etc. Innovation is also important to respond to the continuous cost pressure in the industry created by legislation, competition, increasing risk and stagnating customer demand (in many markets). Thus innovation activities in the industry are aimed at both product innovation (with customer satisfaction in mind) and process innovation (for cost efficiency and productivity).

Honda – Amaze was innovative product launched by Honda cars India to combat the global crisis and meet the consumers demand. This product benchmarked itself and changed the face of Indian Automobile industry demonstrating competitors on how to survive tough times in the industry.

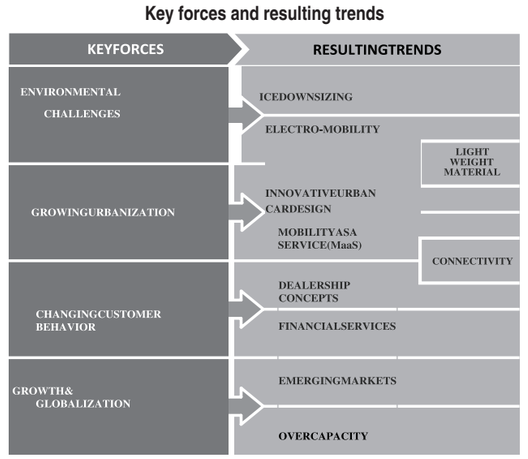
GLOBAL AUTO INDUSTRY

The Global Auto industry is constantly under transformation because three forces: changes in consumer demand, expanded regulatory requirements for safety and regulationsand the increased availability of data and information. These three powerful forces are flinging the auto industry and driving the change. These trends impact the automotive manufacturers, wholesalers, retailers, customers and drivers over the next decade and bring revolution on the roads. Global auto giants are revisiting their strategies and focusing most on the challenge of the unevenness of global market apart from challenges like "Global" Vehicle Platforms, Internet of Automotive, Strict Global Norms, Electric/ Green Cars, Lightweight Materials and Consolidation among Auto Parts Suppliers. Leading US manufacturers include Ford, General Motors and the Chrysler Group.The European leading players include BMW, Fiat, Renault, Volkswagen, Volvo and Peugeot Citroën. Japanese Leading automotive manufacturers include Toyota, Suzuki, Honda, Isuzu, Mazda, Daihatsu, Yamaha and Kawasaki.

A research from KPMG (KPMG's Global Auto Executive Survey 2013) has broadly classified these into 4 forces which result in changed trends. Thus to innovate and upgrade constantly is imperative for survival in this cut throat competition.

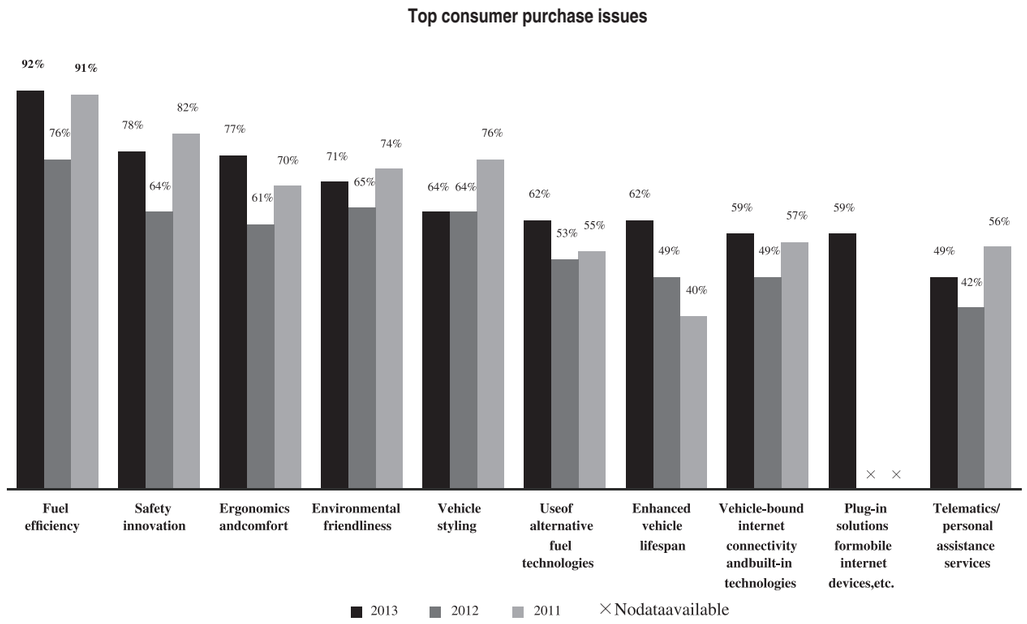
The Exhibit (I) shows the factors that are changing the face of Global Automotive industry.

The Exhibit I Factors that are changing the face of Global Automotive industry.



Source: KPMG's Global Auto Executive Survey2013

Exhibit (II) : Top Consumer Purchase issues



Note: Percentage of respondents rating issues as 'extremely important' and 'very important'

Exhibit V Source: KPMG's Global Auto Executive Survey 2013

Global Value Chains in the Automotive Industry

"We plan to build 99% of our vehicles on nine global platforms by 2016, and further reduce the total to just eight. Presently, 90% of our models are built using 15 global platforms." – Raj Nair, VP and CTO, Ford (September 2014)

The automobile business is one of the most costly and complex to run. With demand for vehicles declining inmost mature markets in the face of theglobal recession, high fuel costs, andurban driving restrictions, the industry isturning its attention even more stronglytowards the expanding middle classesin the new powerhouses of China, India,Brazil, Russia and other growing nations.

The global value chains (GVCs) in the automotive industry are highly structured. There is a strong regional organization of the industry and the growing importance of globally engaged suppliers, and the persistence of "relational" linkages between lead firms (i.e., the automakers) and first tier suppliers.

Global integration has advanced as firms have sought to leverage engineering effort across products sold in multiple end markets. And, as suppliers have taken on a larger role in design, they have established their own design centres close to those of their major customers to facilitate collaboration. On the production side, the dominant trend is regional integration, a pattern that has been intensifying since the mid-1980s for both political and technical reasons. Political pressure for local production has driven automakers to set up final assembly plants in many of the major established market areas and in the largest emerging market countries, such as Brazil, India, and China.The global supply networks are becoming increasingly important in the auto industry. The Assemblers and suppliers have developed parallel networks across the world.

The internationalization, regionalization and globalization of the Western and Japanese automotive industries sparked new trends in the automobile industries in developing countries. The economic geography of the automotive industry cannot be reduced to a set of national industries or a simple network of clusters. Business relationships now span the globe at several levels of the value chain. Automakers and first-tier suppliers have certainly forged such relationships, and as the fewer, larger suppliers that have survived have come to serve a wider range of customers, these

relationships have become very diverse. Assemblers and global mega-suppliers need global reach, innovation and design capabilities, as well as considerable financial resources for operations. Because of these deep interconnections globally the Global Economic Crisis had profound impact on automotive industry.

The Indian Automotive Industry

The Indian market was dominated by six manufacturers before liberalization. - Telco (now Tata Motors), Ashok Leyland, Mahindra & Mahindra, Hindustan Motors, Premier Automobiles and Bajaj Auto. It started its new journey from 1991 with Economic liberalization and delicensing of the sector and subsequent opening up for 100 percent FDI through automatic route and has grown at a spectacular rate of 17% on an average for last few years. Since then almost all the global majors have set up their facilities in India taking the production to multiple times.

The upwelling number of people with higher purchasing power alongwith strong growth in economy over a past few years attracted the major auto manufacturers to India. The market linked exchange rate and availability of trained manpower at competitive cost added to the attraction of Indian market. This increasing pull of Indian market on one hand and the near stagnant rate of growth in auto sector in markets of USA, EU and Japan; worked as a push factor for shifting of new capacities and capital in the auto industry to India. The increasing competition in auto companies not only resulted in a spurt in choices of Indian consumers at competitive costs, it also ensured an improvement in productivity by almost 20 percent a year in auto industry, taking it to one of the highest in Indian manufacturing sector.

The Honda Company

CorporateProfile

Honda Motor Co., Ltd.was establishment in the year 1948; Hondahas remained on the leading edge by creating new value and providing productsof the highest quality at a reasonable price, for worldwide customer satisfaction. With a global network of 369subsidiaries and 86 affiliates accounted for under the equity method, Hondadevelops, manufactures and markets a wide variety of products to earn theCompany an outstanding reputation from customers worldwide(Honda Company Report 2013).

Honda Cars India Ltd.

Honda Cars India Ltd., (HCIL) is a leading manufacturer of premium cars in India. The company was established in 1995 with a commitment to provide Honda's latest passenger car models and technologies, to the Indian customers. The company is asubsidiary of Honda Motor Co. Ltd., Japan.

HCIL's first manufacturing unit was set up at Greater Noida, U.P in 1997. The green field project is spread across 150 acres and has an annual production capacity of 100,000 units. The company's second manufacturing facility is in Tapukara, Rajasthan. This facility is spread over 450 acres and currently has a state-of the art Power train and Press shop. The first phase of this facility was inaugurated in September 2008.

The company's product range includes Honda Brio, Honda Amaze, Honda City, Honda Accord and Honda CR-V which are produced at the Greater Noida facility. Honda's models are strongly associated with advanced design and technology, apart from the established qualities of durability, reliability and fuel-efficiency.

Sales Network

Honda Cars India Ltd.,(HCIL) has a strong sales and distribution network spread across the country. The network includes 159 authorised dealership facilities in 101 cities. HCIL dealerships are based on the "3S Facility" format, offering complete range of Sales, Service and Spares services to its customer.

HCIL produces the following vehicles in India for local and export markets:

- Honda City (Launched 1998)
- Honda Accord (Launched 2001, Production discontinued in 2013)
- Honda Civic (Launched 2006, Production discontinued in 2012)
- Honda Jazz (Launched 2009, Production temporarily discontinued in early 2013 in anticipation of all-new model)
- Honda Brio (Launched 2011)
- Honda CR-V (Imported since 2003; Since 2013, model locally assembled)
- Honda Amaze (launched April 2013)

The Problem : The Fall in Global Automobile Industry

It's important to understand the problems associated as to why there was a fall in the global automotive industry. Impact of global economic crisis is one major.

The Automotive Industry - The Impact Of The Global Economic Crisis

The global financial crisis that began in the fall of 2008 was felt intensely in the automotive industry, prompting governments around the world to intervene on a large scale. The crisis had proved itself to be the worst economic crisis since the Great Depression of the 1930s. There are several reasons for this.

Firstly, the industry, especially the value chains led by the American Big 3 automakers, was in a dire state to begin with. For companies already on life-support, the freezing of credit markets meant cancelled orders, unpaid supplier invoices, and 'temporarily' shuttered plants. Huge debt loads, high fixed-capital costs, high labor costs, and immense pension and health care commitments to retirees added to the immediacy of the damage.

Secondly, the high cost and growing longevity of motor vehicles prompted buyers to postpone purchases that they might have otherwise made. Consumers, especially in the world's largest national passenger vehicle market, the United States, found it difficult to obtain loans for purchase and, driven by fear of job loss, moved aggressively to increase their rate of saving. Vehicle sales plunged and as a result, beginning in the fall of 2008, pushing the industry into its most severe crisis since the Great Depression.

There are short-term as well as long-term factors in the crisis in the automotive industry. The short-term problem is simply the sudden and enormous collapse of sales. In an industry with high fixed costs, this had a dramatic effect on the companies. At a macro-level, the credit crunch and the deep recession explain this enormous collapse. At a micro-level, consumers' postponement of new car purchases resulted in more pronounced sales cycles than for any other consumer product. Furthermore, the fact that companies had "oversold" cars in the past, by pulling future sales into the present through cheap credit, discounting and sales to rental fleets, had exacerbated the decline in demand.

The outcomes of the crisis from a production perspective are in particular related to: liquidity shortages; massive restructuring due to the overcapacity in the market; layoffs of temporary and agency workers; and budget cuts in R&D. With 2.5 million cars stockpiled in Europe and 4 million in the United States, car producers halted production and extended holidays during the months of crisis, with suppliers following suit. The reduction of car sales across all markets worldwide by 10–20 per cent led to a drop in supplier revenues of 20–40 per cent. At the same time as revenues went down, the financial crisis reduced the willingness of banks to ensure liquidity of firms.

Thus, the automobile crisis is a downward business cycle, not a structural crisis of the industry. Companies in the automotive industry responded with traditional crisis management (temporary downsizing, cost reductions, retraining, consolidation, innovation), and governments launched traditional stimuli packages (cash-for-clunkers, tax reductions on smaller and/or cleaner cars etc). Strategic initiatives were taken to improve the competitiveness of the domestic industry (consolidation, liberalization) on the one hand and to transform it from a brown industry to a 'greener' industry on the other hand (tightening environmental regulations, fuel efficiency and emission standards, subsidizing purchases of smaller and 'greener' cars, investing in appropriate infrastructure and green technology R&D). Thereby, some developing countries and their surviving local automakers and partsmakers are leapfrogging into 'clean' technology frontiers competing head-to-head with global automakers or partnering with foreign firms in their common endeavour to manufacture green automobiles.

The impact was deeply felt in Indian Automotive Industry also due to the Business Model of the Industry.

The Fall in Indian Automobile Industry

The differences of context of the automotive industry in India and the ones in the OECD countries are immense. The Indian automotive industry shows the same features as the Chinese industry, although at policy level their approaches are different. India deals not only with direct consequences of the crisis, but also with indirect consequences, such as the dumping of Chinese manufactured cars on the Indian market. This has resulted in reduced working time, the transfer and laying off of workers, and in certain companies the deferring of their investments.

Just as there are a number of mechanisms by which the global crisis impacted the Indian automobile industry, there were also multiple outcomes. The direct effects included the decreased demand for automobiles at home and abroad. An indirect result was therefore reduced demand for parts and components. Other effects included the impact of the financial crisis on Indian-invested automotive firms abroad, such as Tata's Jaguar-Land Rover (JLR) in the UK, and the impact of the crisis in the US automotive industry on information technology outsourcing to Indian firms, such as Tata Consulting Services and Satyam.

The high interest rates and lack of financing forced automobile producers to cut back on production by using partial plant shutdowns, layoffs and employee transfers, and to defer new investments and cancel new vehicle launches. For example, Tata Motors laid off 4,000 temporary workers and closed its Jamshedpur plant in Jharkhand state producing commercial vehicles for three days in November 2008. A three-wheeler manufacturer, Force Motors, reduced its working week to five days, while SKF (SvenskaKullagerfabriken), a components supplier, transferred some of its employees to other divisions. Honda-Siel, a joint venture, and Fiat with Mahindra & Mahindra (an Indian utility vehicle producer) postponed new investments.

The report from Indian Automobile Manufacturers (Exhibit III) shows that the year 2012-13 has been the worst year of the decade with car sale showing decline of -30% in the month of Feb2013.The production also consequently declined making this growth industry of developing economy touching its all-time low.

The Fall at Honda

Honda Cars India Ltd. sold just 1,784 cars in the month of January 2012 (all models combined), compared to Jan 2011 sales figures, when Honda Cars Indiasold 5,838 units, this is a sharp 70% decline in sales. The main reasons behind this sharp decline in production are as under:

a) Unavailability of spares and raw materials Sources of Supply at Honda Motors.

Honda manufactures the major components and parts used in its products, including engines, frames and transmissions. Other components and parts, such as shock absorbers, electrical equipment and tires, are purchased from numerous suppliers. The principal raw materials used by Honda are steel plate, aluminium, special steels, steel tubes, paints, plastics and zinc, which are purchased from several suppliers. The most important raw material purchased is steel plate, accounting for approximately 41% of Honda's total purchases of raw materials.

Honda never had and thus never anticipated having any difficulty in obtaining its required

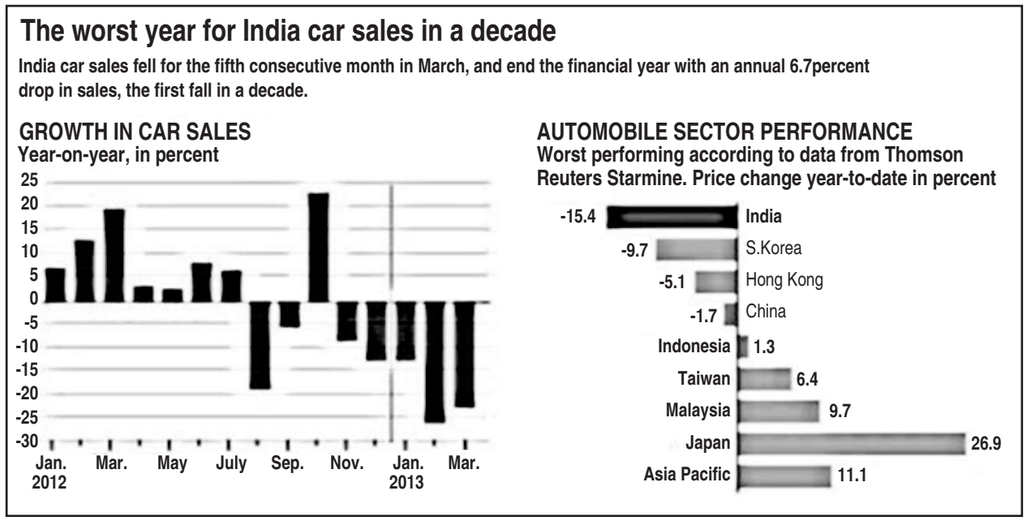


Exhibit III: The Indian Car sales in 2012-13 Source: Indian Automobile Manufacturer, Thomas Reuters

materials from suppliers and considers its contracts and business relations with the suppliers to be satisfactory. However, it should be noted that Japanese industry in general is heavily dependent on foreign suppliers for substantially all of its raw materials.

b) ***Earthquakes and tsunami in Japan in March 2011***

It caused unimaginable damage to Japanese auto companies. Supply of components was hampered due to the floods that struck Thailand; this further aggravated the problem, thereby resulting in diminished sales during the month of January 2012.

Honda Cars Indiawas functioning under reduced supply of spares and components since November 2011. Honda faced Global market fall and introduced various incentive programmes for its dealers for the sales of product.

c) ***Consumer not responding to Current Products***

On Sept. 21, 2012 Takanobu Ito, CEO Honda Motor said that company was forced to deal with the unprecedented appreciation of the yen, temporary suspension of production around the world, and shortage of electricity due to the impact of the Great East Japan Earthquake and the flooding in Thailand. "However, thanks to the co-operation of our suppliers, business partners, and the efforts of Honda associates, we achieved a speedy recovery, and, as of today, we are ready to make a counter-attack," a release quoted him as saying. He also mentioned that Honda Motor will be using all-new diesel engines sequentially to new models starting from 2013-14 in India.

The table in Exhibit (IV) shows the year wise sale of Honda cars in India .

Amaze : The Magic Wand

"Maruti, hyundai car sales sluggish as amaze pushes Honda market" The PTI reports on June 1, 2013 that,with automobile market continuing to reel under a slump, major car makers Maruti Suzuki India and Toyota Kirloskar Motor reported decline in domestic sales in May but Honda and General Motors posted good growth riding on new models Amaze and Chevrolet Enjoy respectively. Commenting on sales, Toyota Kirloskar Motor(TKM) Deputy Managing Director and COO (Marketing and Commercial) Sandeep Singh said in May 2013: "The market continues to be sluggish. We have corrected the dealer's inventory levels and have been able to bring it down to less than 30 days."

HMIL (Hyundai Motor India Ltd.)Senior Vice-President, Sales and Marketing Rakesh Srivastava said the market was at the near bottom level and was expected to move into positive growth in the coming months as the demand for the petrol cars was improving. At the same time Honda Cars India (HCIL) reported 9.8 per cent increase in its domestic sales for May 2013 at 11,342 units, its highest ever monthly sales on the back of its newly launched sedan Amaze, which clocked 6,036 units during the month.

Commenting on the sales in press release in Dec 2, 2013, Hyundai Motor India Ltd. (HMIL) Senior Vice-President, Sales and Marketing, Rakesh Srivastava, said in a: "After the festival season, market has been sluggish due to unfavourable macro-economic factors and low market sentiments resulting lower customer enquiries." On the other hand, Honda Cars India reported over two-and-half fold increase in its domestic sales in November 2013 at 9,332 units as against 3,711 units in the same month last year.

Exhibit IVYear wise sale of Honda cars in India

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	**13,362 units in May 2014** 11,040 **units in April 2014** 18,426 units in March 2014 14,543 units in February 2014 15,714 units in January 2014
Overall	13,300	21,703	37,480	42,727	61,325	62,802	52,420	61,815	59,463	54,427	73,483	85,656 April – Dec2013	

Exhibit (IV) Source: Official website of Honda https://www.hondacarindia.com

The data shows a steady fall in sales of Honda cars and has gradually fallen since 2007-08 to 2011-12 (all models included), until Amaze was launched in 2013.

Exhibit Va Comparative analysis of individual Honda Brand car sales since its first launch of Honda city in 2002.

YEAR	CITY	CRV	BRIO	CIVIC	AMAZE	ACCORD	JAZZ	OVERALL
2002	**Launched in 1998**					**Launched in 2001**		
April								737
September								1,207
December								937
2003		Launched						
April								1,285
September								1,827
December	2,536							2,760
2004								
April								2,793
June								3,173
December								3,409
2005								
March	2,077	26				97		3,575
September								3,769
2006				**Launched**				
March								6,120
April	4,007	313				231		4,551
2007								
March	5,164	390		2,546		389		8,487
April	2,916	239		1,481		255		4,891
2008								
March	6492	32		2074				8,895
May								3,943
2009							**Launched**	
March	6040	282		720		326		7,368
May	3,638			223		212		4,073
2010								
March	4338	66		742		211	571	5928
April								3,578
September	4,251							5,518
2011			**Launched**					
March	2773	56		379		216	152	3,576
April	1,542	22		253		83	112	2,012
May						132		
December	5,819	26		330			600	6,907
2012								
March	3920	01	6355	104		101	535	11,016
December								3,711
2013								
Jan								5,451
March	3432	30	3917		**Launched**	113		10,044
April			NA		2552			NA
May			NA					NA
June								NA
September								NA
October	31	87	1472		9564	60		11,214
Nov		22	1,712		7,598			9,332
December			1,026		4,458	09		5,493
2014								
January	7,184	117	1,015		7,398			15,714

Exhibit (Vb) Source: Official website of Honda https://www.hondacarindia.com

Domestic Car Sales Modelwise 2004-11

Honda Accord	3 324 (05-06)	2,728 (06-07)	2,133	4,108 (FY09)	948 (Jan-Apr)	288 (Jan)
Honda Amaze						
Honda Brio						
Honda City	37 545 (2005-06)	40,464 (06-07)	40,536 (incl. Marina STW)		18,482 (Jan-Apr)	4,485 (Jan)
Honda Civic	na	16,262 (06-07)	16,723		2,386 (Jan-Apr)	644 (Jan)
Honda CR-V	1 858 (05-06)	1,873 (06-07)	3,425		501 (Jan-Mar)	76 (Jan)
Honda Jazz					3,069 (Jun-Jul)	490 (Jan)

007-08: Indicates April 2007-March 2008, FY09=Apr'08-Mar'09
06-07: Indicates April 2006-March 2007
** Incl. of exports*
*** Apr-Dec 2006*

The data in Exhibit (V) shows a comparative analysis of individual Honda Brand car sales since its first launch of Honda city in 2002.

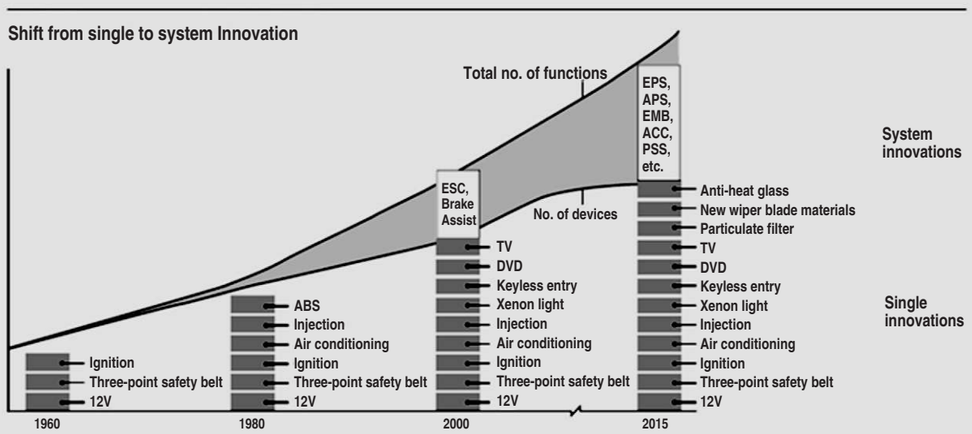
What makes the Amaze tick?

Relying on heavy market research and consumer feedback, Honda made sure to take its time in analysing the competition and understanding consumer behaviour before launching the product. This made it possible for it to find gaps in its rivals' offerings and incorporate those findings in product development.

Honda understood that consumer is looking for a system innovative product rather than a single innovation.

Design& Space

Existing Compact Sedans like Dzire and Indigo CS were heavily criticized for looking out of shape and boxy. Forcing the car to fit within the 4metre mark, the addition of the small boot makes it look disfigured. Honda paid attention to the customer feedback and had its engineers style the boot such that the car looks like a proper sedan and not a hatchback with an ill-designed boot. Honda succeeded with clever designing. The front seats are designed to be thinner at the middle thereby providing the rear passengers with a few more inches of comfort. Moreover, efficient utilization of space means that even after being a tad shorter than Dzire and Indigo CS, it is still roomier.



Please note: ABS = anti-lock braking system, ESC = electronic stability control, EPS = electronic power steering.
APS = adaptive power steering, EMB = electro-mechanical braking, ACC = adaptive cruise control, PSS = predictive safety systems

Attention to Detail with Surplus of USPs

Known for their painful attention to detail, Honda engineers have again proved why their products deserve to command a premium. The two tone beige and brown interiors are comfy and luxurious. The centre console unlike the traditional waterfall consoles is non-conventional and highly functional. Honda introduced India's first car with a Heat Absorbing Front Windshield. Keeping in mind our country's hot and humid climate, this vital innovation helped in positioning the product better.

Mileage&Diesel Engine Option

"Par deti kitna hai?" questions the young man to the rocket scientist. These lovable advertisements by Maruti Suzuki bought to light the most important thing which an Indian consumer looks for in a vehicle.

Amaze's (Diesel)gives a mileage of 25.8 kmpl as compared to Dzire diesel's 23.4 kmpl. Even Tata, otherwise known its vehicles' high running costs, comes close with 25 kmpl.

Coupled with bad driving and traffic conditions, Indian consumer specifically looks for mileage in the purchase of car. And especially Honda which for the first time indigenously developed a diesel engine. The buyers are extremely value conscious and when it comes to buying a car, they make sure that it has the cheapest cost of running.

Generous price disparity between petrol and diesel prompted consumers to go for diesel cars due to their lower cost of running. Hence, it was imperative for Honda to develop a diesel engine for India, to capture diesel buyers and deploy in future models too.

Conclusion

In the world of tremendous opportunities and risks, economies driven by innovation and knowledge and companies with complex businessmodels companies are engaged in intense competition and constant renewal, companies face persistent pressure to innovate in order to gain and retain a competitive edge.

Till now Honda has had a steady presence in India, mostly in the premium segments. This has meant the development of enviable brand equity, which could never translate into healthy volumes leading to a miniscule market share. The previous two offerings, Jazz and Brio, also failed to create much buzz in the market. It was not because of weak product offerings but because they were not in sync with what customers wanted. With the launch of Amaze a lot has changed. It seems that Honda has finally cracked the code for the Indian market. Is this change permanent? Only time will tell if HCIL will be able to carry this modus operandi forward in a market which is extremely volatile, rapidly changing and without much policy stabilization.

Teaching Notes

Synopsis of the Case:

The case deals with the automobile industry the leading driver of global economic growth which was observing near stagnant rate of growth globally. The case showcases how difficult manufacturing condition coupled with the changing consumer demand can lead to the downfall of a big industry.

The case also highlights the issues in auto sector in markets of USA, EU and Japan and the increasing attraction of Indian market that forced the global player to eye Indian Market for production and sales. The increasing competition in auto companies not only resulted in a spurt in choices of Indian consumers at competitive costs, it also ensured an improvement in productivity by almost 20 percent a year in auto industry, taking it to one of the highest in Indian manufacturing sector.

The Global Economic crisis deeplyimpacted this industry and it was one of the worst hit industries globally due to its globally linked production process and complex structure. The trickling down effect of this downfall impacted the Indian Automobile Industry and it witnessed a step downfall. The worst hit company was Honda which was one of the leading Auto players in 2010-12.

The launch of Amaze in 2013 was a game changer for Honda. Amaze turned out to be an innovative product form the company which riding on the road of success with best ever sales in decade. In India where companies like Maruti, Tata, Mahindra, Hyundai, GM, Ford are passing through the worst phase Honda is writing a new success story.

Learning Objectives

a) To understand the conducive working environment (both internal and external) for the success of an industry?

b) To encourage the students to understand the importance of Global supply chain network in globalized economy

c) To teach the students how globalization has changed the working models of Automobile Industry.

d) To analysis changing consumer behaviour towards purchase of complex buying

e) To understand the interlinkages between the Innovation and sustainability of companies

f) Effect of External and Internal environment on companies operating globally

Intended Course (s)/Subject(s):

1) International Business and Practices

2) International Marketing

3) Consumer Behaviour

4) Business Environment

5) Innovation & Competituveness

6) Supply chain Management

7) Strategic Management

Questions/Issues Raised in the Case

a) What are the reasons of shift in Automobile companies manufacturing base from developed country to developing country?

b) How has globalization changed the working model of Automobile Industry?

c) Critically evaluate the Global supply network of the Industry?

d) How Great Crisis that took place in USA did impact the Auto industry in India? Reasons and Solutions

e) How does changing external environment affect the consumer buying behaviour (in context with the Automobile industry).

f) How innovation does helps the companies to maintain its sustainability in the ever changing business environment.

Views/Opinion of Case Instructor:

The automotive industry is undergoing a major transformation, which creates new opportunities but, at the same time, represents major challenges for the industry, its employees and the territories in which the sector operates.

1) Business Model of Global Automotive Industry:

It is felt that the crisis impacted globally due to faulty business model of the industry.

What is wrong with the current business model?

- Overcompetition on new cars
- Premature obsolescence
- Price wars
- Break-even points far too high
- Excessive pressure on suppliers
- Limited real innovation
- Protected channels
- Aftermarket rip-off

Let us analyse why is it that virtually all of the auto manufacturers are in varying states of deep distress?

The answer lies in the nature of the automobile business, and strategic decisions made on the basis of dream-like optimism. This is reflected in the staggering levels of over-capacity in auto manufacturing worldwide. Presently the combined capacity of all the carmakers throughout the world amounts to more than 90 million cars annually. The deadly demand destruction being inflicted by the Global Economic Crisis has reduced purchases to about 50 million units per years, meaning that the world's auto companies have nearly double the productive capacity that can be absorbed by current consumer demand.

The automobile business is one of the most costly and complex to run. The industry produces a consumer product annually in the tens of millions of units that is costly, complex and customized. The productive infrastructure required is both vast and exceedingly expensive. Before the onset of the Global Economic Crisis, the world's carmakers bet heavily on a rising global marketplace that could annually absorb up to 100 million cars annually, and leveraged themselves to the maximum extent to finance the creation of the global network of assembly plants, parts manufacturing factories and distribution networks. The business model became far more globalized, adding another layer of complexity. For example, a U.S. customer who purchases a certain VW model will end up owning a car assembled in Germany, but equipped with an engine built in Mexico. In other words, a Mexican VW plant builds an engine, sends it across the Atlantic Ocean to Germany, which in turn sends it back across the Ocean in the form of an assembled car, to be purchased at an American dealership. This global supply chain is expensive, fragile, and only makes economic sense if all the manufacturing components of the business are operating at full capacity. With the collapse in demand caused by the Global Economic Crisis, practically every major auto manufacturer is faced with the identical problem; over-capacity that was established with high margins of leverage, leading to massive losses with a worldwide demand for only 50 million cars each year.

The manufacturing is falling steeply as per the data shown by OICA for first 6 months globally according to data by OICA.

2013 PRODUCTION STATISTICS – FIRST 6 MONTHS

Country	Cars	Commercial vehicles	Total	% change
Total	32,574,703	10,972,288	43,546,991	1.60%
Argentina	261,866	132,684	394,550	18.90%
Australia	80,370	13,600	93,970	-6.40%
Austria	76,044	8,861	84,905	14.70%
Belgium	164,700	14,910	179,610	-14.60%
Brazil	1,408,094	448,711	1,856,805	18.10%
Canada	495,163	710,451	1,205,614	-6.80%
China	8,664,502	2,087,181	10,751,683	12.80%
Czech Rep.	575,835	2,629	578,464	-13.00%
Egypt	29,380	7,310	36,690	34.20%
Finland	2,310		2,310	14.40%
France	788,100	122,000	910,100	-20.00%
Germany	2,738,155	128,966	2,867,121	-3.10%
Hungary	96,400	0	96,400	2.10%
India	1,612,988	416,601	2,029,589	-8.70%
Indonesia	442,241	144,309	586,550	11.70%
Iran	310,600	49,070	359,670	-38.50%
Italy	222,848	144,780	367,628	-3.10%
Japan	3,959,320	701,626	4,660,946	-11.20%
Malaysia	264,487	29,024	293,511	4.10%
Mexico	944,525	601,718	1,546,243	4.40%
Netherlands		700	700	-96.10%
Poland	254,800	58,168	312,968	-13.80%
Portugal	59,502	24,758	84,260	-13.10%
Romania	224,759	14	224,773	36.60%
Russia	927,014	117,309	1,044,323	-3.50%
Serbia	4,080	150	4,230	-0.90%
Slovakia	515,071	0	515,071	11.50%
Slovenia	51,900	2,221	54,121	-29.70%
South Africa	143,487	140,737	284,224	15.30%
South Korea	2,086,596	197,288	2,283,884	-4.10%
Spain	948,867	207,034	1,155,901	5.50%
Sweden	81,163	N.A.	81,163	-14.20%
Taiwan	141,189	21,685	162,874	-3.60%
Thailand	592,101	748,809	1,340,910	27.70%
Turkey	303,783	265,562	569,345	0.80%
Ukraine	16,746	1,502	18,248	-54.20%
UK	764,390	48,517	812,907	0.90%
USA	2,270,985	3,394,500	5,665,485	5.40%
Uzbekistan	88,100	13,000	101,100	-0.70%
Others	91,403	24,232	115,635	-26.60%

2) *The Driving Force Behind Honda: Effective Management of the Supply Chain via Honda Trading*

Steel, plastic, aluminum, rubber are the basic stuff automotive dreams are made of. Each year thousands of parts are fashioned from these basic materials, from the tiniest screws to largeengine assemblies. Just gathering the raw materials that support the manufacturing process is a major part of the automotive supply chain. That is where a company such as the Honda Trading America Corp. can be very effective.

"Our role is primarily support for Honda manufacturing operations directly, and also for a lot of their first and second tier parts suppliers," says Greg Norval, senior manager for Honda Trading.

Wherever a Honda assembly facility exists, Honda Trading is there to procure raw materials and to facilitate the lower levels of the company's supply chain management. In the US, Honda Trading offices are found in Marysville, Ohio and Torrance, California.

By centralizing procurement, Honda Trading is able to control quality, guarantee availability of product, accurately determine delivery schedules, and establish consistent costs for Honda, as well as pricing for its major suppliers. "That's the difference between our system and the systems the other automobile manufacturers have," says Lisa Gimeson, manager of the steel group. "We actually manage that inventory, which allows us to control the raw material price and associated costs at a greater level of detail than outsourcing."

Managing such a complicated supply chain is no easy task, as parts' management alone is often performed up to 4 months in advance. Honda Trading America uses distribution software to manage product flow within its network. Benefits of the Honda supply chain:

- Assures Spare parts quality
- Controls availability
- Guarantees delivery
- Provides consist materials pricing

The software provides inventory management, tracks the various types of materials in the system and their locations, maintains databases of customers, provides accounting and profitability profiles, and delivers timely reports.

The procurement process begins with the purchasing group at Honda America Manufacturing. The unit forecasts production quotas, determines the parts needed, and issues purchase orders to key suppliers to meet the demands for the current month plus two additional months.

Once suppliers receive the purchase orders from Honda Manufacturing, they determine the amount of raw materials they will need to produce the parts. The suppliers then deliver their own purchase orders to Honda Trading, which handles procurement of raw materials. Stamping facilities, for example, order coiled steel to produce a wide range of materials. Die cast companies, meanwhile, need raw aluminum ingots to produce engine parts.

Next, Honda Trading consolidates all of the materials requests from the various suppliers. Such consolidation allows it to leverage the economics of large-quantity purchases. It calculates what is needed and sends out purchase orders to steel mills, plastic producers, and aluminum manufacturers.

"Keeping all of these materials consolidated under one purchase order allows us to assure every manufacturer that needs to make a part for Honda has access to materials," says Gimeson.

The large-volume purchases also allow Honda to provide accurate forecasts of its own costs.

"We give the suppliers annual pricing for their raw materials," says Norval. "That way we can fix the cost for parts that will go into each model-year car. It's a win-win for parts makers and for Honda."

3) *The Paradigm Shift in Consumer Perception and Buying Behavior: Consumers are feeling the pinch*

It is a well-accepted fact that the automotive industry is a volume driven industry and a certain critical mass is a pre-requisite for attracting the much needed investment in Research and Development and New Product Design and Development. R&D investment is needed for innovations which is the life-line for achieving and retaining the competitiveness in the industry. This competitiveness in turn depends on the capacity and the speed of the industry to innovate and upgrade. The above factors are changing the face of Global Automotive industry.

Vehicle purchase decisions appear to be driven more by hard-headed financial factors than a desire to be green. The survey's by KPMG participant's rate fuel efficiency as the number one priority for consumers over the next 5 years, reflecting the rising cost of filling the tanks of their cars. Although growing in importance since last year's survey, environmental friendliness is only ranked fourth. The proportion of buyers seeking an enhanced vehicle lifespan has also jumped for the third consecutive year to 62 percent, which is a further sign of prudent belt-tightening from buyers.

The changing PESTLE factors are changing the consumer buying behaviour of the automobile. The research shows that Fuel efficiency being on the top followed by safety innovation the top consideration in purchasing the product. Also the demand for luxury calss vehicle will be far less than compact, subcompact and SUV.

With demand for vehicles declining in most mature markets in the face of the global recession, high fuel costs and urban driving restrictions, the industry is turning its attention even more strongly towards the expanding middle classes in the new powerhouses of China, India, Brazil, Russia and other growing nations.

List of Suggested Readings:

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The Global Economic Crisis : Sectoral Coverage Automotive Industry: Trends and reflections , International Labour Office, Geneva 2010

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Kudumbashree: Promoting Self-Help Group Model of Empowerment in Women Entrepreneurship in the Context to Kerala - A Case Study

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Women are the basic unit of the society. They become even more critical as a long-term solution to a sustainable livelihood. The women entrepreneurship through empowerment aims to create human resources within the productive sector and to sustain for the further development process. Kerala is only the state in India that attained a remarkable status fulfilling all the criterion of various social well-beings compare with some of the developed countries in the world, which is widely known as 'Kerala model of development'. This achievement reflects in respect of literacy level of women, salary or wage structure of employment, technical and professional services, women got equality with men. This Political and socio-economic scenario within the state, reinforce to redefine the consciousness about poverty concept. In this sense, poverty is dynamically viewed as freedom of choice from a socio-economic functioning than only the concern of income or money. Again, poverty reduction is not only the matter of an overall economic growth in a society, but also that interconnected with various social aspects like women empowerment and women entrepreneurship. All these multi-dimensional approach lead the government to form a female community intended poverty reduction project in the state and results to the birth of "Kudumbashree". The mission has set as self-help groups (SHG) model of women empowerment to encouraging the wide range of female entrepreneurial activities. Now Kudumbashree became one of the largest women's movements in Asia. The aim of this case study is to explore the activities and influence of Kudumbashree and the way it stimulates women empowerment, as well as female entrepreneurship in Kerala India.

Key Words: Women entrepreneurship; self-help group; MSME; Economic development; Kudumbashree.

Introduction

"The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favor of women". (National Policy For The Empowerment of Women 2001 & Articles 14, 15, 15(3), 16, 39(a), 39(b), 39(c) and 42 of the Constitution of India).

In the early days, the primary role of most adult women was to care for their family and home and the role of men was at the outside of the home to assure the income for the household expenditure. But the modern world considers women are the basic unit as they make a family, a family makes a home and homes make a society. In the last few decades, the role of women in society has been greatly overseen to a more perspective to people. In addition to unpaid family workers and caretakers of the family, they also involved in earnings and economic activities by the choice of a career or entrepreneurship. The increase in the number of women in the labor market signifies an important trend regarding women's employment (Preet Rustagi; 2010). Frequently, they are the sole breadwinner of the family, and even they become more crucial as a long-term solution to a sustainable livelihood. There are number of advantages laying with women over men which lead to a positive influence into become a successful entrepreneur. From the various observations and studies, it can be understood that, women are more into social networking; they always like to talk, mingle and share. They have the ability to understand another person instinctively, without the need for rational conscious faster than men. Also, tolerance, the capability of multi-tasking, patience, and listening etc. are far better than a man.

Gender equality and women's empowerment are significantly interconnected. Gender places a vital role in power. It embraces legal and casual rights, access to resources, and the quest for learning and individual goals and cuts crosswise over most areas

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