

Ford Motors' (India) Specific Strategies Using Information Systems

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ABSTRACT

Upon entering a country, multinational companies normally have the tendency to extend the same strategies, which had been successfully applied in other parts of the world. However, over a period of time, they learn the unique characteristics of the market and develop appropriate strategies suitable for the host countries. Following the policy liberalization of the Government of India in 1991, a number of multinational car companies entered the country. These companies launched big cars assuming that the small car owners in India would immediately upgrade to them. Ford India Ltd, the Indian subsidiary of Ford Motors launched Ford Escort. These cars were considered to be quite bigger cars and the Indian buyers shunned them. These companies, which had established huge manufacturing facilities in the country, faced poor utilization of capacity. Ford India Ltd also faced the same crisis. This paper deals with the India specific strategies developed by Ford India Ltd using information technology. Limited Edition strategy, Product adaptation strategy and used car strategy have been chronologically dealt with. It also elaborately narrates the hardships faced by the company in the process of implementing these strategies as well as the outcome of these strategies.

Keywords

information systems; technology; multinational; information strategies

1. INTRODUCTION

The Government of India introduced radical changes in its economic policies in the year 1991, as it was facing a severe foreign exchange crisis. In sequel to this development, three years later, more perceptible and far-reaching de-regulation measures were introduced in the passenger car industry. In May 1993, the passenger car industry was delicensed and majority foreign equity participation was allowed. The liberalization of the foreign investment norms saw the entry of a large number of multinational car companies into India [1]. Ford Motors was among the early entrants. Most of these multinational companies launched cars, which were successful in other parts of the world. They also extended their global marketing strategies in India. However, their generalized assumptions about the Indian market did not come true and they suffered early setbacks. This impelled the multinational companies including Ford Motors to design India specific marketing strategies especially using information system.

2. BACKGROUND

A. Ford's Indian Entry

The favorable economic conditions created by the Indian Government enthused Ford Motors to enter the Indian market. In November 1995, Ford established a joint venture company with Mahindra and Mahindra with a 50:50 equity participation [1]. Mahindra Ford India Ltd was formed to assemble and distribute the company's first product, the Ford Escort. In February 1999, Ford Motors increased its stake to 85 per cent and the joint venture company was rechristened as Ford India Ltd [2]. The company established a modern integrated manufacturing facility near Chennai with an investment of Rs.1700 crores (\$ 380 Millions)

B. About Ford Escort

Mahindra Ford India Ltd launched Ford Escort in 1996. It had a 1.8 litre diesel engine with the Standard version priced at Rs.6.3Lakh (\$ 14000) (ex-factory) and the LX (Luxury) version priced at Rs.6.8Lakh (\$ 15000). This was followed by the launch of the petrol version with a 1.3 litre push rod engine. It had a standard version priced at Rs.5.3 lakh (\$ 12000) and the LX version priced at Rs.5.8 lakh (\$ 13000). Ford Escort is a lower end car as far as the world market is concerned. But it was perceived to be a big car in the Indian market [1] [2]. The company also assumed that the owners of Maruti 800, the then largest selling brand in India, would immediately upgrade to Ford Escort. However, the special needs of the Indian consumers were not given serious consideration. This led to lower sales of Ford Escort, which was far below the expectation. Hence the company adopted several innovative marketing strategies to hard sell these cars. One such strategy adopted by the company was the limited edition strategy.

C. Limited Edition Strategy

The car companies worldwide have practiced limited edition strategy. This practice involves the launching of a limited number of a model which could be sub branded either to target a narrowly defined psychographic segment or to ride a fashion wave. Ford India Ltd was the first company to launch limited edition cars in India. In the year 1997, when India was celebrating the Golden Jubilee of her independence, the company launched Ford Escort Freedom.

Several studies were conducted among the population and their responses are entered into the information systems. Upon analysis using the software only 400 cars were produced each badged with a special freedom emblem and a serial number [3]. The features of this limited edition model included power steering, power windows a CD Changer and luxury trim. The car was priced at Rs.4.99lakh (\$ 11000) (ex-factory). The response for this limited edition car was tremendous. Apart

from offering value for money, the car also appealed to the customers' ego. Appealing to the patriotic sense of the Indian buyers, all the 400 cars were sold in a record 21 days. In October 1997, the company came out with Ford Escort Anniversary, another limited edition car to celebrate the first year of the company's operations in India. Information systems were used to find the prediction. Based on the analysis software, 800 cars were produced of which 400 are petrol versions and 400 are diesel versions [3]. These cars were loaded with luxury upholstery and trim, a 10CD changer and an anti-theft alarm system. The petrol version was priced at Rs.5.3lakh (\$ 12000) and the Diesel version was priced at Rs.6.7 Lakh (\$ 14500) [3]. These prices were not much lower than the standard Ford Escort. All the 800 Cars were sold within two months. This was remarkably significant as the sale of the cars in that segment was at an all time low during that time.

Again, based on previous information system success, in March 1998, Ford India Ltd launched Ford Escort Zetec was launched with a 1600cc engine having a power of 85bhp. In October 1998, the company brought out a limited edition car name Ford Escort Zetec – Alpha. The car had the features such as a rear entry anti-theft alarm system, a CD changer along with a luxury trim and rear appliqué. It was priced at Rs.5.9lakh (\$ 13500) (ex-factory) [3] [4]. Similarly, during the second anniversary a special edition diesel version car was launched which was called Orion. This was positioned as the Five Star diesel car and was priced at Rs.6.8lakh (\$ 15000) (ex-factory) [4]. Orion was positioned as a complete luxury car, which is virtually maintenance free and is the ultimate in economy. The company sold around 1200 Orions during the last three months of the year 1998.

D. Limitations of Information Systems in Limited Edition Strategy

Even though Ford India Ltd was successful in its innovative limited edition strategy, it was not capable of sustaining the sales of Ford Escort in the long run. The premise of the company that the Indian market, which had been dominated by the small cars, will upgrade quickly to absorb bigger cars proved to be wrong. The data collected through survey and processed by information systems could not come out on this very clearly. On the whole, the growth in the big car segment was far below expectation. All the multinational companies, which have launched bigger cars, faced the same problem. These companies had invested in huge manufacturing facilities and were facing poor utilisation of capacity. The problems of the Indian car industry were further accentuated by the overall economic slow down in 1997-98. This initial set back faced by these multinational companies forced them to make a serious attempt to understand the unique characteristics of the Indian market. Using the latest information system the need of the population is looked upon. Factors such as demographic, cultural, economy, habits and clothing, infrastructure of the country, and weather are taken into consideration in order to design the modified cars. They started working at a furious pace to develop appropriate models of cars that would match the special requirements of the Indian car market. Ford India Ltd also started focusing its efforts on developing a car that would cater to the unique needs of the Indian buyers.

F. Ford Ikon – Made for India

Using the information collected from the information system and by hiring information consultancy Ford India Ltd designed and developed a mid size car specifically for the

Indian market. Ford Ikon was designed taking into account the attributes that are important to the Indian buyers [6]. Using the analysis of the information, the established priorities were ride comfort on poorly maintained road, stable handling on bad surfaces, interior spaciousness, comfortable entry and exit and affordable cost. Further, in order to enhance the driving comfort, sufficient ground clearance, powerful and smooth suspensions, durable tyres, low turning diameter and power steering were accommodated. The company also paid equal attention to the interior comfort. Based on the assumption, that Indian car owners are Chauffeur driven, the rear part of the interior received superlative attention. As some of the car owners wear turbans, adequate rear headroom was provided. As Indian drivers tend to sit close to the steering wheel, the door apertures have been designed to be tall enough to enhance easy entry and exit. The company also paid meticulous attention to the special needs of women. As Indian women wear sarees, snagging was a perennial problem. In order to overcome this, sharp edges were eliminated by using injection-moulded parts. Also the length of the metal tracks was reduced. Another feature, designed in response to the Indian customer requirements, was the massive trunk volume of 400 litres [7]. This was necessitated by the fact that the luggage carried by the Indians particularly during the family trips is quite large by any standard. The air conditioning system was another attribute, which had to be improved significantly. Information collected in the system about various weather conditions help them to accurately answer this air conditioner questions.

The air conditioner in Ford Ikon was developed taking into account the extreme temperatures in different parts of the country and particularly the hot summer. The fact that the air conditioning system in Ford Ikon was validated during the summer of 1999 in Rajasthan provides ample evidence to the importance attached to the design and development of the car in accordance with the expectations of the Indian market [6]. Ford India, a company driven by the spirit of responding to the specific need of the Indian market launched the Ford Ikon on November 22, 1999. It had two variants namely 1.6 litre Rocam – petrol version and 1.8 litre Endura – diesel version. Using previous data in the information system Ford India Ltd successfully positioned Ford Ikon as the Josh machine. Various advertisement copies including internet reinforced the idea that driving a Ford Ikon was a joyful experience. The Indian car market responded overwhelmingly towards Ford Ikon and this duly reflected in its excellent sales. It became the largest selling car in its category in the corresponding year [8] [9]. Ford Ikon proved that it is imperative to understand the special needs of the market in order to be successful. It was an eye opener for the multinational car companies and they followed suit. As a result, a number of mid size cars were launched and this segment started growing well beyond the expectations (Ref Table 1).

TABLE 1: SALES PERCENTAGE OF THE VARIOUS SEGMENTS OF CARS IN INDIA

Year	Small Cars	Compact Cars	Mid size Cars	Luxury Cars	Total
1998	53.81	32.80	13.39	n/a	100
1999	40.80	48.83	10.37	n/a	100
2000	28.65	55.83	15.52	n/a	100
2001	29.86	53	16.54	0.6	100
2002	24.69	57.43	16.98	0.9	100
2003	26.47	55.31	17.06	1.16	100
2004	24.07	53.08	20	2.85	100

G. A midsize car for the price sensitive market and Strategic launch of Variants

Understanding the price sensitive nature of the Indian car market, Ford India Ltd devised a strategy to launched Ford Ikon Flair during July 2003. Data collected during the fair and the corresponding survey among the desired population are fed into the information system. It was priced at Rs.4.95 lakh (\$ 10800) (ex – Showroom). This car had a 1.3 litre Rocam engine, power steering, power windows, heavy duty twist beam rear suspension, body side protection moulding, side impact door beams, CFC free air conditioning and child proof rear door locks. This was one of the few cars in the C-segment that were made available at a price lesser than Rs.5 lakh (\$ 11000) [10]. This strategy made a strong impact on the sales of C-segment cars. In order to keep the excitement the company has been introducing different variants of Ford Ikon from time to time using information systems. According to Mr.Vinary Piparsania, Vice-President, Corporate affairs, Ford India was in a continual process of upgrading both its products and technology in order to offer their customer exciting and contemporary models. One such variant launched by the company was Ford Ikon Nxt. The company launched Ford Ikon Nxt in 2003 [10] [11]. It had three variants namely 1.3clxi, 1.6zxi and 1.8zxi. The first two variants have petrol engines where are where as the last one is the diesel version. The entire range of the Ikon Nxt is provided with new seat and door trims, clear headlamps with white direction indicator lamps, new side flashers, decklid handle, sporty front bumper and new instrumentation panel. The variants also have a differentiated front end with a body coloured surround diamond mesh grille and an enhanced front bumper with monochromatic paint treatment, integrated fog lamps and air dam [12]. In the zxi models, three way map-reading lenses with theatre dimming facility and the facility to adjust the height of the drivers' seat were provided.

H. Limited Edition Strategy Again

The company repeated the Limited Edition strategy in March 2003 when Ford Ikon Nxt Finesse cars were launched. It was promoted as a once in a blue moon offer. The car was priced at Rs.5.89lakh (ex-showroom) [13] . It had features such as power steering, power windows and cassette player. Only 700 units of the Finesse were manufactured. Ford had launched a limited edition, the Iris, which also had done well [14].

I. Ford Assured - Used Car Strategy

Using the data in the information system effectively, Ford understands the attitude of the population. In the year 2000, Ford came with the used car strategy. Ford India launched Ford Assured, a new initiative to buy and sell used cars. This initiative was an innovative venture, in which Ford India along with its dealers will buy, recondition and sell various models of used Ford cars. Ford has introduced Quality Care,

Ford's branded service initiative that provides car owners with a superior service experience at its dealerships countrywide.

CONCLUSION

Ford India Ltd, through its innovative strategies, has established itself as one of the leading players in the Indian car industry. As the company has paid attention to the special characteristics of the Indian market, most of the strategies introduced by the company in the country have proved to be successful. The other multinational car companies have also duly emulated these innovative strategies.

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