

---

## Small Is The New Big. Is Big Going To Work This Time? Will Honda Jazz 2.0 Capture The Buyer's Imagination?

*"No matter how small an item is, the delight of manufacturing a product is a feeling that probably only an engineer knows"*

**Soichiro Honda, Founder, Honda Motor Corp.**

*This case is written by Prof. Anish K. Ravi & Mr. R. Gautham Bharathi, Chennai Business School, Chennai 600 042, India. It has been compiled from various sources and is intended to be used as a basis for class discussion rather than to demonstrate either effective or ineffective handling of a management situation.*

### THE NEW ALL-ROUNDER:

Honda Jazz 2.0 -nothing else has so much power with mileage, has been creating a lot of excitement in the Indian automobile industry. The second innings of this once called 'over-savvy' vehicle has been receiving mixed responses. Most feel that "Once successful Skoda Octavia couldn't educe the market with a re-launch; then how is Jazz going to capture the market"? This case discusses about Honda Jazz- the new all-rounder and how Honda is buoyant about it.

### HONDA: THE POWER OF DREAMS

"No matter how small an item is, the delight of manufacturing a product is a feeling that probably only an engineer knows" are the words of Soichiro Honda (Founder Honda Motor Corp). With the vision statement to provide joy through business (Joy of buying, Joy of selling and Joy of Creating), Honda Motor Corp has been a pioneer manufacturer of automobiles, motorcycles and power equipment. Founded in the year 1948, in Japan it has diversified itself from mainstream automobile segment. Honda manufactures garden equipments, personal watercraft and artificial intelligence robots.

They are the world's largest manufacturers of internal combustion engines. In the year 2013, Honda invested about 5.7% of its revenue in R&D.

### HONDA AUTOMOBILES:

Honda's first four door automobile was the Honda 1300, launched in the year 1969. From then on, the name Honda is synonymous with Civic, Accord, CRV and CRV -Z. Honda entered the automobile segment in the year 1960 when Toyota and Volvo were the big players in the automobile market. Pioneering in engine design and electronics, their engines are known to be robust and rugged.

### INDIAN STORY: HONDA'S FORAY

Traditionally the Indian automobile market has been dominated by the two wheeler segment. The late 80s saw the entry of Japanese players like Suzuki & Kawasaki. Formerly known as Honda Seil Cars, Honda began its operations as a joint venture between Honda Motor Company and Usha International of Siddharth Shriram group. The company changed its name to HCIL, becoming a 100 % subsidy of Honda. In the year 2012, Honda bought Usha International's entire

stake for 1.8 billion. It opened its first manufacturing unit in Noida which is spread across 150 acres and has a manufacturing facility of 100,000 units annually. Its second manufacturing unit in Bhiwadi, Rajasthan has a capacity of 50,000 units. Honda setup its third plant at Tapukara which spread over 450 acres.

### **INDIAN AUTOMOBILE MARKET: THE SMALL CAR HUB**

Since 2005, the passenger car segment has boomed. In the passenger car segment 75 % of the market share is held by the small cars or the hatch back cars. The sales of passenger cars in India grew for a third month in a row to 169,300 units in January 2015, up 3.14 per cent from the year-ago period. Car market leader Maruti Suzuki India witnessed 8.6 per cent higher sales at approximately 118,551 units in February 2015, out of which 107,892 were sold in domestic market and 10,659 units were exported. Hyundai Motor India Ltd (HMIL) reported a 2.4 per cent growth in total sales at 47,612 units in February, compared with 46,505 units in the same month last year. The Japanese auto maker Maruti Suzuki expects the Indian passenger car market to reach four million units by 2020, up from 1.8 million units in 2013-14. Urban markets are growing in maturity and a large share of the customer is returning to the market for his second car. As a result, many end up buying bigger cars or different body styles. The entry level of the market — Micro and Mini segments — are being looked at by the first time buyer who in many cases is the rural customer. Maruti-Suzuki for many years has been working on rural market sales and the results are evident. Executives (anonymous, obviously) on the sales side admit that as much as 30% — 32% of the overall sales are coming from the rural market. As a result, while Maruti-

Suzuki lost only 5.97% sales volume in the Mini segment, rival Hyundai saw volumes in the Mini segment go down by 16.65%. Rural sales would also be a focus for companies like Hyundai, Mahindra, and even Honda, as they spread their dealer networks.

### **SMALL CARS MARKET:**

The export market in India has grown over 33 percent (CAGR) in the last five years. Small cars manufactured in India are exported to US, UK, Italy, Germany, South Africa, Latin America and East Asian countries. Export market in the US and UK is slightly fragmented to 10 percent. Singapore is being seen as a potential market where the demand for Indian automobiles has increased.

Hyundai the second largest manufacturer in India exports 50 percent of its production. India is ranked second in manufacturing competence, according to “2010 Global Competitive Manufacturing Index”. Despite the economic slowdown the automobile segment has grown by 9.5 % for five years. The cost of production of automobiles is very less in India. According to ACMA the auto component industry is set to grow fourfold \$ 110 billion by 2030. Export from \$ 5 billion to \$ 28 billion auto-component industry.

### **THE PERIOD BETWEEN 1983 -2009:**

Maruti launched Maruti-800 in the year 1983. They have been pioneers in the small car segment from then by launching Alto, Wagon R, Zen, Swift & Star. Hyundai, another major player launched the successful Santro and the ‘i’ series chain. Tata was another indigenous player which launched Indica in the year 1999 and in the year 2009 ‘Tata Nano’ though the failure was synonymous with ‘Cheapest Car’. When the Auto policy in 2002 allowed 100

percent foreign investments a lot more players like Nissan, Mahindra & Mahindra, Ford, Volkswagen and Renault experimented with the small car segment.

### **INDIAN AUTOMOBILE MARKET BACK THEN (2009): Kitna dheta hai..?**

Performance was synonymous with mileage to the market here. People put this factor first before safety, comfort and luxury. This was because; the Indian economy was in a very bad shape then. Due to the economic slowdown, people were looking 'value for money' assets. Buying a car would mean replacing a bike for daily commute.

### **HONDA CARS IN INDIA:**

Honda cars are even now looked upon as a comfort-craft. Honda City, the first car for most of the Honda buyers, a sedan launched for quality drive which includes security, safety and power. The same was the case with Civic, Accord and CRV.

As soon as Honda bought over Honda Seil, they faced the pinch in 2011. Its entire model line-up went down in sales. This was because the petrol prices soared in the year 2011. Volkswagen Vento replaced Honda city as the top-selling middle segment car within 8 months of its launch.

Honda also discontinued Honda Civic due to poor sales. They repositioned Honda City, drastically cut prices from Rs 44,000 to Rs 66000. New launches, innovative marketing and positioning strategies gave Honda a better comeback in the year 2014 with the launch of Honda Amaze and Mobilio.

### **HONDA JAZZ-JOURNEY SO FAR:**

Honda Jazz known as Honda Fit across the globe is a premium petrol engine. It was launched in Japan in the year 2001 and it won the Car of the year award the same year. It was launched in the American and European nations in the years 2005 and 2006 respectively. It had the unique 'Interior Packaging Concept' which had the placement of fuel under the rear seats which allowed increased cargo volume. **"Small is the New Big"** the tag line used for Honda Fit / Jazz.

### **Honda Fit has six variants**

- GD1: 1.3 L L13A i-DSI Inline-four engine 2WD (Europe: 1.4L)
- GD2: 1.3 L L13A i-DSI Inline-four engine 4WD (Japan only)
- GD3: 1.5 L L15A VTEC Inline-four engine 2WD
- GD4: 1.5 L L15A VTEC Inline-four engine 4WD (Japan only)
- GD5: 1.2 L L12A Inline-four engine (Europe)
- GE3: 1.3 L L13A i-DSI Inline-four engine 2WD (2007 Europe 1.4L model. Made in China)

Honda Fit primarily targeted the tech savvy and sporting automobile enthusiasts. It has features like 180 degree view, fully motorized seats etc.... The electronic sun-roof and the overdrive-auto transmission option was first brought into the hatch back segment by Honda Fit. It is also available as 4WD and electric variant.

### **HONDA JAZZ'S MARKETING STRATEGY IN INDIA:**

Honda Jazz launched its first generation car in the year 2009. It was marketed as a **'Fun Utility Vehicle (FUV)'**. It was priced at 8-9 lakhs (ex-showroom – Delhi). This pricing was at par with

a lot of mid-segment sedans. Furthermore, the car which was high on power had fuel efficiency of only 10kms/ lt. Aggressive pricing of Jazz was received with lukewarm responses. Only a hard-core Honda aficionados opted for it. Because of the rise in petrol prices the Indian consumers shifted to diesel cars.

Honda's stand to turn a blind eye towards consumer's requirement of not coming out with a diesel engine was the move Honda may have regretted on a latter note. If the petrol and the diesel prices were almost the same things would have been a different game.

#### **PLAY SAFE- THE RE-LAUNCH:**

Jazz is all set for a re-launch on July 8, 2015. Going by the success of i20, eco-sport, Etios-cross, this move may perhaps be the turnaround for Honda. This time Honda Jazz 2.0 is coming out with a 1.5lt. 100 psdiesel engine. The six speed transmission in the 1.2 lt. petrol engine promises a fuel efficiency of 19km/lit (ARAI) with features like CVT automatic with paddle shift, touch screen audio visual navigation etc...Honda has fixed a target of 8000 units of annual sales upon launch. Honda Jazz has also leveraged the online booking gateway in line with Tata Bolt.

#### **SITUATION TODAY:**

Honda is currently the 3<sup>rd</sup> largest car manufacturer in India. Replacing the position of Mahindra & Mahindra, Honda has bolstered this position with the new Honda city, Amaze and the Brio. For the past two years, Honda cars have been doing very well in the Indian market. M&M lost its 37.5% market share to Honda this year. With the growing interest of

people in Micro SUVs, Honda is also planning to bring in the Brio Mini HRV sometime next year.

#### **THE QUESTION: IS BIG GOING TO WORK THIS TIME?**

The strategy team for Honda Jazz has various questions on its mind:

- Will the new strategy succeed? Is there a future for the product?
- Or will the company have to burn more fuel before it figures out the way ahead?
- Are there any other strategies missing?

Honda's faith in Jazz is solely because of its global success. Fine-tuning Jazz to the Indian buyers mind might sound ruddy, on the other handwill Jazz 2.0 replace the image itspredecessor? This will be something to ponder upon.

#### **REFERENCES:**

1. [http://www.kpmg.com/global/en/industry/automotive/pages/default.aspx?utm\\_medium=mdd&utm\\_campaign=mdd-global&utm\\_source=link](http://www.kpmg.com/global/en/industry/automotive/pages/default.aspx?utm_medium=mdd&utm_campaign=mdd-global&utm_source=link)
2. <http://www2.deloitte.com/us/en/pages/manufacturing/articles/2013-global-manufacturing-competitiveness-index.html>
3. <https://www.bcg.com/media/PressReleaseDetails.aspx?id=tcm:12-159505>
4. <http://automobiles.honda.com/>
5. <https://www.equitymaster.com/research-it/sector-info/auto/Automobiles-Sector-Analysis-Report.asp>
6. [https://www.kpmg.de/docs/Auto\\_survey.pdf](https://www.kpmg.de/docs/Auto_survey.pdf)
7. <http://indiaautoreport.com/category/annual-review/>

8. <http://www.ibef.org/download/India-Mecca-of-Small-Car.pdf>
9. Honda in India: New Challenges –ICMR Case Study
10. Success and the City: Financial Express
11. Stock : Maruti Suzuki India : [www.wikinvest.org](http://www.wikinvest.org)
12. <http://www.abplive.in/gadget/2015/06/22/article626743.ece/10-Things-About-Honda-Jazz>
13. Wikipedia: Honda Fit
14. Marketing Strategy: Honda Jazz ( [Carwaale .com](http://Carwaale.com))
15. OCIA: production statistics 2010
16. SIAMA , Reeder Analysis 2010
17. <http://www.honda.com/newsandviews/article.aspx?id=7801-en>
18. <http://marketingpractice.blogspot.in/2013/02/brand-update-honda-jazz-rip-2009-2013.html>