

The End of Advantage

Honda Mobilio's competitive pricing is Maruti-Suzuki's worst nightmare come true. Till now the Ertiga was ahead in a field of one, happily notching up 5000+ units every month in sales. Now the party has been spoilt forever.

Do you know what the 6E Principles of Managing Quality Attributes are? We have cooked them up just now so bear with us on this one:

In today's rapidly changing world, any quality attribute, or edge over the competition, is a short-term novelty. It should be **Enjoyed & Exploited** to increase profits. More than that, it needs to be **Enhanced** continuously to **Extend** its life.

However, in most cases the attribute will **Erode** in the long-run as the competition catches up. Without any improvements being done, the products eventually become **Extinct**.

History Witnesses...Like Always

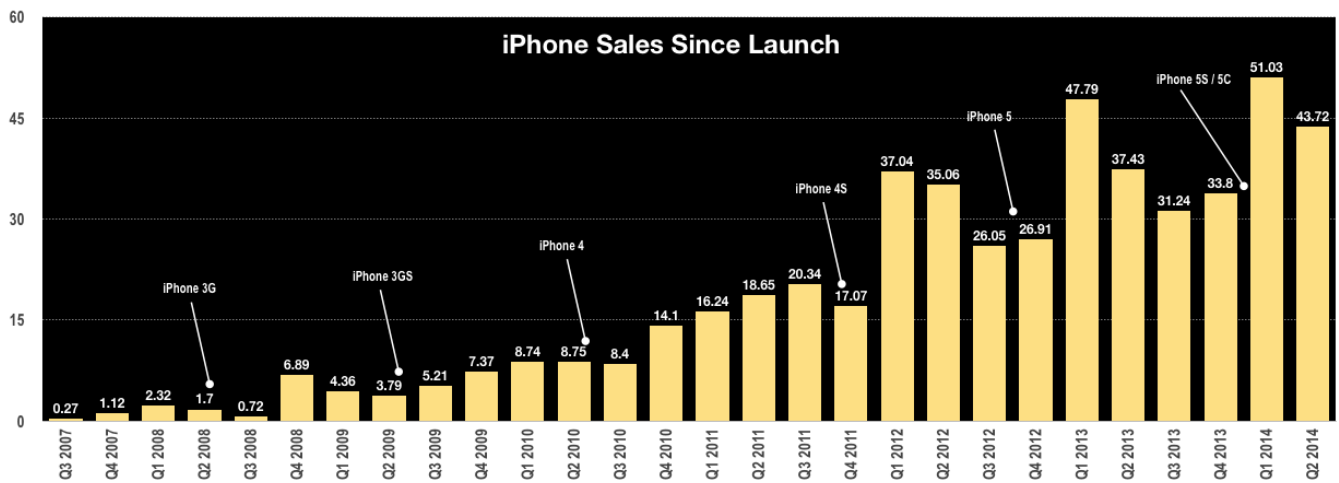
Historically there are multiple instances where product attributes, which had the oomph factor at one time, became common-man normal over a period of time. Without help, they fall further, and in many cases become extinct.

Most successful companies succeed because they are good at managing successes.

The iPhone when it came out many years back introduced many new features to the smartphone market. Over time Android caught up on most features and even introduced several new ones of its own.

However, Apple continues to set new sales records with successive generations of the iPhone. Data suggests (see graphic) that every new generation of the iPhone has managed

to outsell the previous generations combined, a spectacular feat considering Samsung and others have been launching a plasticky new Android device every week.



The key to the iPhone's success has been a constant product improvement, benchmarking against the competition, and innovating beyond them at every step.

However, not everyone does that.

Case in point is Sony with its Black Trinitron range of CRT televisions. Once upon a time, about two decades back, the Black Trinitron was the haloed product in the entire CRT television industry. Everyone benchmarked against that and failed to beat it for many years on picture clarity and customer satisfaction.

Sony gleefully charged a premium for the Trinitron, a bad habit that eventually led to their downfall.

Coming to the automotive industry, it is woefully short on innovation most of the times and any advantage that one company enjoys is mostly short-lived and easily replicated by others. Most innovations (LED Lamps, sensors, navigation aids, electronic controls, voice navigations, automatic grape peelers etc.) are supplier driven and the OEMs role in (an oversimplified version) chiseling out a competitive advantage is often limited to packaging the entire thing in a distinct

shape at the lowest cost possible.

Take for example the Maruti Ertiga. The company took the people mover concept in a different direction and stamped its own distinctiveness on the entire package by pricing the very competitive package at a (literal) fraction of its competitor. In doing so, the Ertiga established a different segment altogether and became the segment leader(!).

Maruti Ertiga – Ahead in a Field of One

Comparing the Ertiga to the iPhone or Black Trinitron would be akin to comparing apples to caviar. The Ertiga is no haloed product. It is aesthetically challenged, disproportionate and cramped in the far rear.

However, what the Ertiga does well is in offering acceptable transportation for a family of five and their Labrador, though the dog would fight for the middle row. The Ertiga also did well in creating an altogether new segment in the market, that of seven-seater MPVs not rivalling small apartments.

The Ertiga also does well in consistently selling more than 5000 units most months. For Maruti-Suzuki, it opens the doors to a customer who was earlier not considering the brand in his car buying decision. That also means that not a single unit out of this 5000 is the result of any cannibalisation of other models, everything being pure incremental sales.

Lovely.

However, the Ertiga has never been tested. It is ahead in a field of one. People buy the Ertiga because they have a full family or their kids take guitar lessons, mostly both. People also bought the Ertiga because the Innova has transformed quite rapidly from a common-people-mover to a rich-people-mover. Most importantly, people bought the Ertiga because there was nothing else in the segment.

All that is changing now.

Enter the Honda Mobilio

Honda launched the Mobilio MPV yesterday with prices aimed at the Ertiga's gut. The Mobilio's prices start at INR 649,000 for the gasoline variant, going up to INR 876,000. The diesel range starts at INR 789,000 and tops out at INR 10,86,000.

These prices are significantly higher (breathe easy Maruti) than the Ertiga's. The Maruti seven seater gasoline range starts at INR 580,000 and tops out at INR 735,000, while the diesel starts at INR 723,000 with the top-of-the-line diesel priced at INR 849,000.

However, for the extra money, the customer gets a longer vehicle with one of the best shapes in the industry. So fluid and proportioned is the Mobilio's shape that it makes the Ertiga (and everyone else) appear like amateurish first attempts.

The customer also gets bigger petrol or diesel engines on the Mobilio. The much-acclaimed Honda diesel also beats the Ertiga's popular Fiat designed unit on size & mileage, while shaming it on power & torque.

Now any comparison beyond this is in the realm of enthusiast & consumer magazines and we would stop here.

But for us, the Mobilio provides customers a very important thing – the chance to leave the Maruti-Suzuki brand and move to a brand, which has a younger, more modern perception.

The Mobilio is the first time the prospective Ertiga buyer would have another option to compare. And just like top-of-the-line Android phones vs. the iPhone, the Mobilio measures up to the Ertiga in everything and beats it on some.

Others Are Lurking

The Mobilio is not the only product looking to challenge the Ertiga's monopoly. Hyundai has something under development and suppliers' murmurs point out towards Ford preparing a seven seater on the B-architecture (EcoSport platform).

Then there is the Dacia Renault Lodgy, a vehicle we would have normally dismissed as a contender but for Renault's knack of surprising customers with solid niche products. They did it with the Duster and they may do it with the Lodgy as well.

However, the most significant challenge may be Datsun's Go+ MPV showcased at Auto Expo 2014 a few months back. The Datsun will match the Ertiga on size, specs and (most importantly) price.

Challenges for the leader

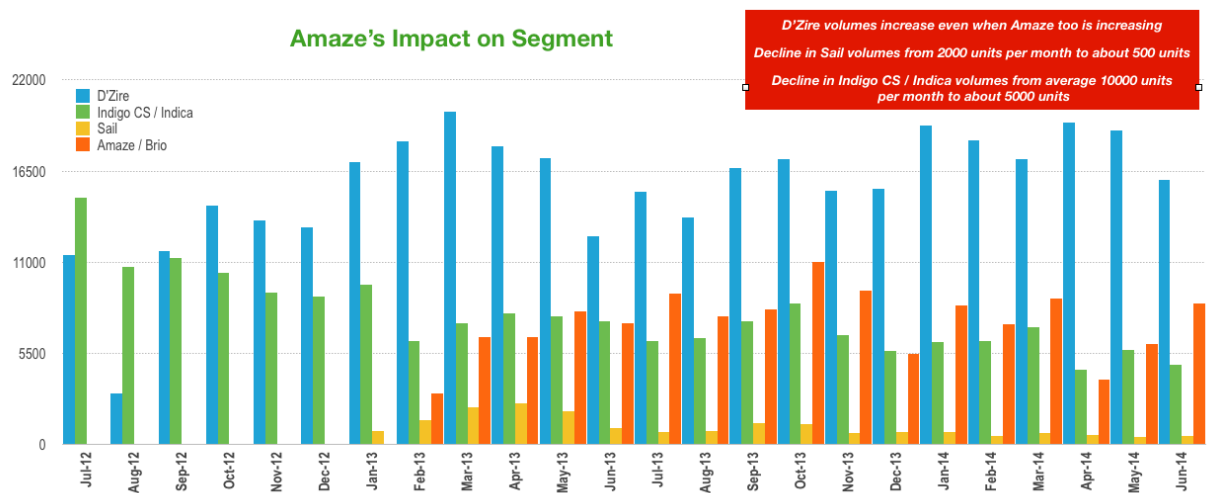
Looking at future launch plans, the [seven-seater cheap-people-mover segment](#) has suddenly become quite exciting. The situation for Maruti-Suzuki is rapidly changing from comfortably chillaxing to nightmarishly competitive.

There are a few options for Maruti-Suzuki to consider:

1. **Lower Prices:** For a comfortable market leader, lowering prices is often a sure shot way of winning the battle, though losing the war. The Ertiga is already very competitively priced and any significant price reduction would mean a pressure on margins and unnecessary headache for the ~~suppliers~~ organisation.
2. **Tweak product:** The Ertiga's shape and face are getting stale familiar and now may be a good time to throw in some LED pilot lamps. However, beyond the usual lamps-grille-spoiler tools, there is little that can be done to alter the Ertiga's appearance without a significant cosmetic surgery. Maruti-Suzuki may not want to do that now and rather wait for the next generation to appear a few years down the line.
3. **SOYBATT:** The Sit-On-Your-Bum-And-Twiddle-Thumbs is a

technique that MSIL has used in the past. Frankly, as seen with the D'Zire compact sedan, which has managed to retain its sales momentum even in the face of the Honda Amaze, one need not react beyond a couple of special editions and a 10% increase in media spend. Often the size of the market increases to make space for the new entrant.

4. **Let the losers loose:** In the tussle of the mighty, it is often the under-performers who get slaughtered. In the case of the D'Zire – Amaze battle, the actual losers were the Chevrolet Sail and Tata Indigo CS. So maybe in the Ertiga-Mobilio war, the Quanto gets liberated from its misery.



5. **Move further using innovation:** A value for money people mover is not the only edge that MSIL holds over its rivals. Maruti-Suzuki's biggest asset is its unblemished brand name and formidable reach. The company's sales network touches more people than the rivals can dream of touching in the next decade.

Already, Maruti-Suzuki has made a heavy foray into the rural areas through innovative sales channels. Senior executives (anonymous, obviously) indicated that as much as 25%-28% of MSIL's sales come from the rural areas and this is likely to increase in the future. This healthy share of rural sales ensures that MSIL still has a virgin territory to explore and exploit.

The most aggressive of Maruti-Suzuki's competitors – Ford and Honda – have networks much smaller in size. It will take them a few more ~~decades~~ years to catch up with MSIL.

By then, Maruti-Suzuki, if it plans to stay the leader, ~~would~~ should have find some other innovative edge.