

Product Lifecycle (mis)Management

Launching multiple new products in quick succession may not essentially be a good thing

Yesterday, Ford launched the Figo hatchback in the Indian market. The launch of the much anticipated hatchback comes barely a month after the launch of the Figo Aspire, a sub-compact sedan based on the same architecture.

While this may be good news for the company's dealers (who in recent weeks have been reduced to selling only the EcoSport), we at EMMAAA are of the opinion that the company should have staggered the two launches by 12-18 months.

The above is enough to get us kicked out of Ford India's Christmas card list for a few years...

The Small Manufacturer Limitation

Once, Nalin Kapoor, when he was handling the sales for Ford India, lamented to this writer, "My counterparts in Maruti have a much easier job. Cars sell even if the guys are half asleep. (In contrast) The month when I am not on my toes, half my sales is likely lost."

While this comment was made many summers back, the core of the statement is still very true. Nalin's comment pretty much sums up the challenge that marginal players (read everyone except Maruti and Hyundai) face in a market like India. They just don't have the depth.

A small player like Ford India has everything in limited quantity – limited dealerships, limited management bandwidth,

limited dealer sales bandwidth, limited footfalls, and even limited media pull. The net result is that with two mass market products launched so close together, both end up cannibalising each other rather than eating up the competition.

To illustrate our point, we don't have to go farther than the EcoSport. When the mini-SUV was launched in June 2013, the last generation Figo was still going strong. However, the hatchback sales crashed spectacularly once the SUV entered the showrooms. The EcoSport pulled away most of the heat from the Figo and the result was a sharp decline in sales. We estimate that as much as 30%-40% of the Figo's potential sales after the launch of the EcoSport were lost due to cannibalisation.

In simple terms, when you are spread thin, as a relatively small player like Ford India is, every new product needs your 100-percent effort. Spreading yourself across two is likely to give you 1.5x returns and not 2x as you would logically expect.

One finds many such examples in recent history where manufacturers have launched multiple new products in a short span of time only to see some of them fail. Mind you these products were not bad, they were not destined to fail. Had sufficient attention been given to them, they would have been money spinners.

Look at Honda, it launched the Amaze, New City, Mobilio and Jazz in quick succession. Only the City is a qualified success with the Amaze's run been patchy off-late, the Mobilio falling through the crack and the Jazz too-early-to-judge. Even much bigger players like Hyundai have the problem of managing many hot new launches at the same time. Between the successes of the i10 Grand and i20 Elite, there is always an Xcent which disappoints.

Learn from other industries

Quick, how many Samsung S series models do you remember? Which S are we currently at? Do you remember the shape and the distinguishing features of any S? Do you really care about an asS?

Now compare this to the Apple iPhone. There is a reason why Apple gaps any new variants of the iPhone by about a year. They stay longer in the public memory, the fanboys get enough time to identify with them (and save money for them) and (most importantly) Apple's marketing and media machine can work solely on one product.

Have you ever noticed that a shotgun blast has a much greater impact than an AK-47 burst?

The Gross Sales Fairy Tale

Every company, especially the smaller ones, looks closely at their gross sales numbers. This is a hogwash that the management paints for itself, those above the ladder, and the media. What is critical and more important is the sales per model and to measure increment in sales with the introduction of a new generation. Even big companies falter on this – the i10 Grand sells slower than the i10. However, Hyundai is happy because the gross sales numbers are much higher.

The Dealership Footfall Equation

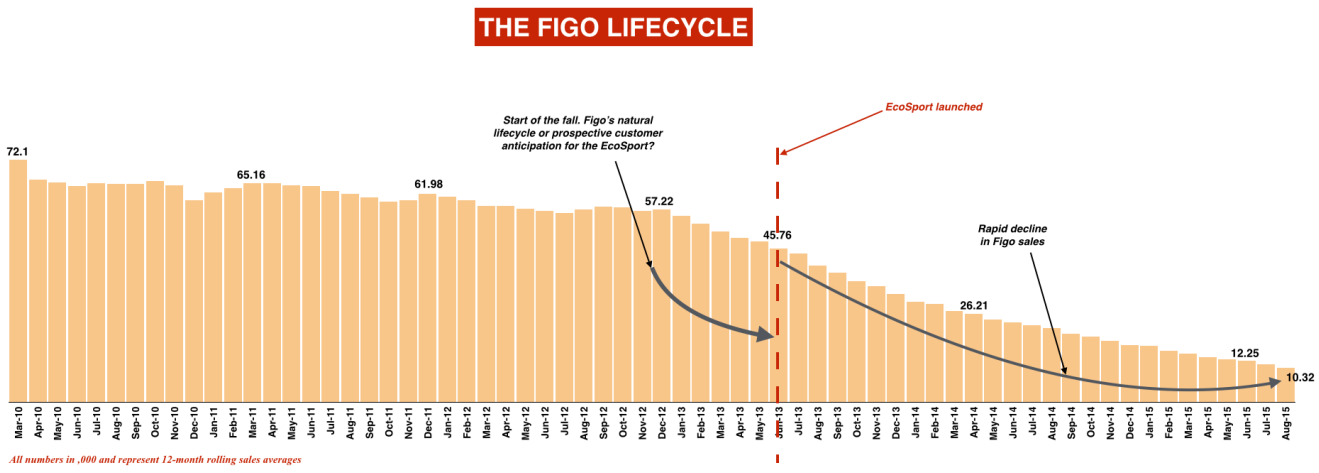
Sales are directly related to footfalls in your dealerships. Gaining footfalls in a dealership is not an overnight thing even if you have cheerleaders on the lawns everyday. Often the gains are incremental and not exponential in nature even when you have new car models attracting more people into the showrooms. So every new model pulls in (say) 20% more

customers into the showrooms. Launch two of them together and the gains in footfalls would not be 40%. They are more likely to be 30% and may actually be closer to 20%.

The result is obvious.

If not now, then when?

The question is obvious and is something we answered right at the beginning. The new Figo should have happened a year back. Considering that the last generation limped for six quarters, launching a new one last year would have been the right step. Anyways, the previous generation was based on an already older platform, it did not deserve the 66 month lifecycle that it eventually received.



All numbers in ,000 and represent 12-month rolling sales averages