

Step-Children

As an automotive forecasting & consulting organisation we often have to make a number of intelligent assumptions about the future shape of the market.

Primary amongst them is the assumption that every model in the market represents a generation for the nameplate and has a certain lifecycle. So the second generation Swift was launched in 2005 in the Indian market and it completed its lifecycle in 2011. It was followed by the third generation Swift introduced in the Indian market in mid 2011. Continuing the nameplate, and if enough people are still buying cars, the fourth generation Swift should enter the market sometime in 2016. And so on...

Likewise, popular global models like the Toyota Corolla, Volkswagen Golf, Honda Civic have already passed through multiple generations in international markets.

In forecasting a model in the long-term, the two major assumptions are – first, the nameplate continuity, and second, the expected lifecycle of the present and future generations. Predicting the nameplate is not tough – it is unlikely that an Accord would be replaced by a Treaty, or a Magna Carta. Millions of buyers of the nameplate may get permanently pissed off if some bright guy armed with PowerPoint messed around with the nameplates.

However, things get murkier if the nameplate in question is not as successful. What if it is the Datsun Go? Will it still remain the Go for the next generation if the Go does not go?

More importantly, will there be a next generation?

Things are also not so clear when it comes to nameplates with

a local name, e.g. will the Figo stay the same in India or will it jump to a Ka nameplate as Ford's B-segment hatchbacks are known in most global markets?

The even more difficult part is predicting the lifecycles. For most purposes, the lifecycle lengths in a forecast are based on either firm knowledge of OEM plans or by making logical, intelligent assumptions based on historical trends. In most cases, firm knowledge is applicable for models being replaced in the next two years. These models are in the advanced stages of development and at least the rolling prototypes have been shown to the suppliers and key dealers to gauge their reactions. There is also a tentative launch date hanging, give or take a few weeks.

Logical assumptions have to be made when forecasting lifecycles beyond that. Most car manufacturers use a six year or seven year lifecycle for most mainstream nameplates. However, some have been moving to a more nimble 5-6 year lifecycle. After the lifecycle ends, the textbook says that the incumbent model should be replaced by a comparable sized model. The replacement model will likely carry the same name but should see a comprehensive rework to the underlying platform.

What defines a platform is a large grey automotive area that we would talk about some other day.

For most purposes, we consider a platform as one where there has been a comprehensive re-skinning, significant changes to the underlying mechanicals, and where a new program code has been issued on the RFQs to suppliers. All three need to happen for a new platform as many-a-times, OEMs issue new program codes even for a cost reduction exercise.

[Tweet "Platform is a dynamic term with a floating

definition.”]

The lifecycles in most cases can be predicted correctly, give or take a few months. Since forecasting is a dynamic process, the lifecycles and the Start / End of Sales / Production dates get tweaked in a nudge-nudge, wink-wink way as they approach.

The Dark Corners of Forecasting – The Step Children

So for most mainstream models, forecasting lifecycles and nameplates are easy. If the nameplate is successful, locally or globally, there would be proper product lifecycle management behind it and a replacement would happen at the end of the lifecycle. There may be minor changes in lifecycle length and a new program code ought to start floating in the market about four years before the actual launch of the new model.

The problem is with the Step Children.

These are models that don't belong to the mainstream. They were done by the respective manufacturers for various reasons – at times the niche was too tempting, at other times it made short term business sense, some time it made sense to do a product in a hot segment only to realise a few years down the line that the segment is on the decline and it is difficult to stay profitable in the niche. In all of these cases, manufacturers pull the plug on the successor of the model leaving a hole in automotive history.

Birth of Step Children – Bodystyles Falling Out of Favour

In most cases, it is a certain body-style that gets axed and not the entire platform. As an illustration, many

manufacturers are killing the Coupe-Convertible body-styles from their B-segment and C-segment offerings in the European markets. This is because the CC body style – smouldering only a few years back – is dying now.

Instead, buyers are now moving to Crossovers. The overall impact on the platform (a combination of multiple body-styles on the same mechanicals) is not huge but has major implications for a supplier like Webasto.

Birth of Step Children – Broken Relationships

In a few cases, the reasons are bizarre. At times, an OEM is saddled with a product as an alimony payment coming out of a separation. The Mahindra Verito is one such product. The Verito and its hatchback sibling, the Vibe, are both based on the Renault / Dacia Logan Gen-1 platform. Post Mahindra's separation from Renault, Mahindra received the platform as alimony. The Indian brand is quite good at these separations – it has received similar separation fees from Navistar for Heavy Trucks.

Birth of Step Children – Tooling Trading

Let's digress a bit, seemingly our forte.

Till a few years back, an emerging market like India presented a huge opportunity (for consultants more than the actual manufacturers) for tooling trading. Many a platform in the developed part of the world had life left in them even after lifecycle management dictated that the next generation should be introduced. While the old platform and its tooling had little future in the developed end of the market as they were now outdated in a very competitive market, things were quite different if the same could be introduced in the developing world.

Or that's what dubious consultants claimed when pitching the idea to Indian manufacturers eager to have a presence in a hot automotive segment but lacking an entire battalion strength of engineers needed to develop such a model.

Most of these Tooling Trading cases ended in disasters. These range from the Sipani Rover Montego in the long past, to the Italjet scooters that Kinetic bought a few years back, and the Premier Rio and Force One SUVs of the recent past.

In most of these cases, what seemed to work on paper didn't really work in the real world. At times the products were half baked, at times poorly conceived, and in almost all cases, they were inappropriate for the Indian market. However, the core reason was the cumulative greeds of the Indian manufacturers and the consultants advising them. The winner in the end used to be the guy selling the garbage old platform.

In any business, monetising garbage is a huge win.

Take for example the Sipani Rover Montego. The Austin Montego was the butt of jokes in Britain in the late 1980s. Suffering from poor quality and reliability, though arguably ahead of its times in technology, the Austin Montego never established itself well in the home market.

So when Sipani Automobiles offered to take it off cash-strapped Rover's hands, the Brits were quite pleased. This was not the first time that Sipani was raiding the British dilapidated cars garage. Earlier they had taken a Reliant Kitten away and hammered a fourth wheel onto it to make it the Sipani Dolphin.

Every Sipani bombed. Period.

Modern Day Tooling Trading

As Indian car industry grew and local OEMs matured, the

concept of Tooling Trading stopped. However, there were still some fringe manufacturers who realised that buying the rights to an old platform from the developed world could help them leapfrog into the car manufacturing club.

Now that reads a lot like Pakistan's ballistic missile program blueprint but mind you, it works, and so the Indian OEMs-behind-the-tech-curve could make the system work too.

Enter the Force One SUV and the Premier Rio small SUV. The Force One was based on dies and tooling that Force Motors imported from China. The Chinese manufacturer was never involved beyond the pawning off of the dies. On their part the wily Chinese had been making a copy of an older generation Ford Explorer SUV. So in essence, the Force One SUV is a second hand tooling trade result of a fake.

[Tweet "Force is smug about importing the drawings of a fake Hermes from Bangkok. "]

Beyond the size and bulk, the One had little going for it. The initial curiosity and megastar Amitabh Bachan's endorsement kept the sales momentum up in the first few months. Beyond that, it was a steep climb and the Force One stalled soon.

It was pretty much the case for the Premier Rio. Based on tooling imported from Chinese manufacturer Zotye, the Rio was essentially an older generation Daihatsu Terios. Zotye had bought the dies from Toyota and dumped them on Premier after juicing them for a few years. There was not much promise in the Rio except the very low pricing. Needless to say, it sank without a trace.

One Size Doesn't Fit All

Mind you, not all of the above were dodos. There has also been the Tata Winger, a first generation Renault Trafic that landed

in Tata's lap after the French carmaker shipped the dies to India in 2007. Tata loved the idea and could see a lot of potential. Optimism was high as the number of direct competitors to the Winger were zero.

However, things didn't pan out the way they were expected to. The market for the Winger has been slow and the bigger, better and more expensive Force Traveler runs circles around the Tata sales numbers. However, Tata Motors has persisted and sales keep on trickling in for the Winger.

Step Children and The Complexity of Things

The biggest challenge that Step Children present, both for forecasters as well as the supplier industry, is the confusion regarding their lifecycle. So you have a product that wasn't planned very well or has fallen out with the typical market conditions. It now sells a fraction of what it was supposed to. Momentum is nil and every month you struggle to push a few out of the showrooms.

There is no way you would replace it at the end of its lifecycle.

In most cases, you do not have the technical capability to replace the product. Even more, you have no idea what the lifecycle of the product should be.

Take the Tata Winger as an example, the Winger is in its 8th year of lifecycle and there are no plans to discontinue it. (That is 8 years after Renault had already milked it for 21 years and then mothballed it for another seven.) The perpetual existence is fuelled more by a lack of replacement (or even plans of that) than by the technical superiority of the product.

The same is the case with the Mahindra Verito. When the Indian

manufacturer made the surprise move of walking away with the rights to the Gen-1 Logan platform from its separation with Renault, not many counted on an eventual successor. Mahindra hasn't disappointed.

The Verito has been joined by the Vibe (apologetic hatchback on the same mechanicals) but that's where it will stop. Mahindra will not do a second generation of the Verito as the numbers are not significant. Also, the Indian manufacturer still doesn't have the bandwidth to do a full-fledged B-segment car replacement.

So the current generation Verito / Vibe will continue relentlessly till dealers revolt. Meanwhile, it has been valuable learning for Mahindra as it used the platform to learn monocoque builds and car assembly.

Step Children – Future Planning

As discussed earlier, most manufacturers do not do any future planning for their step children. This is mostly because these models themselves have been relatively unplanned. Since the models haven't worked in the market, no executive ever took a step back and thought, "Hold on, this will get old one day and we would need to plug this market segment again"

So some manufacturers like Tata will continue to sell the Winger till the time they can keep on finding tour operators and hotels willing to pick a few units every month. others like Mahindra use the platform as a learning exercise and the lessons would be used for developing the next generation platforms even though the exact product may not be replaced.

And then there are some laughable experiments like Sipani Motors which just sink.