

Super Successes

BEYOND MEETING TARGETS AND ACHIEVING SUCCESS IS THE MYSTICAL, OFTEN MYTHICAL, ZONE OF SUPER SUCCESS.

This is an area when a product brand becomes iconic and dominates an entire segment to the extent that the other products do not matter.

At the most extreme, most successful, end of Super Success are products that become a generic term for the segment. Kinetic's Luna comes to mind – the Kinetic moped defined the segment at one time and any of the numerous models in the segment were often generically known as Luna. It became ubiquitous in the Northern part of the country even though TVS mopeds were equally, if not more, successful.

A similar Super Success was etched by Mahindra Jeep (when Mahindra was allowed to use Chrysler's Jeep brand name) when any utility vehicle in the country was known as a Jeep.

Other memorable mentions in this brand of Super Success are Bajaj Sunny and TVS Scooty, depending on if you were in the Northern or Southern part of the country, respectively.

At a lower level of Super Success is when a product completely dominates a segment even though there are other memorable brands as well. Bajaj did that with the Chetak scooter in the past and the Pulsar range today. Hero MotoCorp (earlier Hero Honda) managed that with the original CD 100 and later on with the Splendor.

We cannot forget Maruti Suzuki which has had a string of Super Successes starting with the 800 and the Omni (still continuing, nearly unchallenged), continuing with the Zen and

Esteem, and in modern times by the Swift and Swift D'Zire.

Even Tata's Sumo was a Super Success, managing to redefine the utility vehicles segment and making them appealing for the urban customer. Tata also has had a Super Success with the Ace / Ace Magic mini trucks. It is almost certain that if ever there is a 'replacement' to the Ace platform, it would be evolutionary and will retain the same brand name.

In a couple of years we would also add the Toyota Fortuner to the list if it maintains the present sales momentum.

WHAT MAKES A SUPER SUCCESS?

Super Successes are defined by very long lifecycles. Unlike a product which meets its target or is just a success, Super Successes manage to etch out a lifecycle that is at least 2-3 times longer than a normal product lifecycle. Over the years, a variety of products have been super-successful, some of them running lifecycles long enough to make succession planning back at the headquarters a nightmare. And yet, many a times, there are no common threads running through. While the Maruti 800 and Alto were contemporary at the time of their launch, the company let them stay and simmer for a long time. This enabled customers – and many expat executives will gag on their wine as we write this – to get used to the products and trust them.

One must understand that this was the time when India was emerging from years of socialism and liberalisation had just started. The mindset of the car buyer was conservative and unadventurous. Buying a car was a milestone and trust in the brand a critical factor.

One may add the Tata Indica (Gen-1), the entire Mahindra range prior to the Scorpio, and the Maruti Omni to the above list as products that needed time to turn their success into Super

Success. All of these products had success to start with but with the progression of time, the momentum became stronger & stronger.

LIFECYCLE CURVES

We digress a bit and look at Lifecycle Curves. This is the curve made by plotting monthly sales numbers on a normal X-Y graph. For a better characteristic and greater finesses, EMMAAA now plots these numbers as twelve month rolling sales averages. For most global products, the lifecycle is a Bell-curve.

The curve may be divided into four major zones – Start Bang, Profit Plateau, Discount Slope, and Ventilator Support. Planning the lifecycle is very important for carmakers not only for maximising the volumes but also the profitability. Over the long run, how a carmaker manages the Lifecycle Curve defines the sales volume, the revenues, profitability, program profitability and even the negotiating power with suppliers.

And annual bonuses too.

The first part of the Lifecycle is the Start Bang, the zone where the product enters the market. The product is fresh and the demand is high. The customer has been eagerly (if the carmaker has done its homework right) awaiting for the product and there are increased footfalls in showrooms.

This is also the time when the carmaker is spending a lot of money on communication and pre-launch efforts. However, as the demand is high, the manufacturer does not need to resort to discounting. Most car models start near the very top of the peak volume at the beginning of the lifecycle.

The second part of the lifecycle is the Profit Plateau. This is the time when program sales are close to the top, and they

stay at the top for a long time with only minor fluctuations. We call it a Profit Plateau because the manufacturer stands to profit the most during this plateau. Communication and marketing costs have come down and the manufacturer still does not need to resort to any major discounting provided the Start Bang has been successfully executed. This is an interesting part of the product lifecycle as the per unit profitability is the best and any manufacturer would like to extend this period as long as possible. Most successful companies like Maruti-Suzuki and Toyota manage to extend the Profit Plateau to almost 80% of the product's lifecycle.

Discount Slope is the third leg of the product lifecycle. This is the phase when the model has started getting stale and the manufacturer resorts to discounts to maintain the sales momentum. A good product manager tries to minimise the length of this period so that discounting is minimal. Manufacturers also counter the Discount Slope by doing mid cycle facelifts, often un.

The Ventilator Support is the last leg of the product lifecycle. This is the time when the product is on its way out of the market. The replacement is already on its way in and it is the last few months of the lifecycle.

Not all Product Lifecycles are typical Bell curves and depending on circumstances, one or more of the four segments may be missing completely or altered significantly. In many cases, Product Lifecycles are skewed. Super Successes are some such cases. Thanks to the elongated nature of their Bell-curve, Super Successes end up earning much more money for their

TYPICAL SUPER SUCCESS LIFECYCLE CURVES

The Super Successful products that we mentioned earlier are

good examples of skewed lifecycles. If one was to plot their lifecycle curves, the typical bell shape is missing, replaced by a plateau in the later half of the lifecycle. This plateau continues for nearly forever and the model exits the market at nearly the top.

The Maruti Alto (YG4) is a typical example. Launched in 1999, the Alto turned super successful as the Indian market expanded rapidly post 2000. In the first decade of the new century, the Alto was the best selling model by far, outselling everyone by many thousand units every month. It finally exited the market in end 2012. At that time, the Alto was doing its career best volumes of more than 30000 units a month. Maruti-Suzuki tried to play it safe by retaining the 1.0-litre variant (Alto K10) for some time, replacing it by the next generation platform derived product only in 2014. So super successful was the Alto YG4 that Maruti-Suzuki is yet to derive the same volumes from the replacement product Alto800 (YC5). It may not do so for quite some time.

In recent years, super successful products have been more contemporary and have run parallel to global lifecycles. The Swift and D'Zire are two such products, both selling close to 20000 units a month. However, their lifecycle has been anything but normal. The last generation Swift and Swift D'Zire started normally but kept on gaining volumes throughout their lifecycles. Both of them exited the market with waiting lists still running. The replacements have acted more normally, starting from where the predecessors had left off. However, they still display a strong resilience to getting stale and falling into the Discount Slope territory. The idea is that the replacement product should arrive before the existing product goes deep into the Discount slope category.

WHAT WILL MAKE THE NEXT SUPER SUCCESS?

Unlike earlier times, Super Successes will no longer have the luxury of long lifecycles. The customer is too demanding and can differentiate the old from the new and the model with the LED driving lamps and the ones without. Also, the Japs and Koreans are too frisky, changing shapes every five years even though managing to retain the same platform.

In short, Super Successes of today and tomorrow would be brands, not programs or platforms. Super Success in today's world would come from a brand that would have longevity to stay permanently within the customer's mindspace . The Suzuki Swift is a good example – the shape may have changed a bit but the brand has stayed the same.

In a way the thumb rule of Super Success would essentially be a brand that escapes the assault of time even though the actual product may be changing shape, program and platform. A good example is the Scorpio, a product that after many years has changed its lamps and other important bits but has not lost even an iota of its DNA.

A better example would be the Honda City, a car that has gone through five shapes in its sixteen years in the Indian market and yet has managed to remain a City. Contrast this with the Escort / Ikon / Fiesta / Classic or the Accent / Verna or the SX4 / Ciaz and you get an idea of how different Super Success is from mere success.

GLOBAL SUPER SUCCESS DEFINED BY ABILITY TO RETAIN BRAND NAME

At a global level, Super Success translates into huge brand recall, a brand equity that allows manufacturers to use the same brand name generation after generation. Volkswagen does

that with many models, ditto for Honda which has used the Civic and Accord brand names across many generations. However, GM and Ford often jump across brand names unless they are of sports cars. So the Malibu, Taurus, Five Hundred, Edge, Cobalt & Cruze all change names with a change in generation. However, the Camaro, Corvette and Mustang retain theirs. Interesting to note that while the successful Corvette retains its name and gets successive generations, Ford pulls the plug on the less successful Thunderbird now and then.

ARE THE GOOD DAYS OVER?

Pretty much yes. We may see a Super Success now and then but now it's increasingly difficult for vehicle manufacturers to churn them out easily. Going forward, we expect Super Successes in the mainstream market to be rare phenomena. Increasing competition and an expected improvement in the quality of understanding of the Indian market by MNCs are expected to ensure that it won't be easy for someone to run away with a segment.

There would be limited Super Successes now and then, the Toyota Fortuner being one such case. However, a Maruti 800 / Alto like unchallenged run is near impossible.

In the future, Super Success would demand that the contender is heads and shoulders above the rest. Not only the model, the brand and the manufacturer would need to have impeccable records.

Tough ask then!