

Maruti Suzuki's Tesla Dream

Contents

- Problem Statement
- Need and scope
- Tesla's story
- Benefits of online retailing
- Proposed solution
- Implementation plan
- Financial Analysis



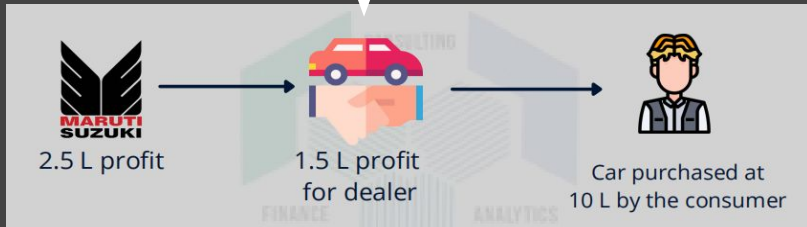
Case Study Challenge

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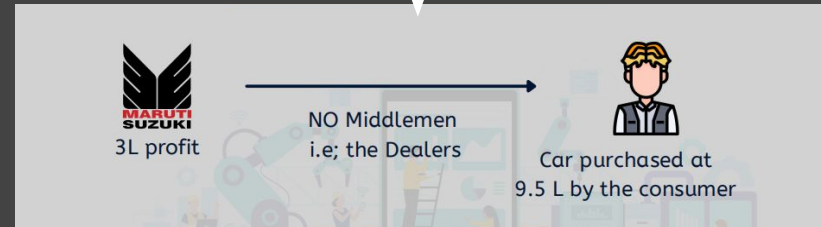
Problem Statement

To devise a strategy which allows Maruti Suzuki, to eliminate the middle-man in the distribution and retailing of their products, improve its profit margins and enable the company to achieve their financial goals

Current Outcome



Expected Outcome



Need of such system

Reasons to shift online

- Price hike from OEMs
- Increasing profit
- Eliminating middle men (Dealers)
- Decrease inventory cost

India's digital automotive industry

- Online channels mostly serve as a source for inquiry for new cars and pre-bookings.
- Most of channels deal in pre-owned or used vehicles
- Online shopping penetration – 0.7%
- Maruti Suzuki had 5x increase in sales through digital means - 20%

The need of adoption of a D2C model has been amplified by rising costs under the current chip crisis. In addition to reduced costs, companies can exercise better control over the crucial after-sales experience and be a part of the consumer life-cycle for longer, allowing the development of both, the core business and secondary revenue streams.

Tesla's Success Story

- Sells more than 500,000 cars globally directly to consumers.
- 438 locations globally, which offer retail and service facilities.
- Mobile technicians make repairs at home and if needed offer home pickup-drop of cars that need servicing.
- Able to take online bookings and orders for cars directly.
- Able to engage with customers directly even after vehicle purchase by selling accessories, financial plans, insurance and direct software upgrades.
- This model has enabled Tesla to have better margins, grow rapidly and manage supply chains better. (One of the few companies who were unaffected by Covid-related shortfall in revenue).
- Is currently the world's most valuable car manufacturer.



Tesla's Success Story

Major Business Strategies-

- Enhancing customer engagement and experience
- Superior Technology
- Vertical integration
- Personal branding
- Return policies

Strengths

Brand value, direct distribution and technologically advanced manufacturing facilities

Weaknesses

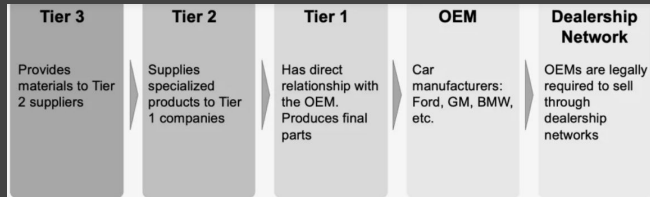
Single supply chain

Threats

Market volatility, lack of electric vehicle adoption and competition from other brands

Opportunities

Blue ocean strategy to engage in unprecedented ventures



VS.



- Tesla is about 80% vertically integrated
- It also sell directly to consumer



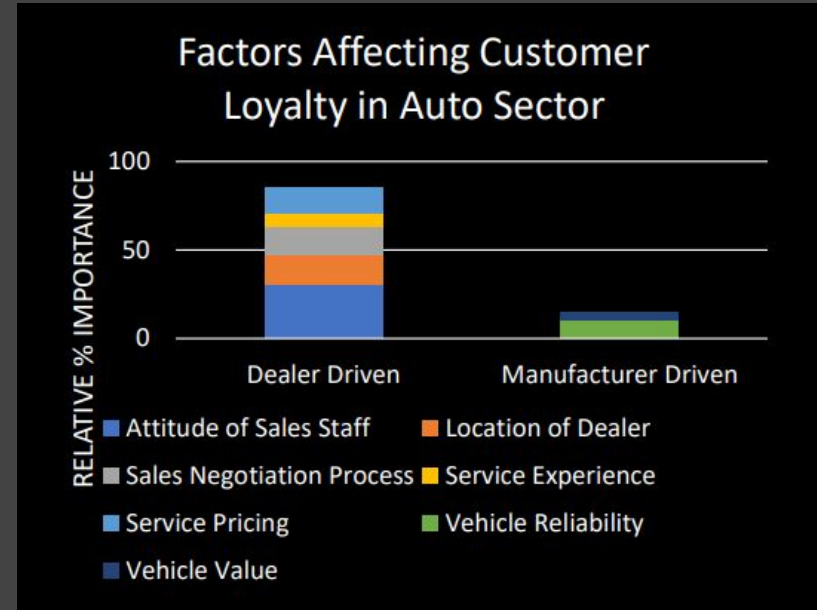
Benefits of online retail selling

- **A Clear Buying Process** - Clear cut process for buying outlined.
- **Searchable Inventory** - Automakers need to make their entire inventory available. Buyers will want to browse and filter the inventory and search for specific model builds using online configuration tools.
- **Accurate Pricing** - The digital sales process bypasses the haggling on the sales floor that's long been associated with the auto industry.
- **Flexible Vehicle Trials and Returns** - The industry needs to allow online consumers to test-drive and see vehicles in person before committing to a purchase. Potential options might include test drives from the customer's home or at some other convenient location, either before the purchase or upon delivery.
- **Online Financing and Payments** - Any payment method that the customer wants to from a variety of options

Benefits of online retail selling

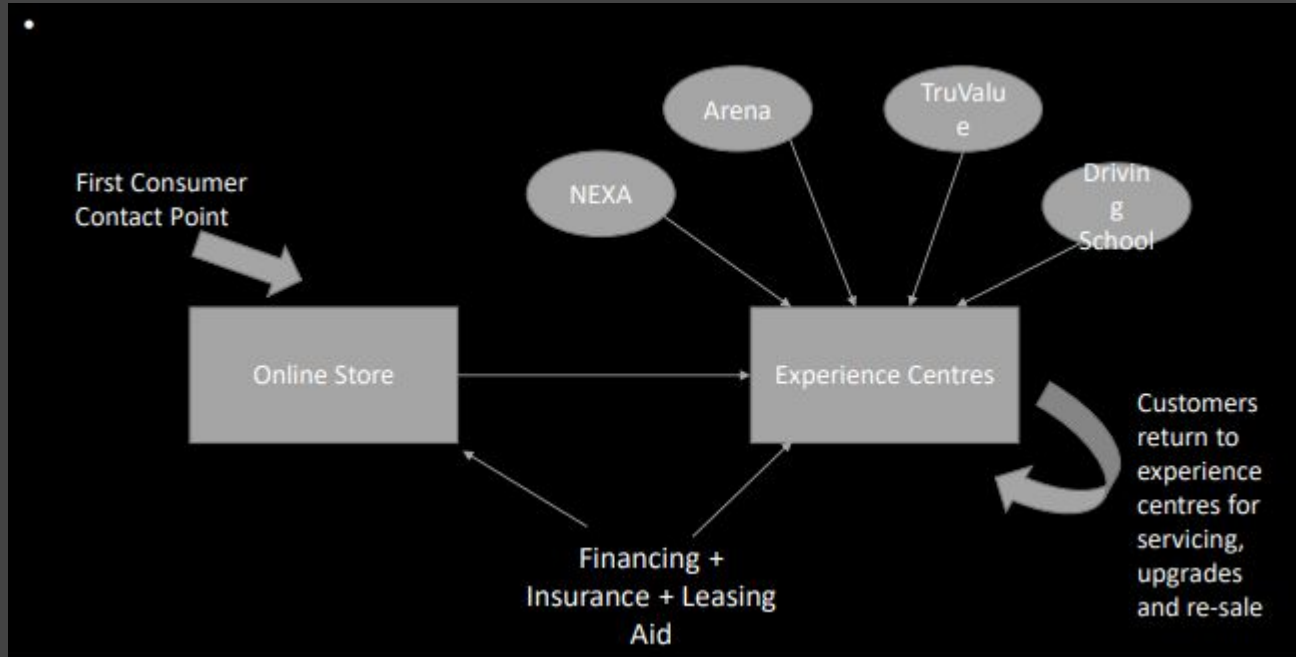
- Transparency - High number of car listings
- Ease of use
- Seamless integration
- Other services such as financial loans , regular tips for longevity, video tutorials
- Flexibility in options
- Future prospects

However, in case of direct sales to customers, in cases where a manufacturing defect is caught, it severely affects the brand value of the company which might affect the stock options as well as the future projections. This volatility comes with the risk to perform at the highest level



Our strategy needs to consider these factors

Proposed solution



Maruti Experience Centres + Maruti Digital Store

Proposed solution

CUSTOMER SIDE
APPLICATION



Implementation

Phase 1

- Negotiate taking over/shutting down of showrooms with different stakeholders
- Launch Maruti Digital Store
- Implement the D2C in Tier-1 cities first
- Convert NEXA (premium end) to experience centres
- Launch home servicing and repairing facilities
- Identify lapses in implementation and fine tune business model
- Timeline: till 2022 end

Phase 2

- Bring TrueValue and Arena showrooms under company ownership in Tier-1 cities
- Use warehouses across zones to make distribution of parts and vehicles more efficient
- Expand the D2C model to Tier-2 cities
- Expand the offerings across the ancillary segment such as insurance, financing and leasing
- Timeline: till 2024 end

Implementation

Phase 3

- Move to a complete D2C model both domestically and internationally in all cities/towns
- Research AR/VR technologies to become a leader in online sales
- Optimize the production schedule and the supply chain
- Consolidate market positions through acquisitions of relevant startups (eg:- Spinny, GoMechanic)
- Timeline : 2025

Financial Performance estimation

Investment Required to Execute Proposed Solution

- Acquiring and Converting Showrooms to Experience Centres = INR 12 crore/venue Total Cost = $12 \times 3120 = \text{INR } 37440$ crore
- Amortized Cost (over 10 years) = INR 3744 crore
- Maruti Digital Store = Tech. Team + Marketing + Online Sales Support = INR 700 crore annually
- Cost of hiring Sales Staff = $12 \times 3120 = 37440$ crore annually
- Total Cost Increase = $3744 + 37440 + 700 = \text{INR } 41884$ crore

Increase in Profit

- 50% Increase in Income from Selling Directly = INR 110,000 crore
- Profit After Sale = $4.38 \times 3120 = \text{INR } 13665.6$ crore
- Total Increase = INR 123,665.6 crore

Net Increase

- INR 81,781 crore

Total Profit in D2C Model = INR 134,991 crore which exceeds our target profit and establishes the feasibility of our model (after adding increase to the previous profit figures)

Thank You!