



# Brand Building Through Service Management - A Case Study of Maruti Udyog Limited (MUL)

**Dr. Pradnya Chitrao**  
Associate Professor, SIMS, Pune

**Prof. Komal Chopra**  
Assistant Professor, SIMS, Pune

The Indian automobile industry is the tenth largest in the world with an annual production of approximately 2 million units. It has the potential of becoming the major automotive industry in the upcoming years. Industry experts are hopeful that it will touch 10 million units mark. The Indian automobile industry is involved in design, development, manufacture, marketing, and sale of motor vehicles. Maruti Udyog is one of the major Indian car manufacturing companies.

Maruti Udyog Limited (MUL) started manufacturing cars under the benign protection of the Government of India at the height of the Licence Permit Raj. With no noteworthy competition, it was little wonder that MUL went on to capture a major share of the Indian market. The significant fact is that even after liberalization came into being in 1991 and all major auto manufacturers were provided access to the Indian automobile market, MUL still continued to dominate the Indian market, and even as of date twenty years later, sells more cars in India than all other auto manufacturers put together. According to JD Power Asia Pacific, MUL was rated at the top position in customer satisfaction for the ninth consecutive year. The Annual Report of MUL shows that their current market share in the Passenger Vehicles segment is 52.2%. The Report indicates that MUL has a complete monopoly in multipurpose vehicles.

The authors contend that MUL has managed to have this dominance in the market through different initiatives related to management of products, marketing, and services. But the biggest contributor for the successful building of the Maruti brand has been the highly effective management of services offered to the customer. The authors intend to verify this hypothesis through original research that will encapsulate the response of users of MUL vehicles as also a study of the service organization created by MUL in India based on published material.

Keywords: MUL, Brand Loyalty, Services, liberalization

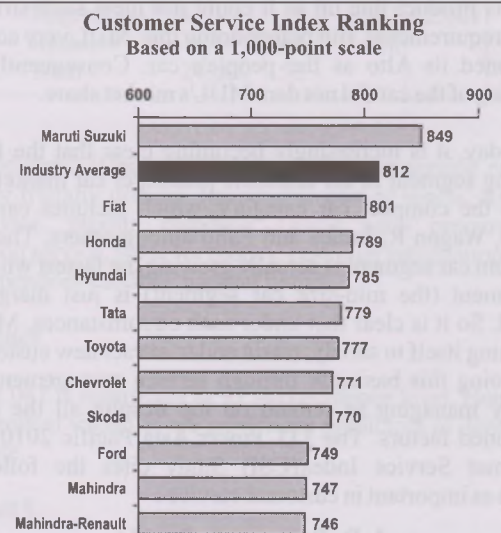
## 1. Introduction:

Since the first car appeared in 1898 on the streets of Mumbai, the Automobile Industry of India has come a long way. In the years immediately after independence, the then policy makers chose to consider the Auto industry as a non-core sector industry, and the government policies were tailored accordingly. Throughout the 1950s and 1960s, no fresh industrial licenses were issued and the two car manufacturers in the country were not allowed to increase their production capacity. Today, liberalization and different tax reliefs from the Govt. of India have made a remarkable impact on the Indian Automobile industry. The Indian automotive industry today is capable of producing cars, two wheelers as well as heavy vehicles. Maruti Udyog Limited (MUL) is the first automobile company in the world to be awarded an ISO 9000-2000 certification. It was established in February 1981 through an Act of Parliament to meet the growing demand of a

personal mode of transport caused by the absence of an efficient public transport system. The intention right from the beginning was to produce a "people's car". It accordingly came up with the Maruti 800 which immediately caught the fancy of the middle class. In fact, MUL has proved that it can straddle two extremes – from a tiny 796cc commuter to a large V6-powered flagship.

The Indian car market is one of Asia's largest and most competitive. Over 1,030,068 passenger cars, multi and sports utility vehicles were sold during 2003/04, growing the market by 32% (Source: Society for Indian Automobile Manufacturers – SIAM). In the 1980s, the Maruti 800 (M800) was India's first 'people's car'. It caught the fancy of the middle class. Maruti Suzuki has never looked back since. MUL has made great strides in customer satisfaction. It is the only car company in the world to be ranked highest in customer satisfaction. In 2010, the J. D. Power Asia Pacific India Customer Service Index (CSI) study found MUL to rank first in terms of customer service by a fairly large margin for the eleventh consecutive year.

## J. D. Power Asia Pacific 2010 India Customer Service Index (CSI) Study<sup>SM</sup>



The study this year is based on responses from over 5,800 owners of more than 60 different models. It was conducted between May and August this year and includes customers, who had purchased their vehicles between May 2008 and August 2009.

In 1983, Brand Maruti Suzuki was defined as 'the people's car'. These values have remained consistent ever since. Over the years, MUL has set the stage for the successful launch of Suzuki's international range in the Indian market, all backed by the inherent value proposition of high quality, fuel efficiency and, compared with competition, low price. This formula has been largely responsible for a new generation of Indian car users swearing by the Maruti Suzuki brand name.

### Reasons Why Maruti Suzuki Has to Concentrate on Services Management for Brand Building:

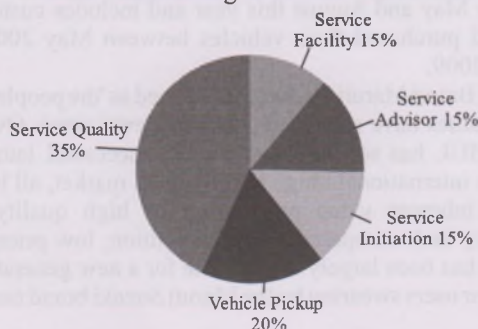
But the scenario is changing now. Due to betterment of economic and infrastructure conditions in India, the exciting market potential for automobiles is attracting many global players to grab their share of the market. These developments have challenged the monopoly of Maruti in the Indian market, presaging a situation where it will be difficult for MUL to maintain its market share unless it adds new capabilities to address the changing market requirements. The Government has allowed hundred percent FDI in the automobile sector, and has scrapped the earlier minimum capital requirement norm for fresh entrants leading to most global auto manufacturers setting up business in India. Today, Maruti can no longer depend only on its brand name, product quality, and vehicle performance. Today almost every auto manufacturer is fulfilling these criteria. Further, due to rise in the price of crude oil, there is now a greater demand for diesel cars. Here Maruti has now come up with a diesel version in collaboration with Fiat, i.e. Swift and Swift Dzire in hatchback and Sedan segments. In the diesel car segment, Tata Motors is the dominant player.

From the customers' point of view, most of the products sold by different companies have more or less the same features. They are well informed, and want value for money as well as good after sales service. Further, foreign car models are well received by the Indian customer as falling import tariffs and growing buying capacity have brought them within their reach. The government has also, from the perspective of tighter safety regulations, made a crash test mandatory. This has forced Maruti to drop its popular people's car Maruti 800 from its product line up as it could not meet such stringent safety requirements. But before doing this, MUL very adroitly positioned its Alto as the people's car. Consequently, the dropping of the car did not dent MUL's market share.

But today, it is increasingly becoming clear that the fastest growing segment in the domestic passenger car market is no longer the compact car category, which includes cars like Santro, Wagon R, Indica and Palio among others. The D or premium car segment is actually growing the fastest while the C segment (the mid-size car segment) is just marginally behind. So it is clear that under such circumstances, MUL is stretching itself to satisfy, retain and to attract new customers. It is doing this basically through service management, and thereby managing to remain on top despite all the above mentioned factors. The J.D. Power Asia Pacific 2010 India Customer Service Index(CSI) Study cites the following factors as important in customer service :

#### J. D. Power Asia Pacific 2010 India Customer Service Index (CSI) Study<sup>SM</sup>

##### Factors Contributing to Overall Satisfaction



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In other words, the study showed that Service Facility accounts for 14%, Vehicle Pickup for 17 %, Service Quality for 43 %, Service Initiation for 11 %, and Service Advisor for 14 %. J D Power also said the number of customers who changed from organised dealership service facilities to non-authorised service centre for vehicle service requirements also decreased considerably. In the J.D. Power Asia Pacific study, Maruti Suzuki achieves an overall CSI score of 849 on a 1,000-point scale and performs particularly well in all five factors.

As of now MUL has more than 600 outlets and 2628 service centers across the country. The company has been renamed Maruti Suzuki India Limited in 2007. It gives a lot of emphasis to service management as a means of effective branding. Quick completion of service is a key source of customer delight, particularly for customers who visit the dealer for routine maintenance. "Maruti Suzuki has effectively implemented simple procedures that improve satisfaction with the value of work performed and perceptions of the fairness and honesty of the dealer, such as greeting service customers quickly upon arrival and fully explaining charges and repairs," said Mohit Arora, senior director at J.D. Power Asia Pacific, Singapore. Such low-effort, yet high-impact practices builds trust among customers; this trust in turn builds loyalty for future service and sales opportunities. "Quick service creates a feeling of convenience and comfort for customers, especially in today's fast paced lifestyle. Dealers who give expedient service, not only delight their customers but also get greater dealership profitability because of high levels of asset utilization.

#### Hypotheses That Will Be Tested in This Study:

The authors therefore have come up with the hypothesis that the biggest contributor for the successful building of the Maruti brand has been the highly effective management of services offered to the customer. The main components of services that will be analysed are cost factor, the quick response to customer complaints, the availability of spare parts, the number of service centers available. and the reliability of service. The automobile industry in India accounts for a business volume of \$45 billion and has the potential to grow much faster both through Indian as well as international manufacturers who have established huge facilities in the country. With the world's second largest and fastest-growing population, there is no denying India's potential in both economic and population terms and the effect it will have on the auto industry in the years to come. It is therefore essential to analyze how Maruti Suzuki remains the number one auto manufacturer in terms of customer satisfaction for the eleventh year in a row despite all the new factors discussed above, and thereby remains the number one brand. So the authors will basically test two hypotheses namely:



H1 : There is a significant relationship between brand image and customer service management

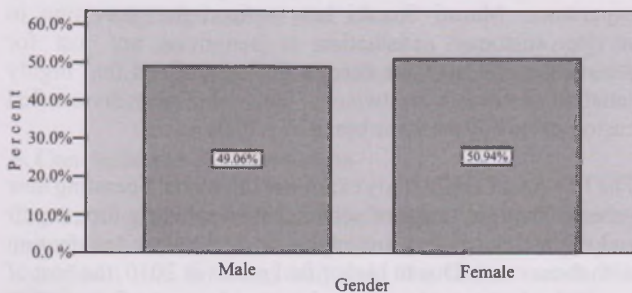
H0 : There is no significant relationship between brand image and customer service management

**2. Research Methodology**

Secondary data was collected from research papers, website of Maruti Udyog Ltd and various research reports. Primary data was collected through a structured questionnaire. The questionnaire had 10 questions relating to branding, customer service and customer satisfaction since that was the topic of the paper. A 5-point Likert scale (1 for "not at all" and 5 for "excellent") was used to measure the respondent feedback on customer service and its relation to brand building. Two service centres of Pune were surveyed and questionnaire was administered to 75 respondents. However, only 53 respondents replied with complete information. Hence the final analysis is based on data from 53 respondents. The respondents belonged to different age groups and gender. Simple random method of sampling was adopted since respondents visiting the service centre on a particular day were targeted and the service centre was reluctant to provide its existing database. The data was analyzed using regression analysis to determine whether there is a significant relationship between branding and customer service management. SPSS 13 version was used to carry out the regression analysis.

**3. Data Analysis and Interpretation**

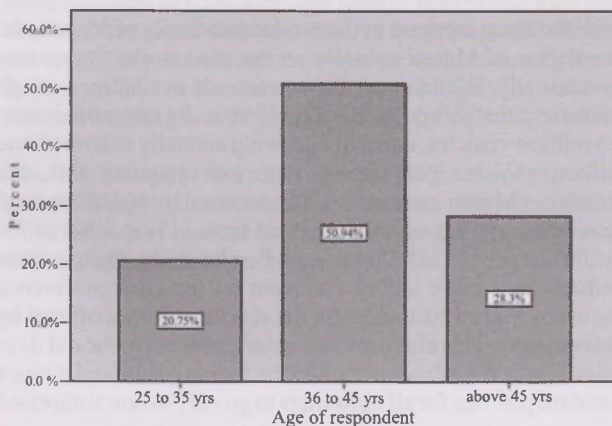
**Exhibit 1**



**Inference**

49.06 % of the respondents were males and 50.94 % of respondents were females

**Exhibit 2**



**Inference**

- 20.75 % of respondents were in the age group of 25 to 35 years.
- 50.94 % of the respondents were in the age group of 36 to 45 years.
- 28.3 % of the respondents were in the age group of above 45 years.

**Exhibit 3**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847(a)	.717	.657	.39771

a. Predictors: (Constant), large presence of service centres, user friendly manual, Reasonable cost of spares, Reliable service, prompt response, Quick parts procurement, Good service, value for money, customer satisfaction

**Inference**

The value of Rsquare = 84.7 %. This shows that the variables under consideration contribute to 84.7 % of brand building.

**Exhibit 4**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.199	9	1.911	12.081	.000
	Residual	6.801	43	.158		
	Total	24.000	52			

- a. Predictors: (Constant), large presence of service centres, user friendly manual, Reasonable cost of spares, Reliable service, prompt response, Quick parts procurement, Good service, value for money, customer satisfaction
- b. Dependent Variable: popular brand

**Inference**

F = 12.081 is significant at 95 % confidence level. Hence the independent variables are significant predictors of dependent variable.

**Exhibit 5**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B		Beta		
1 (Constant)	-2.956	.852	.249	-3.470	.001
customer satisfaction	.264	.120	-.009	2.196	.034
value for money	-.010	.106	.355	-.092	.927
Good service	.396	.110	.029	3.612	.001
Quick parts procurement	.039	.127	.130	.310	.758
user friendly manual	.097	.069	.070	1.403	.168
Reasonable cost of spares	.084	.113	.283	.788	.435
Reliable service	.336	.091	.330	2.978	.005
prompt response	.324	.115	.228	3.557	.001
prompt response centres	.251			2.182	.035



a. Dependent Variable: popular brand

### Inference

1. The regression model shows that customer satisfaction, good service, reliable service, prompt service and large presence of service centres across India contribute significantly (taken at 95 % confidence level) to the brand building of Maruti – Suzuki irrespective of gender and age group.
2. From Exhibits 3, 4 and 5 we reject the null hypothesis and accept the alternate hypothesis. Hence there is significant relationship between brand image and customer service management.

These are the findings of our primary research. But even our secondary research shows that Maruti Suzuki remains at the number one slot in terms of Customer Satisfaction and Service Management. Indeed the JD Power Asia Pacific Study quoted above is itself a testimony to this. In fact, Maruti Suzuki has made customer obsession its core value. The focus is totally on customer satisfaction. It has successfully shed its public sector laid back attitude image, and has, instead, the customer friendly approach in its organizational culture. Maruti has made every dealer answerable to every customer complaint. Maruti has even cancelled dealerships on the basis of customer feedback. According to Dr. Mei Songlin, general manager of research at J.D. Power Asia Pacific, Shanghai, "Historically, service customers have perceived premium vehicle brands to be the market leaders in delivering high-quality customer experiences----However, when mass-market brand dealers place the proper focus on customer service and take steps toward dealer network building and implementation of customer service systems, they can also achieve these high levels of customer satisfaction." The study by J.D. Power Asia Pacific, Shanghai found that, particularly among customers in Tier 2 and Tier 3 cities, building personal relationships with customers is important to customer loyalty. It also found that, among vehicle owners who selected a non authorized dealer service facility, customers cited knowing staff at that facility as a primary reason for doing so. Maruti has achieved this through its service management. It has certain norms for service times and delivery of vehicles. The Dealer Sales Executive is the first interaction medium with the Maruti customer who walks into a Maruti showroom. He is trained by Maruti on greeting etiquette. The J.D. Power study finds that providing service customers with explanations of the work to be performed on the vehicle prior to servicing has a strong positive impact on the overall satisfaction. Maruti ensures that its dealers give these explanations. It gives customers explanations in advance so that they can judge for themselves the complexity of the work that needs to be performed, and whether the cost of the service and the time required to complete the service are reasonable. The J.D. Power study also found that keeping the customers informed of the vehicle status during servicing reassures them that work as explained is being carried out, and also helps them plan when to pick up their vehicle. Maruti's call center is another initiative to come closer to the customer.

In fact, Maruti is spending a lot of effort in developing customer loyalty programmes. It has started the Maruti Finance wherein it has tied up with eight companies to form a consortium. It comprises of Citicorp Maruti, Maruti Countrywide, ICICI Bank, HDFC Bank, Kotak Mahindra,

Sundaram Finance, Bank of Punjab, and Indus Ind Bank Ltd. Finance is one of the major decision drivers in a car purchase, and it has been found to be a main driver in converting a Maruti car sale in some cases. Consequently, offer rates have been quite competitive despite increasing interest rates as Maruti brought all the leading auto finance companies in India under one umbrella. This service of Maruti offers car finance at a transparent rate of interest, and saves the customer the trouble of searching for the best deal in the market. This has enabled Maruti reach a wider range of customer profiles as they get customers from even upcountry areas where there is limited availability of organized finance. Another important issue is insurance. Maruti has brought all car insurance needs under one roof by tying up with National Insurance Company, Bajaj Allianz, New India Assurance, and Royal Sundaram. The car dealer is instructed to take care of everything right from identifying the most suitable car coverage to practically hassle free claim assistance. Maruti Suzuki has also come up with a scheme wherein customers availing of loans from Maruti Finance have the option of securing additional finance for purchase of extended warranty on their cars up to four years. It also provides loan "top ups" to new customers for car insurance and purchase of Maruti Genuine Accessories. Maruti also entered the used car market in 2001 by opening Maruti True Value Outlets where customers can bring their old Maruti car and exchange it for a new one by paying the difference. Customers are offered loyalty discounts. Maruti in this way retains its customers. Maruti has created a system wherein dealers pick up used cars, recondition them, give them a fresh warranty and resell them. Maruti has also come up with a scheme called N2N Fleet Management Solutions for companies who own a fleet of cars for their maintenance under which all kinds of automobile problems are taken care of. All these schemes enable customers have a hassle free ownership experience. Maruti Suzuki has realized that investing in service customer satisfaction is beneficial not just for dealerships but also for brands. It has realized that highly satisfied customers are twice as likely as highly dissatisfied customers to buy the same brand of vehicle again.

The J.D. Asia Pacific study examines the cost of operating new vehicles, both in terms of actual costs (including fuel; repair and maintenance; and tire expenses) and owner satisfaction with those costs. Due to higher fuel prices in 2010, the cost of new-vehicle operation has increased since from 2009 study—up 9 percent for petrol vehicles and 16 percent for diesel vehicles. The study also finds that customers who are highly satisfied with the overall service performance of the dealer have higher levels of advocacy and loyalty to both dealerships and the brand.

With the steep increase in the production levels of Maruti, the population of Maruti vehicles on the road is also increasing substantially. While exact figures are not available, a rough estimate is that this population could be in the range of eight to ten million vehicles, currently growing annually at around one million vehicles per annum. Not with standing this, the number of Maruti customers being serviced by non authorized service centres has actually dropped from 11% in 2008 to 7% in 2009 as per the J.D. Power Asia Pacific study. There cannot perhaps be a more telling comment on the clear preference shown by Maruti customers for the service facilities offered by the company. This also provides a stark contrast to the old days when Fiat and Ambassador ruled the Indian roads, and it was a standard practice for all customers to go only to non authorised



dealers. There was a time when Lamington Road in Mumbai and Nana Peth in Pune were full of non authorised service centres for Fiat and Ambassador cars. But today Maruti Suzuki and its dealers have realized that they lose revenue earning opportunities when new vehicle owners switch to non-authorized service centres. Maruti Suzuki tries to minimize this defection by enhancing customer contact and by engaging in relation building activities at dealerships. These activities include keeping track of customer service histories and proactively advising customers when to schedule their next service visit.

As of now, Maruti has more than four hundred dealer workshops and more than 1500 Authorized Service Stations covering more than 900 cities. Maruti Suzuki also offers a 24-hour mobile service called "Maruti On-road Service". It basically offers a two years warranty on all vehicles that are sold. The dealers are expected by Maruti to address any claim made by a customer under the provisions of the warranty in force at that time. The dealers in turn claim the warranty cost from Maruti. The latter then scrutinizes the claims and either claims the amount from the vendors if the components are defective, or bear the cost themselves. For the third and the fourth year of the purchase, the company has an extended paid warranty programme called "Forever Yours". It is intended to maintain the dealer's contact with the customer as also to increase the revenue generated from sale of spare parts and automobile related services. This kind of committed after sales service covering all aspects results in a truly delightful customer experience.

#### 4. Limitations of paper:

1. As the sample size is limited, the findings may vary with large sample size
2. As the research is restricted to Pune city only, the findings may vary if similar research is conducted in different cities.

#### 5. Conclusion and Future Scope

The findings of the paper have shown that "service" is a very important attribute in automobile industry and it plays a significant role in brand building. The Indian automobile industry is flooded with newer variants from different companies. Hence "service" can act as an important differentiator in building a brand. The paper is significant for car manufacturing companies as it makes them realize the importance of "after sales service". The Maruti Udyog case study can be taken as an important example for this. Manufacturers of Cars therefore need to realize that they have to be in close touch with their dealers for prompt and efficient services. The research conducted by the authors clearly shows that automobile dealers have a crucial role to play in marketing cars and building their brands through the services they offer.

The future scope of this paper is to use PZB service gap model and SERVQUAL models (Parasuraman, Bitner, 1996) to understand and analyze the service gap and service quality delivery by automobile companies in India.

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