

Update on brand “Ambassador”

Ms. Rashmi Phirake¹,

All India Shree Shivaji Memorial Society's Institute of Management, Pune
&

Prof. Madhu Shridhar²,

All India Shree Shivaji Memorial Society's Institute of Management, Pune

Abstract: *This case is based on 'product re-launch strategy' under Strategic Management. Various strategies are discussed in this case which will make us aware in brief about the various business strategies. Management students will clear many of their concepts and will enhance their knowledge about various business strategies currently used in the industry for business growth as well as to re-enter the market. Management faculties can also use this case while discussing various strategies in their class. This case is based on the decision of the HM management when it decided to relaunch the Ambassador car. It highlight the reasons which compelled the company to take this decision, and it also talks about the views of market analyst's that making cosmetic changes the company will not be able to make any mark in this stiff competitive scenario. The case also talks about the strengths and weaknesses of company and the brand.*

Key words: *Relaunch, Strategic Management, Business Strategies, Re-enter, Cosmetic changes, Strengths, and Weaknesses*

Case: Hindustan Motors Limited (HM), India's pioneering automobile manufacturing company and Flagship Company of the C.K. Birla Group, was established just before Indian independence, in 1942 by B.M. Birla. They began operations in a small assembly plant in Port Okha near Gujarat by assembling the then Morris 10 as the Hindustan 10. In 1948, Hindustan Motors shifted its assembly plant from Port Okha in Gujarat to Uttarpara in West Bengal's Hooghly district and strengthened its manufacturing capacity in the automobile segment.

The Morris MO Series models (the earlier one and its next model with a new front grille) were by 1949 introduced, as the Hindustan 14. The production continued till 1954, after which the Landmaster based on the Morris Oxford Series II was introduced, with the same 1478 cc side valve engine, drawn from the earlier Hindustan 14. The same engine was used for the older Ambassadors Mark I from 1958 till 1960.

This was the era when Indians were testing independence & “Swadwshi” concept had very strong hold on the mindsets of the Indians. Only the top rich echelon of the society could afford maintaining a car which was considered being a status symbol and a luxury. Ambassador was the only choice to flaunt this luxury.

When the Birlas wanted a new model to replace their already old Hindustan models based on the Morris Oxford Series II (*Hindustan Landmaster*), they scouted for the new Morris Oxford Series III. The car initially came with a side-valve engine but was later improved to an overhead-valve engine. Also the car at that point was quite an innovation with a fully enclosed monocoque chassis, which is why it is spacious inside.

The car, a four-door sedan, based on Morris Oxford model, is perfectly suitable for the harsh Indian roads. Although the automobile doesn't flaunt stylish design, as seen in other vehicles in its class, it is much preferred by those Indian consumers who look for sturdiness in their vehicle. The car is primarily used by the politicians in India.

Few days ago the old Ambassador was in the news that the brand owners - Hindustan Motors is planning to revive this heritage brand. The brand and the company are in deep crisis with Hindustan Motors posting losses of Rs 43 crore last year and its net worth declining by 50% approx.

The company plans to relaunch the Amby in a new look and is planning to entrust a design house with the task. The report also suggests that the new Amby will be in retro- look and between the price range of Rs 5- Rs 7 Lakhs. The new Amby will be a niche product.

The report explains about the new Amby launch that it will be very difficult for the brand to recover its lost magnificence if it is going for a niche variant. According to Economic Times, Ambassador sells around 600 units per month in a market of 2 lakh cars/month.

There was another news where, Uttam Bose, MD, Hindustan Motors said "We have certain plans to make the net worth positive," Among others, it is in the process of spinning off its lucrative Chennai plant into a separate entity and has plans to unlock value of its land assets. The Chennai unit does contract manufacturing for auto giants such as Mitsubishi and Isuzu. It also intends to bring in foreign investment for its Chennai and West Bengal units. The company's misfortunes may not affect the Ambassador, at least for now. It expects sales to touch 6,000 units in fiscal 2014 on demand from the government and taxi operators. It recently launched the BS-IV Ambassador Encore and is developing a sub-4 metre version. Besides Ambassador, HM also has a Winner truck in its portfolio. The company management says overall vehicle sales would increase to 7,500 units this year. HM shares closed at around Rs 9 in a flat Mumbai market.

Ambassador is now in a groove which is created by their own. This is the classic example of marketing myopia. When the whole market was changed the brand was not ready to change by taking their customers for granted. The brand was silent when facing competition from big brands like Tata and Maruti. The need of that time was to change the entire model and not to make certain changes in the exterior. When the demand was to have drastic change the brand stuck with the existing model. The brand could have latched on to being a pioneer & could have taken advantage of having strong hold on its loyal customers/ dealers and network it could have grown in leaps & bounds, but unfortunately they were so consumed in their own bubble that they did not read the writing on the wall for a change. A new generation of rich class was already emerging who believed in change.

Ambassador did try to give new variants time & again to meet the competition of other brands & to keep it alive in the minds of customers'.

In 1957 all the tooling of the British Morris Oxford Series III was transferred to India. The car was renamed the Ambassador and series-production started in 1957.

Styling changes from the Morris Oxford series II (Landmaster) to Morris Oxford series III (Ambassador) included deep headlamp cowls and small rear wing "tail fins"—all the rage in 1956. The dashboard and steering wheel were completely redesigned. The Landmaster's flat-plane two-spoke steering wheel gave way to a stylish dished steering wheel with three spokes made-up of four wires per spoke, for the Ambassador. Also a new, dimpled hood made its debut. These models had a 1,476 cc side-valve petrol engine. In 1959 the side-valve engine was replaced by a 1,489 cc, 55 bhp overhead-valve BMC B-series petrol engine.

In 1963 it underwent a minor frontal facelift with a closely chequered grill and was named as the Ambassador Mark II. As with other British designed Mark cars, while there was never really any Ambassador Mark I, the arrival of the Mark II got people calling the older model, Mark I. Incidentally, the first ever produced Mark II in black was gifted by HM to the then Prime Minister Jawaharlal Nehru. In this period the Sales Manager, Helmuth Lindeman, unsuccessfully tried to persuade Birla Senior to use an Ambassador, as that would in his view, have improved the quality. The fact that Mr Birla had doubts on the reliability of the car and was not willing to use the car made in his factory was a clear indication of its quality.

In 1975 another minor facelift to the same grille and a much bigger frontal facelift, with a new dashboard all in black, new tail lights, number plate light and rounded parking light was turned out as the Mark 3, the most popular face of the Ambassador. By 1978, the Mark 3 was available in its Standard and Deluxe versions. The Deluxe version had a newer dashboard with four meters plus the speedometer. Just before the launch of the Mark 4, the Mark 3's had their front windscreen wiper configuration changed, with a common direction sweep for both wipers. This configuration is still prevalent in the new Ambassadors till date.

In 1979 the Ambassador got another facelift with a smaller chequered grill and square park lamps and separate blinker lamps incorporated on the semi front lip spoiler below the bumper. This model was named as Mark 4. In addition to the existing petrol version, a diesel variant was launched which was powered by a 1,489 cc, 37 bhp BMC B-series diesel engine. It was the first diesel car in India and was well received by the Indians. Mark 4 was the last of the Mark cars. For a short period the cars were available as "Deluxe" & later it was renamed Ambassador Nova. The Ambassador of 1990 was virtually identical to the 1956 original, with most changes being cosmetic. The changes were mainly the front styling and minor changes to the dashboard. This technological stagnation was mainly because of the protectionistic policies being pursued by the Indian government at the time, and there was little willingness on the part of Indian companies to innovate.

The Ambassador celebrated the Golden Jubilee of its production in 2008 (1958- 2008).

All said and done, the Ambassador has emerged as the car mass-produced for the longest number of years, with minimal design changes, on the same assembly line (Uttarpara, West Bengal, India) in the whole world (1958- 2013 and still going strong). No other car made in the world has surpassed this record.

HM was on its toes after the mid-1980s after the assassination of Prime Minister Indira Gandhi in 1984 and the impending terror threat to the new leadership, coupled with the inclination of the Indian political class to use the Ambassador. These factors compelled the car maker to shop for a more powerful engine that could effectively propel the old beauty with the added weight of armour plating, with bullet-proof glass and air-conditioning as essential add-ons.

The recent strategy of Amby is again a patch up. Where many people have opined that it will not work for the brand. It would be very difficult to revive with the launch of a niche high priced Ambassador. When the brand equity is in shambles.

HM, which ruled Indian roads through government patronage during the days of license raj, saw its financial performance deteriorate over the years as revenue from its flagship Ambassador Brand tumbled. The company was slow to respond to aggressive competition from multinational players such as Suzuki and Hyundai. Sales of the Ambassador, whose design has remained virtually unchanged for over six decades, totaled a measly 3,390 units last fiscal, which is less than 1% of market leader Suzuki's figure.

HM, the country's oldest car maker tried various turnaround strategies and cost-cutting measures but its accumulated losses completely eroded its net worth (shareholders capital and reserves). It had a negative net worth of Rs 36 crore as on June 30. A BIFR filing will impact 2,000 employees at its Uttarpara plant in West Bengal from where the first edition of the Ambassador, based on Morris Motor Company's Morris Oxford model, was rolled out in 1942.

"They were a company stuck in time and in history," said an industry observer. "Now their history has become a liability."

Ambassador was a market leader and consumers bought the car because they did not have a choice. Not because they were a die-hard Amby fan. Hence a high priced niche variant may not revive the sale of Ambassador.

Secondly HM as a company is now relying its future on Ambassador which again is a flawed strategy. A weak brand cannot save a weak company. And a niche variant will at best give some life support and not survival.

Another way to look at the current strategy is the transformation of Amby from a mass market car to a niche product. So instead of trying to sell large volume of Ambassador, the company hopes to sell high-end variant and hence generate more cash. In that viewpoint, the launch of a high priced Amby make sense. But the question arises does the brand has enough equity to support such a variant. Brands like Beetle and Enfield revived because these brands had strong equity existing in the market even after its previous life. The relaunch re-ignited the existing goodwill. But Ambassador is lacking in this area. Ambassador is known for its space and rough nature. The product is also infamous for nagging problems, poor build quality and low mileage. Still people bought because there was no choice. For such a product, the hope of renewal from a niche product seems too optimistic.

It is said that, Indian market has seen consumers accepting products with outstanding quality/utility. So in such situation if the new variant will be in that logic, there are chances of getting accepted by the market.

Another interesting aspect of this issue is about the reliance of HM on Ambassador Brand for its survival. The trend in the Indian auto market is that multiple brands from different companies sporting the same engine. The engine has become commoditized and design has gained prominence. In such a market why not come out with an entirely new brand with a proven engine? Although building new brand is expensive compared to rejuvenation of old brand, in Amby's case, Ambassador is already facing wrong perceptions problem and it is difficult to change. HM's loyal customers' government sector is also having a rethink. Today's officers and the politicians are also a reflection of the society wanting the best.

If Ambassador wants to stay relevant as a brand, it should focus on disruption. Disruption should happen both internally and externally. The brand should go for fundamental redesign and more importantly it should disrupt the market. The current price of Ambassador is negatively compared with the competitors like Indica. So if Ambassador wants to play the volume game, it needs to offer consumer something which will be accepted surely.

HM is again going for short-term strategy aiming to hunt for long-term gains. For Amby, it seems to be the end of road.

Unfortunately HM is planning to please the new customers virtually by selling the old wine in the old bottle not even taking the pains to at least have the new bottle. It looks they have a fancy for their outer shell where as new customers wants something new all the time which the other competitors are offering.

QUESTIONS:-

- [1.] Q1. The company is trying to save the BRAND by offering new variant, is it working? Explain.
- [2.] Q2. Suggest the feasible solutions to the Company which can be applied and will be beneficial.