A Case Study on
Toyota and Suzuki Cross-Badging Models - Vardan or Shrap!

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Abstract

The two major automaker company's, Suzuki and Toyota agreed to strategic alliance in which Suzuki which is having a share of more than 50 percent of the domestic car market segment in India offers to provide few of its premium cars to be sold under the logo of Toyota; to get the advanced technology i.e, Hybrid engines and electric engines. The capabilities of the two companies are complementary as the Suzuki is known for the trust of the Indian consumers and Toyota is known for the technology advancement. Suzuki is having maximum share in Indian market by targeting the lower and middle-class segment by providing them various products with the range 2.78 lakhs to 11.48 lakhs. On the other hand, Toyota is serving the upper-class segment by providing them various products with a range of 6.42 lakhs to 1.74 crores. For Suzuki, this alliance seems to be a futuristic approach where Suzuki is going to get an electric engine which is the need for survival in the competitive market without spending any amount of research and development activity. On the other hand for Toyota, this alliance seems an opportunity to get capture more market share in the Indian market by targeting the middle-class segment. The concept behind this alliance is 1+1 = 11 not 2 as both the companies together cut the share of other players in the market without going to a price war with each other. So the deals seem to be sensible for both the sides but the future will let us know this will turn out to be Vardan or Shrap!

Keywords: Strategic Marketing, Strategic Alliance, Toyota Glanza, Suzuki Baleno, Carmaker and Cross-badging.

Introduction

It was in the year 2016 two Japanese giant automakers thought to join hands to jointly explore opportunities and share new-age technologies. A couple of years later after signing an MOU, each manufacturer figured out the role each will play in the partnership. (Refer to Exhibit 1 & 2)

Toyota Motor Corp's come up with the proposal of sharing Hybrid Electric Vehicles (HEV) with Maruti Suzuki. The Suzuki-Toyota-Denso plant coming up in Gujarat will privately acquire the HEV systems, motors, and batteries. In Europe, Toyota will provide Suzuki the electrified vehicles generated by RAV and Corolla platforms. Besides, Suzuki will utilize Hybrid Systems of Toyota globally.

Suzuki utilizing its expertise will build up another C-segment MPV for India and proposed to provide four models to Toyota which may include the Ertiga for the Indian and African markets. Further based on its Ciaz-Global C and Ertiga-Heartect platforms Suzuki will provide two compact cars to Toyota. The Baleno, Ciaz, Ertiga and the Vitara Brezza will be the four models supplied by Suzuki to Toyota in Africa. Besides, Suzuki will assist with its power train technology to Toyota in Europe and turn, Toyota will utilize the sourced technology

at its plant in Poland and manufacture engines for Suzuki.

Glimpse of Maruti

On February 24, 1981, Maruti Suzuki India Ltd was built-in with the name Maruti Udyog Ltd. The company with Suzuki as a minor partner was established as a government company, to manufacture passenger vehicles for middle-class India. Gradually with the years, the company expanded its product range, changed ownership roles and enhanced customer base.

More than 50 percent of the domestic car market segment is covered by it (Exhibit-4). It offers a wide array of cars from lower end Alto to stylish hatchback - Wagon R, Ritz, Estillo, A-star to sedans – DZire, Ciaz to SUVs -Grand Vitara, Ertiga. Besides the business of manufacturing, it is also involved in the purchase and sale of motor vehicles and spare parts (automobiles), car financing, facilitation of pre-owned car sales and fleet management.

Besides offering a wide range of cars, Maruti Suzuki is known for its widest network of all carmakers in India. The Suzuki presently has two forms of dealerships - Arena and Nexa. Nexa retail outlets in India target the premium segment of Maruti Suzuki. Thus the four models the Ignis,

Toyota Glanza Vs Maruti Suzuki Baleno- First Cross-Badged model in India

In June 2019 with the launch of Glanza Toyota-Suzuki partnership just began and has promised to come up with quite a few products. Glanza is a cross-badged version of the Maruti Suzuki Baleno with a minor difference. The engine, features, overall design and dimensions of Glanza are similar to that of Baleno. Toyota offers the Glanza in only two options Zeta and Alpha of the Baleno with the slightest difference in pricing. However, to make it bid distinctive it has added some new elements.

The silhouette, proportion, and cabin of the Glanza resemble the Baleno facelift except for the only visible change of the Toyota badge on the steering wheel. Glanza is equipped with 'Smart Playcast Audio System' which is rename of Suzuki's latest Smartplay studio information system. The interior of Glanza with a blue pattern on seats and door armrests and the black interior theme is also identical to Baleno.

Although Maruti Suzuki's Baleno BS-VI petrol is available in a wide range of nine variants of which Toyota has opted only four to sell from its dealer's outlet. The Toyota Glanza base G Smart Hybrid variant is Rs.64,812 lesser than its equivalent variant the Baleno Zeta Petrol SHVS variant. The other variants of Glanza are almost closely priced to that of the Baleno's with a minor difference of just Rs.12. (Exhibit 5)

Presently the two variants G and V of Glanza are available in manual and automatic transmission. The G Variant is like the Zeta variant while the V variant is a facelift of the top-end Alpha variant. Further, the Smart hybrid system (SHVS) is available only the base G manual (MT) variant of Toyota.

Challenges of Toyota-Suzuki tie-up

When talking about the Toyota-Suzuki tie-up, it seems that no announcement has created the stir as this one has. After all, it's an alliance between the domestic leader and the world's automotive giant.

Toyota used the Baleno, the hotcake of Suzuki to enter the lower end of the market – a segment it has failed to crack, despite a concerted effort with the Etios. Meanwhile, Suzuki, which had a terrible time with the Kizashi, will have a stab at the executive sedan market with the Corolla. In the longer run, Suzuki will also tap into the Toyota EV knowledge pool – an area in which it is relatively weak9. Thus, the plan is simple enough and very symbiotic; each carmaker is to provide cars in a segment that the other is weak in. However, it isn't as easy as it seems.

As Suzuki is quite Indian in spite of its origin in Japan and Toyota probably reflects more of Japan than the Japanese itself so coming together of two different companies and two different cultures may pose a small challenge.

Further what could be a challenge is the consumers of the Indian market who hasn't taken to the badge-engineering concept. However it may be an accepted practice overseas, where it's just the badge that's being interchanged in many cases, in India, even changing 'soft' parts, like the grille, bumper and headlights don't go down well with buyers.

The next issue for consumers will be brand values. Regardless of the segment, the overriding reasons why people buy Maruti are ease of service and sense of ownership. As per the 2016 spare parts study, the Corolla was rated to have the most expensive parts bin; ahead of the VW Jetta, the Skoda Octavia and the Hyundai Elantra. Will this go for a Suzuki?

For Toyota, by offering Innova Crysta and Fortuner, able to hold a premium mind space in the consumer of India, selling products from what is seen as a mass-market brand could be a challenge.

Then the challenge will be setting up the service network as Maruti and Toyota use different platforms and architectures. Parts supply logistics, managing the supply chain with new vendors and warehouses too will be a challenge.

Toyota and Suzuki's strategic alliance in India seems like a win-win deal, what do you make of Toyota and Suzuki's strategic alliance in India? Is it a Vardan or Shrap!
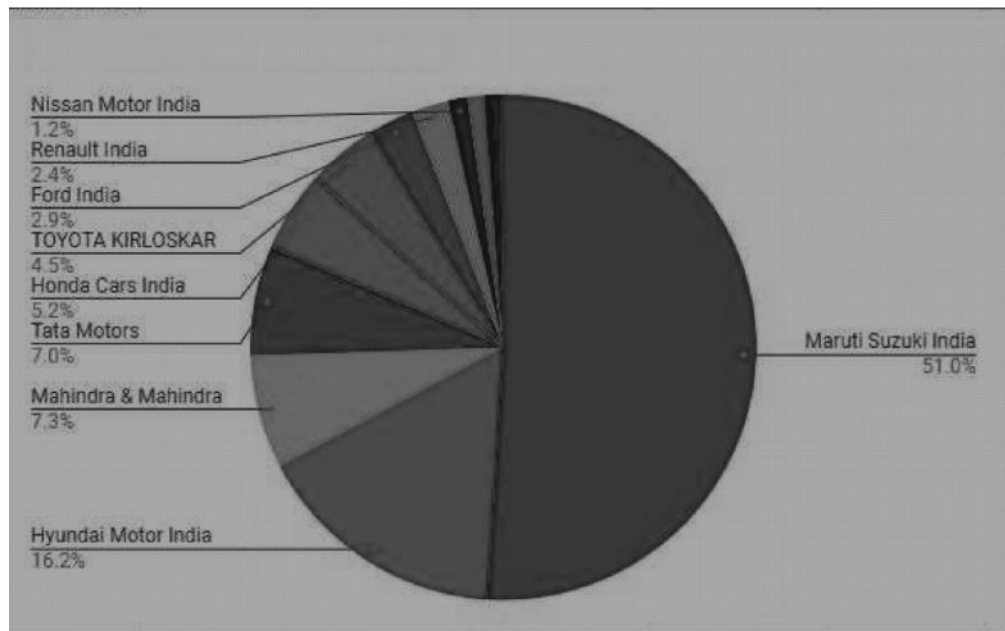
Exhibit 1

Market	Toyota Motor Corporation 's Role
India	Share Hybrid Electric Vehicle (HEV) technology in with Maruti Suzuki in India through local procurement of HEV systems, Engines and Batteries.
Europe	Supply two electrified vehicles to Suzuki which will be built on Toyota Platforms (RAV and Corolla Wagon)
Global	Supply Toyota Hybrid Systems to Suzuki

Exhibit 2

Market	Suzuki Motor Corporation's Role
India	Supply two compact vehicles developed on the Suzuki platform which underpins the Ciaz and Ertiga.
Africa	Supply Made-In-India Baleno, Vitara Brezza, Ciaz and Ertiga to Toyota in Africa.
Europe	Supply powertrain technology to Toyota for compact cars which will be supported by Toyota and Denso and will be manufactured and Toyota's plant in Poland.

Exhibit 3

Market	Toyota-Suzuki Partnership
India	Developing a C-segment MPV in India with Suzuki's expertise and supplying the Toyota Corolla executive sedan.
	Manufacturing the Toyota badged Vitara Brezza at Toyota Kirloskar Motor's plant in Karnataka from 2022.

Exhibit 4

Source: ET Auto.com

Exhibit 5 - Pricing Comparison

Maruti Suzuki Baleno	Prices	Toyota Glanza	Prices
Sigma Petrol	Rs. 5,58,602		
Delta Petrol	Rs.6,36,612		
Zeta Petrol	Rs.6,97.912		
Delta Petrol SHVS	Rs.7,25,412		
Alpha Petrol	Rs.7,58,212	V MT Petrol	Rs.7,58,200
Delta Petrol AT	Rs.7,68,612		
Zeta Petrol SHVS	Rs.7,86,712	G MT Petrol SHVS	Rs.7,21,900
Zeta Petrol AT	Rs.8,29,912	G AT Petrol	Rs.8,29,900
Alpha Petrol AT	Rs.8,90,212	V AT Petrol	Rs.8,90,200

Exhibit 6 Suzuki and Toyota Brands and its Price

Brand Name	Base Model Price	Highest Model Price	Brand Name	Base Model Price	Highest Model Price
ALTO 800	**2.78**	**4.03**	**Toyota Etios**	**6.42**	**8.08**
Omni	2.99	3.22	Toyota Etios Liva	7.39	9.54
Alto K10	3.52	4.37	Toyota Yaris	10.9	16.6
Eeco	3.54	4.57	Toyota Corolla Altis	13.79	14.78
Wagon R	4.29	5.79	Toyota Innova	23.31	28.3
Celerio	4.34	5.53	Toyota Fortuner	33.15	37
Celerio X	4.76	5.62	Toyota New Camry	37.5	44.9
Ignis	4.87	7.22	Toyota Prius	53.03	
Swift	4.99	8.85	Toyota Prado	1.21 crores	
Baleno	5.55	8.76	**Toyota Land Cruiser**	**1.74 crores**	
Swift Dezire	5.69	9.54			
Gypsy	5.86	6.54			
Ertiga	7.44	10.9			
Vitara Brezza	7.78	10.7			
Ciaz	8.19	11.2			
S Cross	**8.85**	**11.48**			

All prices are in Rs lakhs, Ex-showroom Mumbai. As of April 2019.

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Abbreviations Used

RAV-Recreational Activity Vehicle

MPV-Multi Purpose Vehicle

SUV – Sports Utility Vehicle

MoU- Memorandum of Understanding

R&D – Research & Development