

Case Study: KIA Motors in INDIA – Will it survive or Will it fail...

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Abstract

[Kia Motors](#) Corp., entered in India's automobile market, to establish the brand with focus on more volumes and market share rather than on profits. The South Korean Hyundai Motor Group subsidiary before introducing its electrified vehicles in India thoroughly understood the government plan to set up infrastructure and other needs of electrified mobility.

The managing director and chief executive of Kia Motors India, Kookhyun Shim said in an interview “[Kia's](#) philosophy is more about being a sustainable brand in India for the long term. We have learnt a lot of lessons from other competitor brands. So, we want to be the most loved in the first stage”.² Kia with its initial investment of \$1.1 billion in India will be unable to become profitable soon.

KIA unveiled its first product, Seltos which is a Sport-Utility Vehicle (SUV) aimed at challenging Indian SUV customers which has other strong players such as Hyundai, Mahindra and Mahindra Ltd. and Tata Motors Ltd. The new entrant SAIC Motor Corp. of China and France's Groupe PSA will make more competitive segment.

In such a scenario of stiff competition, Kia has set an aggressive goal of becoming the 5th largest automaker in India in the upcoming five years. To meet its goal, the company planned to launch⁴ new models over the coming two years.

Therefore, in the present extremely competitive Indian car market, that is owed to be the world's third largest till 2025, how far Kia's entry and philosophy of being sustainable brand in India is wise.

Indian Auto Market Status

In 2018 India with the increase sale of 8.3 percent yearly to 3.99 million units became the 4th largest cars and 7th largest commercial vehicles manufacturer.

The auto market has dominance of two-wheelers segment with 80 percent share in the domestic automobile sales in FY19 (Exhibit 1). The dominance is due to large number of rising middle income and a youth population. Further, the rising interest of the auto firms in tapping the rural markets further facilitated the growth of this sector.

India being a leading auto exporter have strong growth expectations of

export in the upcoming years. The growth of Automobile exports during FY19 was 14.50% and is expected to grow at a CAGR of 3.05% from 2016 to 2026. Moreover, India is expected to be a market leader in the world by 2020 in the two-wheeler and four-wheeler segment via various initiatives of Indian government. (Exhibit -2).

KIA Motors Corp.

The word Kia has an interesting Korean meaning in two parts. “Ki” means “to come out” and “a” means “east.” Thus, translated to mean, “to come out of the east” that is a company that belongs from East Asia and serves to so many countries across the globe.⁵

In May 1944, Korean oldest motor vehicle manufacturer Kia Motor Corporation began its journey with making of bi-cycles and motorcycles. Gradually this subsidiary unit of the global Hyundai-Kia Automotive Group became the fifth largest world's automobile manufacturer. It produces around 1.4 million automobiles annually in 8 countries from its fourteen-assembly operations manufacturing unit. It has annual revenues of around US\$17 billion with its strong distribution network of 3,000+ distributors and dealers across 172 countries.

KIA's Entry in India

In August 2019 the Auto sector witnessed its worst drop in demand in last twenty years. Sales of domestic vehicles was constantly declining from April till September 2019. Automobile brand Kia Motors though broadcast in 2016 its entry in India and since then were quiet, until launched its first product for the Indian market – The Kia Seltos – during the festive season in October, 2019. Interestingly, just eight months before the launch, very few in India had even heard about the brand. Still KIA has some crazy ambitious announcements of ranking itself in the top five automobile providers of India in next three years.

It invested \$1.1 billion (about Rs 6,900 crore) in building up the lavish manufacturing plant of 536 acre in Andhra Pradesh's District Anantapur of India. The plant with a capacity of manufacturing 3,00,000 units annually has environment-friendly infrastructure with well-equipped AI building and its most advanced robotics technology⁸. To retail such units of cars KIA came up with its aggressive marketing strategy.

Elements of Marketing Mix Strategy

Product

Kia Motors a public Korean company is ranked as one of the top manufacturers for its estimated 1.5 million units per year sales figures. It is a brand known for its exclusive, vivacious and credible range of automobiles. The product

range includes trucks, passenger cars and SUVs along with military, transportation vehicles and other variants⁹. (Exhibit-3)

Kia Motors has made its debut in the Indian market with the launch of its first product, the Seltos which is a mid-size Sports Utility Vehicle (SUV). It is targeted at the robust Indian SUV market, which has players such as Hyundai, Tata Motors Ltd, and Mahindra & Mahindra Ltd. The segment has more competition with the upcoming entry of China's SAIC Motor owned MG Motor and Groupe PSA of France. Despite the competition, Kia with its most aggressive strategy for India plans to introduce four new models over the next two years. Presently the popular Kia cars in India include Kia Seltos and Kia Carnival. The Kia cars in India will rival some of the popular models for top brands like Maruti Suzuki India and Hyundai India¹⁰ that have announced plans to offer electric vehicles in India in 2020. Kia has also invested in making its plant in Andhra Pradesh ready for electric vehicle assembly.

Apart from the Seltos and Carnival, Kia Motors has planned a few more product launches across segments. Around 9 upcoming Kia cars like Kia Stonic, Kia Sonet, Kia Soul and Kia Xceed will be launched in India in 2020-2021. Among these 9 upcoming cars, there are 2 Sedans, 4 SUV and 3 Hatchback. (Exhibit -6)

KIA Seltos

Kia offers the Seltos in Tech and GT Line. The Tech Line is offered in five variants -- HTE, HTK, HTK+, HTX, and HTX+ -- price range varies from Rs 9.89 lakh to Rs 16.34 lakh. The GT Line which means Grand Tourer (GT) is a kind of sports car that is made for high speed and long-distance driving, along with performance and luxury attributes. It is offered in 3 variants -- GTK, GTX, and GTX+ -- price range of Rs 13.79 lakh to Rs 17.34 lakh (ex-showroom pan-India).

Seltos Engine comes with 3 BS VI engine options -Petrol 1.5L, turbocharged petrol 1.4L, and diesel 1.5L. The turbocharged petrol 1.4-litre engine is only offered with the GT Line variants with the Manual and Automatic transmission. Seltos has a mileage of 16.1 to 20.8 kmpl based on fuel type and the variants. The 5-seater SUV Seltos measures of 4315mm in length, 1800mm width and a 2610mm of wheelbase.

Kia has offered a bunch of features in the Seltos as Kia's UVO connected car technology infotainment system of 10.25-inch touch screen, ambient lighting with head-up display of 8-inch and smart air purifier. The select variants offers a multi-information display of 7-inch, Bose sound system with eight-speakers, ventilated front seats, a power-

adjustable driver seat, a sunroof and leatherette interiors. Safety features includes 6 airbags, ABS with EBD as well as electronic stability control. It has 360° parking camera with blind-view and rear-view monitor are also offered along with parking sensors in front and rear.

Seltos compete with the Nissan Kicks, Maruti Suzuki S-Cross, Hyundai Creta and Renault Captur. It based on its pricing competes MG Hector and Tata Harrier. It will also take on the upcoming Skoda VISION IN SUV. (Exhibit-4)

Kia Carnival

Carnival is the Multi-Purpose Vehicle (MPV) available in 3 variants: Prestige, Premium and Limousine, with the option of seven, eight or nine seats. All three variants are available with the 2.2-litre diesel engine. The limousine variant is a 7-seater version with luxurious armchairs for the middle row. The Prestige variant is available as a 7- or 9-seater. The entry-level Premium trim is available as a 7- or 8-seater. Three colour options offered are Glacier White Pearl, Steel Silver, Aurora Black Pearl. However, some of these colours are available in specific versions. In contrast to the Innova Crysta, the Carnival is a car with front-wheel drive with claimant mileage of 13.9kmpl and 540 litres of boot space.

Carnival has exclusive features as Android Auto and Apple CarPlay, wireless phone charger, rear electric sliding doors, rear entertainment screens as well as tri-zone climate control. Safety features on offer are 6 Airbags, Anti-locking Braking System (ABS) with Electronic Brakeforce Distribution (EBD), front and rear parking sensors, a rear-view camera as well as electronic stability control. The top-spec variants also get UVO connected car (free for 3 years), Featured with sound system of premium 8-speaker from Harman/Kardon and dual touch screen of 10.1", ventilation for driver seat, entertainment system at rear seat, ten-way power driver seat, wireless charger and smartwatch connectivity. (Exhibit-5)

Kia Carnival Rivals against Ford Endeavour, Mahindra Alturas G4, Toyota Innova Crysta, Isuzu MU-X, Honda CR-V and Mitsubishi Pajero Sport.

Price

Kia Motors in its origin country South Korea applied a competitive pricing strategy. However, at the global front in US, some regions of UK and Africa and for export products it kept price high. In spite of having strong brand value in different regions of the world is not offering very competitive discounts as compare to other competitors as Nissan. With ambitious expansion and upscaling of its flagships and other brands the company is aiming to raise up the price range. Still But in comparison to the

conventional brand range is not competitive. Further to avoid the brand segments overlapping of its products it also maintains price gaps among its product ranges. (Exhibit 6)

Kia Motors estimated approx. forty-four billion dollars annual revenues. After a thorough market analysis, it set up the effective pricing strategy which focuses to target right market considering the customer willingness and power to purchase.

Kia Motors India understanding the tough competition of competitor firms, attempted to walkout a right balance among its company, customers and prices. It embraced a competitive pricing strategy which offers product prices marginally same to its competitor's company products. Kia Motors with the basic thumb rule that greater the volume, greater the profits has put focus more on sales numbers than on profits.

Kia's debut model in India, the Seltos is also the segment leader at present. The Kia Seltos is a 5-seater midsize SUV that is priced from Rs 9.89 lakh to Rs 17.29 lakh (ex-showroom). Kia Carnival price starts at 24.95 Lakh and goes upto 33.95 Lakh. The price of Diesel variant for Carnival ranges between 24.95 Lakh - 33.95 Lakh. (Exhibit-5)

Place

Kia Motors serves across the globe with its Seoul headquarters in South Korea. The firm has fourteen plants of manufacturing and designing located at various regions of South Korea, United States, Vietnam, Mexico, China and Slovakia. Sales and Distribution are taken care by American unit of Kia Motors.

Kia offers service and selling facilities of its products through widespread distribution channel network of service dealers and distributors expanded over more than 170 countries across the globe with about 4000 dealers. This strong network helped in achieving more than three million-unit sales. The company has 342 sales offices headed by headquarters located in twenty different regions. Kia Motor vehicles orders can be easily placed through dealers' outlets or online portals of automobiles.

Kia India, along with its debut of Seltos entered with a very aggressive network strategy of its presence in 160 cities and 265 touch points. This number is far more than what most companies which have been existing in Indian market for over a decade.

Promotion

Kia Motors in its promotional mix strategy focus strongly on advertisement element of mix. Recently through its alliance with several main sports as Australian Open,

Basketball events NBA, Women's NBA, the FIFA and UEFA cup, it gains across the globe brand awareness. Kia Motors opted various communication media like hoardings, Television, print media, online advertisements, etc for promotion. It collaborated with certain sports teams and athletes to enhance brand awareness. Kia Motors gains faith of customers and brand reputation through showcasing quality, design, safety features of motor and celebrity's endorsement. It run online campaigns as 'Share #Kia' as a promotional tool on various online platforms. Kia globally showcased society and environmental concern with an active participant of several CSR activities like donating products for the handicapped and supporting college goers.

Kia India probably by now with lots of curiosity has reached their target audience. The Sales and Marketing team with market specific storytelling and through various Online, Offline & TV promotions may outreached its customers.

As Indian consumers accelerates the level of familiarity with Bollywood so Kia connect with consumers through campaign having Tiger Shroff, a youth icon. India with more mobile user customers it adopted a digital-first approach. The idea was to generate a sense of awareness before introducing the brand. It intensely utilized online and social media platforms as Facebook, Instagram and YouTube. Its understanding of Indians as lover of video watcher, opted the video strategy as promotion tool. The results of these promotional strategies were amazing reflected by more than six thousand first day bookings since pre-bookings begins.

Conclusion

In the year 2019, Kia Motors identified their rhythm for niche segment of the global market and plans to enter the Indian market. Hyundai owns 33.88% share of Kia Motors. The company managed to enter in a competitive market such as the UK and was successful. The credit for their success can be mainly owe to the huge network of dealers the company has established. Hyundai Kia scattered over 165 countries has 12 assembly line manufacturing plants. It is the fourth largest car OEM (Original Equipment Manufacturer) in the world covering over 166 dealerships. Every company for building its brand identity has a unique selling point (USP). Kia Motors Corp. used their competitive pricing as USP in comparison to the other players in the market. However, with passing years, it has intended to change this image of their brand to great quality and design. This was done initially through sports sponsorship deals. In FIFA 2002 Kia was the sponsor and official FIFA partner.

Till the year 2022 it has gained sponsorship deals. Such revolutionary thinking backed with sports sponsorship has helped to amend their brand image just known for competitive pricing to great quality and design. Further Kia has also obtained cricket and tennis sponsorship deals.

Kia further promoted and enhanced its brand image of great quality and design through seven-year warranty on its products. Their marketing strategy advanced adopting AIDA concept. Beginning from developing awareness in their customers to captivating their attention, then stimulating their desire and finally, call in for action. In this manner it influenced customers' buying preferences. At the same phase Kia's promotion strategies outstrip all mediocre attempts. It not only grabs their customers attention through mass media tools as advertising, online blogging, banners, etc. but also took various measures as direct customer contact, sales promotions and sponsorships as its below-the-line promotion strategies. Further, to strengthen relations with customers via online channel Kia motors developed an online portal. Kia Motors also look forward for CSR initiatives and create awareness about various environmental issues. It has partnership with Trees in Cities, intending to encourage people desire for planting trees. Hence to stay ahead of the curve such extra measures are essential for a company.

KIA motors India is now testing the Indian waters and about to stride in knee deep with its own unique style. Theoretically it seems that its previous experience supported with expertise, may hold in the Indian market if the company closely continue with its values and ideals. It is interesting to analyse the entry of the company in Indian soil as a success or failure in the coming year.

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Exhibit - 1

Automobiles Infographics³

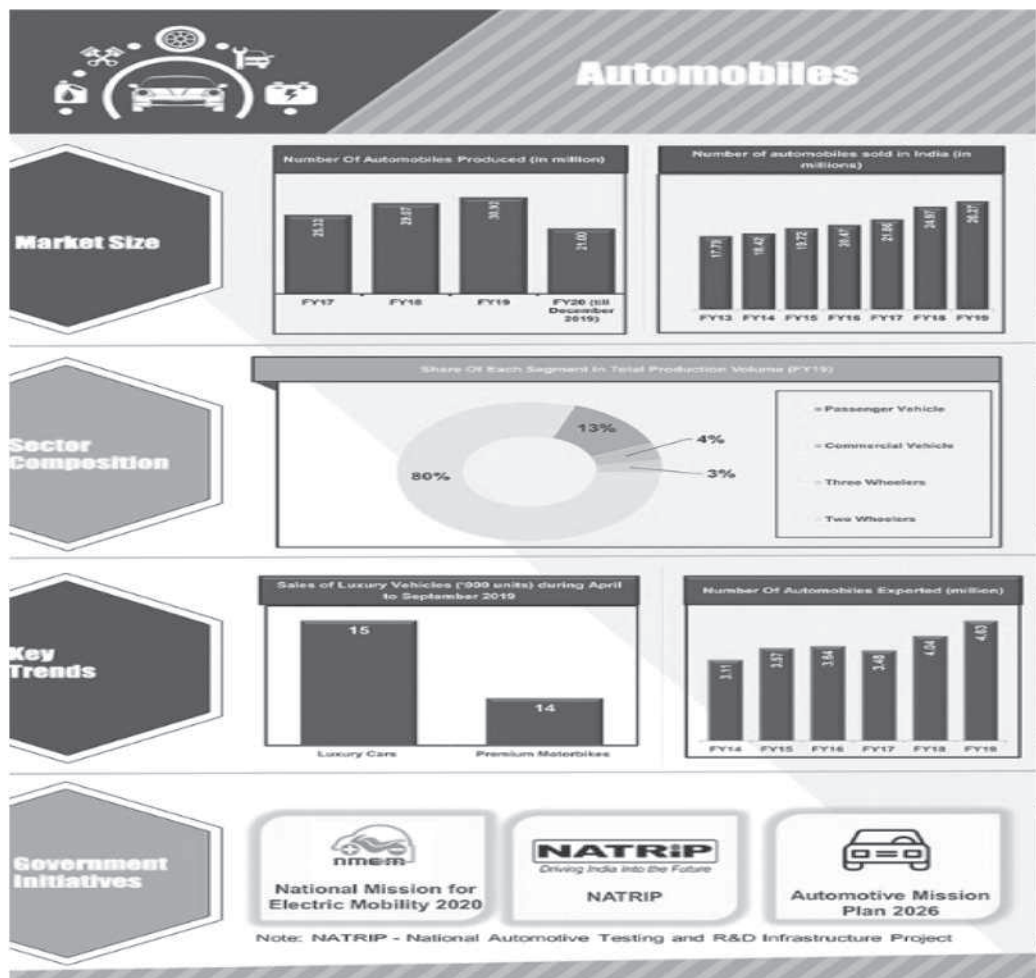


Exhibit -2

Government Initiatives'

- Under Union Budget 2019-20, government announced to provide additional income tax deduction of Rs 1.5 lakh (US\$ 2,146) on the interest paid on the loans taken to purchase EVs.
- The government aims to develop India as a global manufacturing centre and an R&D hub.
- Under NATRiP, the Government of India is planning to set up R&D centres at a total cost of US\$ 388.5 million to enable the industry to be on par with global standards.
- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme. The government will also set up incubation centre for start-ups working in electric vehicles space.
- In February 2019, the Government of India approved the FAME-II scheme with a fund requirement of Rs 10,000 crore (US\$ 1.39 billion) for FY20-22.

Exhibit – 3

Popular KLA Variants

- OPTIMA Plug-in Hybrid
- OPTIMA Sports Wagon GT
- OPTIMA Sports Wagon
- OPTIMA GT
- OPTIMA
- SOUL
- PRO_CCEED
- SORENTO
- SPORTAGE
- CARENS
- SOUL EV
- CEE'D GT
- PRO_CEE'D GT
- VENGA
- NIRP
- CEE'D Sports Wagon
- CEE'D
- RIO
- PICANTO

Exhibit -4
Kia Seltos Specifications Summary12

Seltos Variants	Key Specifications	Key Features
<u>HTE G</u> Rs. 9.89 lakh	16 Kmpl, 1497 cc, Manual, Petrol	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking
<u>HTK G</u> Rs. 10.29 lakh	16 Kmpl, 1497 cc, Manual, Petrol	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTE D</u> Rs. 10.34 lakh	20 Kmpl, 1493 cc, Manual, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking
<u>HTK Plus G</u> Rs. 11.49 lakh	16 Kmpl, 1497 cc, Manual, Petrol	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking
<u>HTK D</u> Rs. 11.54 lakh	20 Kmpl, 1493 cc, Manual, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTK Plus D</u> Rs. 12.54 lakh	20 Kmpl, 1493 cc, Manual, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTX G</u> Rs. 13.09 lakh	16 Kmpl, 1497 cc, Manual, Petrol	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTK Plus AT D</u> Rs. 13.54 lakh	17 Kmpl, 1493 cc, Automatic, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>GTK</u> Rs. 13.79 lakh	16 Kmpl, 1353 cc, Manual, Petrol	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTX IVT G</u> Rs. 14.09 lakh	16 Kmpl, 1497 cc, Automatic, Petrol	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking

<u>HTX D</u> Rs. 14.14 lakh	20 Kmpl, 1493 cc, Manual, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>GTX</u> Rs. 15.29 lakh	16 Kmpl, 1353 cc, Manual, Petrol	Front and Rear Power Windows, Driver, Passenger and Side Front Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTX Plus D</u> Rs. 15.34 lakh	20 Kmpl, 1493 cc, Manual, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>GTX Plus</u> Rs. 16.29 lakh	16 Kmpl, 1353 cc, Manual, Petrol	Front and Rear Power Windows, Driver, Passenger and Side Front Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>GTX DCT</u> Rs. 16.29 lakh	16 Kmpl, 1353 cc, Automatic, Petrol	Front and Rear Power Windows, Driver, Passenger and Side Front Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>HTX Plus AT D</u> Rs. 16.34 lakh	17 Kmpl, 1493 cc, Automatic, Diesel	Front and Rear Power Windows, Driver and Passenger Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>GTX Plus DCT</u> Rs. 17.29 lakh	16 Kmpl, 1353 cc, Automatic, Petrol	Front and Rear Power Windows, Driver, Passenger and Side Front Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps
<u>GTX Plus AT D</u> Rs. 17.34 lakh	17 Kmpl, 1493 cc, Automatic, Diesel	Front and Rear Power Windows, Driver, Passenger and Side Front Airbags, ABS, Yes ABS, Central Locking, Yes Central Locking, Front Fog Lamps

Exhibit – 5***Kia Carnival Specifications Summary***¹³

Carnival Variants	Key Specifications	Key Features
<u>Premium</u> Rs. 24.95 lakh	2199 cc, 197.2bhp @3800rpm	Sunroof, Adj. Front Passenger Seat, Yes Adj. Front Passenger Seat, Heated/Cooled Seats
<u>Premium 8 STR</u> Rs. 25.15 lakh	2199 cc, 197.2bhp @3800rpm	Sunroof, Adj. Front Passenger Seat, Yes Adj. Front Passenger Seat, Heated/Cooled Seats
<u>Prestige</u> Rs. 28.95 lakh	2199 cc, 197.2bhp @3800rpm	Sunroof, Adj. Front Passenger Seat, Yes Adj. Front Passenger Seat, Heated/Cooled Seats
<u>Prestige 9 STR</u> Rs. 29.95 lakh	2199 cc, 197.2bhp @3800rpm	Sunroof, Adj. Front Passenger Seat, Yes Adj. Front Passenger Seat, Heated/Cooled Seats
<u>Limousine</u> Rs. 33.95 lakh	2199 cc, 197.2bhp @3800rpm	Sunroof, Adjustable Driver Seat, Yes Adjustable Driver Seat, Adj. Front Passenger Seat, Yes Adj. Front Passenger Seat, Heated/Cooled Seats

Exhibit - 6***Kia Upcoming Cars in 2020 & 2021¹¹***

MODEL	PRICE *Expected Price
Kia Stonic	Rs. 9.0 Lakh*
Kia Sonet	Rs. 7.0 Lakh*
Kia Soul	Rs. 10.0 Lakh*
Kia Ceed	Rs. 9.0 Lakh*
Kia Stinger	Rs. 50.0 Lakh*
Kia Sportage	Rs. 25.0 Lakh*
Kia Rio	Rs. 8.0 Lakh*
Kia Xceed	Rs. 20.0 Lakh*
Kia Picanto	Rs. 7.0 Lakh*