

THE FALL OF INDIAN ICONIC CAR; “THE AMBASSADOR”: A CASE OF MARKETING MYOPIA

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Abstract

Few years ago, Eastman Kodak, with over hundred years of history behind them which brought photography to the masses closed down. Something similar happened with once India car giant three years before. On 25th May, 2014, Hindustan Motors announced that they will be suspending the production of Ambassador Cars (the first indigenous car of India) in India. Despite the fact that it had over 70% market shares at one point of time, sold only 2200 cars in its last financial year against industry sales of more than 1.8 millions. What made the country's most iconic car of its time to close down the business? The answer lies in company's inability to understand the market and changing business environment. It's a classic case of marketing myopia where company failed to understand that customer are not loyal to your product rather they are loyal to their need satisfied by your product; as long as your product is satisfying their need they will buy it else they will switch the moment they get a better alternative. The case of Ambassador Car is learning for all; about how ignoring the marketing customer and competition may put you in trouble.

Keywords: Hindustan Motors, Ambassador Car, Premier Padmini, Marketing Myopia

I. Introduction

The case talks about the rise and fall of Hindustan Motors' Ambassador Car which rule the Indian car industry until the early 1980s, when the Indian car industry was partially opened for foreign players. Since inception Hindustan Motors operated under a protected environment where foreign players were restricted by licensing. As a result there were only two prominent players in the industry HM's Ambassador and Fiat's Premier Padmini. Both the company

enjoyed a monopoly kind of situation during these times; this made the company complacent and it never bothered about customer requirements. The only reason for HM's sales was lack of alternatives; but the moment Indian customers started getting alternative of Ambassador from global players with good quality cars they switch to it in no time.

II. Hindustan Motors and Ambassador Car

Hindustan Motors is an Indian automotive manufacturer based in Kolkata, West Bengal, India. It is a part of the Birla Technical Services industrial group. The company was once the largest car manufacturer in India who produced the Ambassador car, which was once a mainstream car of India. Ambassador was built based on 1956 Morris Oxford series III of Britain and was in Indian market from 1958 until 2014 till its closure.

Ambassador can be called as the first Indian car as it was the first car to be produced in India though the car owes its design and technology to a British car model - Morris Oxford. It was launched in 1958 and for many years it was just about the only car available in India, and that too not so easily as people had to wait for months from the date of booking to get the delivery of the new car.

At one point of time the manufacturer held a 70 per cent share of the market. Owning an ambassador used to signify that person is rich and powerful. The "Ambi" as it was popularly known as was famous for its sturdiness, round shape and space and comfortable seats. This car was popular amongst all classes and everyone wanted to own it let it be the bureaucrats using white-painted models having red flashing beacons, yellow ambassador used by taxi drivers or the zamindars and corporate honchos.

III. The Fall of Indian Icon

From its inception in 1958 to early 1980's Ambassador dominated the Indian market. Actually there were only two cars at that time in Indian market; Premier Padmini (Fiat) and Ambassador (HM). The licenceraaj, red tapism and the unfriendly Indian economic policies ensured that no automobile manufacturers entered the Indian car market and this created a free ground for these two players.

But 1983 saw the beginning of a new era in the Indian car history. Maruti Udyog Ltd (a joint venture between Government of India and Suzuki motors of Japan) launched Maruti 800; soon Ambassador's dominance began to slip and started losing its market leadership to Maruti; who began producing low-cost hatchbacks. Maruti got hold on the family segment (the largest car segment in India even today) in no time. But Ambassador had some advantages over Maruti 800 which made it popular amongst certain segments. It was the only Indian car with Diesel option and during those times, there was a significant price difference between Diesel and Petrol. (But consumers who bought the car because of the significant economy of diesel cars had to compromise on other parameters). Second advantage was the space and sturdiness of the Ambassador; these two factors ensured that Ambassador remains popular among big families and more importantly among the Taxi and tour operators and even amongst the Government. The brand also had advantage of positive perception of being low in maintenance and a car ideal for Indian roads due to its sturdiness; but all these were less compelling against the negatives of the car.

There were many reasons that attributed to brand's failure; the main reason was with the product and price. If we look at the product, Ambassador never changed all these years sparing few cosmetic changes even after entry of Maruti Suzuki. The brand made few changes from 1958-2000 and three upgrades was made named as Mark II, Mark III and Mark IV. Though there was no major value addition between all three models. The look and the built quality remained the same.

A major change happened when the brand introduced an 1800 Isuzu engine (a 75 bhp 1817 cc Isuzu inline). It had some innovative features like five-speed manual gearbox with a floor shift. This also had the feature of allowing the option of bucket seats, as opposed to the earlier bench seats. The entire dashboard was redesigned. Instrumentation panels were also shifted from centre of the dashboard to the right, behind the steering wheel. Seat belts became standard. The Ambassador with Isuzu was successful in lifting the sales of Ambassador. But the joy was short lived as there were no major changes after that and the brand started losing its charm.

Other big factor was the price. As many experts even today believe that HM could have rationalized its price of the car. In 2013/14 Ambassador's cost was

around Rs 480000, at that price people had number of options like Tata Indigo which were far more luxurious and with contemporary design. According to reports, the HM plant had achieved full depreciation in 2000. If company would passed this benefit to its customer by reducing price of its car the brand could have become more competitive but the company did against it which made the brand irrelevant.

One compelling reason to buy an Ambassador car was its diesel engine; but the nail in the coffin came with the launch of Tata Indica. Indica took away the taxi car market from Ambassador. Again the diesel loving consumers got better and affordable car with contemporary design against an outdated old fashioned Ambassador at an affordable price. In the year 2004 company made yet another attempt to boost the sales by launching a radically designed Ambassador variant Avigo. Even after radical styling the customer didn't respond positively.

The increasing popularity of Maruti 800 hatchback was a warning about the impending future but they didn't learn from it and as a result when the market was opened to all international car manufacturers after 1991's liberalization measures life became miserable for Ambassador. Indian consumers were now spoiled with choices. The competition was immense and the quality of cars has got altogether a new definition. Consumers now had new set of purchase considerations like quality, brand, drivability, luxury, and cost of maintenance etc. where Ambassador found it difficult to fit. Further the narrowing price difference between petrol and diesel also became thinner and thinner which further drew away customer from Ambassador.

Another point was that the company never invested in the brand and as a result it failed to revitalize the Ambassador. Often heritage brands wait too long and as a result it becomes outdated. After that it's very difficult to revitalize the brand. Keeping the brand relevant with time is the most important task in branding. It can be achieved through product changes and strong positioning of the brand in the light of emerging competition; the classic example is Volkswagen Beetle which is appealing to customer even today largely due to strong brand equity developed and maintained well all these years. Ambassador could have learnt from Maruti 800. The brand could survive as it changed with changing consumer preference and it also rationalized its price in the light of emerging

competition which helped Maruti 800 survive for this long period in the era of globalization of industry.

Another problem with Ambassador was lack of innovation by the company even after increased competition post liberalization. There were faster, modern looking and more fuel efficient cars but the HM preferred to remain in status quo. The apathy of HM towards improvement in technology and quality lead to loss of customers to rivals. Moreover, fuel efficiency, high maintenance cost and poor after sales service added to their problems.. There were no significant changes in the design also. They had round conventional design decade after decade. The new generations of customers didn't find it appealing. Suzuki started manufacturing small cars and challenged the hegemony of Ambassador though Maruti also followed the tradition of not to innovate and did not introduce any new model for a decade but Maruti somehow managed to survive by introducing new models in the wake of increasing completion post liberalization but it was too late for Ambassador.

They did a campaign to position the brand as 'heritage' and 'part of culture' but they did not realize that, culture is not a static thing, and no one can rescue a brand that fails to innovate. As more cars came to the Indian market, the Ambassador didn't find a category to fit in, it was too big for a Hatchback and too small to be called an SUV and ultimately it started to lose the grip.

In the early 1990s, the only place one could spot an ambassador was with government officials. It remained popular among government ministers and senior diplomats, who considered it as the ultimate status symbol: a fact that could have been used to create strong brand equity. But even this niche market started to look elsewhere due to security concerns after experts started to complain about the car's vulnerability to attacks from militants. In 2002, the then Prime Minister, Atal Bihari Vajpayee, switched to a bullet-proof BMW SUV from Ambassador. His successor, Manmohan Singh, also followed it.

Another segment where Ambassador was still popular was Taxi. The Ambassador remains strong in numbers is the city of Kolkata in West Bengal, where more than 33,000 black and yellow-painted taxis. Many of them are ancient and have been repeatedly repaired. Owners and drivers of Ambassadors say that, because of the vehicle's relatively simple design, they are easy to fix,

and parts have been readily available. With Tata Indica slowly taken its place as taxi with other car company it was finally decided to give Ambassador it a rest, till the team comes up with new ideas for its revival.

IV. Conclusion

Though highly successful for reasonably long period of time; Ambassador's success can never be attributed to its quality rather it was an over-priced and under-performing product. Ambassador benefitted from the licensing policy of Government in India at that time which made it difficult for other car company to enter in India. There was an absolute absence of choice.

This case is a lesson for others also that how being complacent and ignoring market condition can put you in trouble.

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Appendix-A

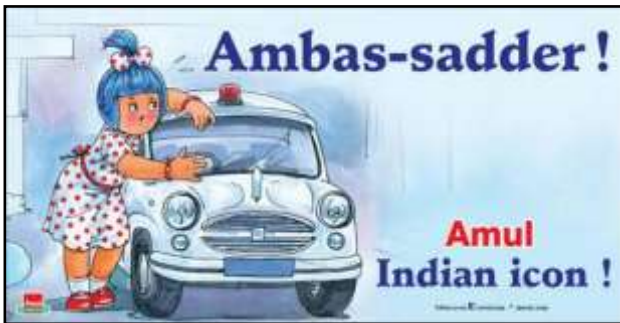


Image 1: This Amul topical truly summarizes the deep sense of loss that we feel at the halt in production of the beloved Amby



Image 2: Iconic Ambassador car in front of Parliament (Image Courtesy: <http://indiaopines.com/ambly-dreams/>)



Image 3: Famous yellow taxi in Kolkata

Image courtesy: <http://www.drivespark.com/four-wheelers/2013/hindustan-motors-ambassador-compact-car-2013-q4-launch-confirmed-005161.html#slide252515>

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Dr. Patel has a rich teaching experience of around 11 years at UG and PG level. He has attended more than 15 conferences at national as well as international level. He has also published more than 20 research papers/ case studies in the journal of repute. His focus area of research is Celebrity Endorsement, Brand Management and Strategic Management. He is a keen follower of Case Study approach in teaching and learning process. He is also fond of writing case study for practical learning.

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