

Exit of Ford and Chevrolet from India

Dr. Abhilasha Raj, Swastik Kumar

Assistant Professor, Student

Amity Law School

Amity University, Noida, India

Abstract - The three essential rules of every organization (except not-for-profit firms) are survival, profit, and growth. The first two can easily be achieved in the domestic market. However, when it comes to growth, looking in international marketing for growth opportunities is a highly viable option. Various automobile manufacturers have tried to expand their products into the Indian market but have not necessarily been successful in keeping the interests of Indian Consumers and, as a result had to leave the Indian market. Some of the automobile manufacturing brands which have exited the Indian are Harley Davidson, Datsun, Fiat, Chevrolet, Ford, etc. In this paper we will be analysing the conditions that made Chevrolet and Ford exit the Indian market and why did Ford wait 4 more years before deciding to follow Chevrolet.

Keywords: Business survival; profitability; Indian Consumer Minds; Indian Automotive Market; Management Failure.

I. Introduction

The automobile industry has opened up various new and beneficial opportunities for the growth of secondary sector or the manufacturing sector of India. The manufacturing sector in India employs at least 35 million employees contributing to at least half, i.e., 50% of the manufacturing GDP and around 7.1% in overall GDP of India

ABOUT

FORD

Ford Motor Company (hereinafter Ford) is an American Multinational Automobile Manufacturer whose headquarters is situated in Dearborn, Michigan, United States. The company came into existence on the date of incorporation on June 16, 1903, founded by Henry Ford. It was founded by Henry Ford. Ford was the first company to introduce the assembly lines and moving assembly line which greatly improved the large-scale manufacturing of automobiles and combined with the great management of an industrial workforce thereby achieving efficient profit earning capabilities.

Subsequently, Ford India Private Limited (hereinafter Ford India) was a subsidiary of Ford Motor Company for its operations in India. Ford India began production as a subsidiary of Ford Canada. Ford launched several models in India through the Ford India like Ford Endeavour, Ford Figo, etc. However, on September 9, 2021, Ford decided to exit the Indian Markets entirely. Not only they exited the Indian Market but also keep the manufacturing up and running in order to export Ford vehicles abroad.

CHEVROLET

Chevrolet is a subsidiary of the American manufacturer, General Motors (GM). The Company came into existence on November 3, 1911. It's headquarter is situated in Detroit, Michigan, United States. The brand Chevrolet was founded by a race car driver and an automotive engineer. The first ever car to be produced by the company was the Chevrolet Series C Classic Six which had the capability to produce 40 horsepower. The company gained popularity in the 1913 New York Auto Show where the company logo was a "bow-tie" which had the name of the company engraved on it. Chevrolet played a significant role in influencing the American Automobile Market during the period of 1950s-1990s which was primarily possible because of now iconic cars like Chevrolet Corvette, Chevrolet Bel Air, Chevrolet Corvair, Chevrolet Impala and the one of the most iconic muscle car, Chevrolet Camaro.

General Motors first came to India in the year 1928 as an assembling plant for assembling Chevrolet Cars, trucks and busses but was only in the country till the year 1954 when it ceased production on India but still was present with tie-ups with other companies like Hindustan Motors to build trucks, cars transmissions and off-road equipment. General Motors came back to India under the company named General Motors India Private Limited in 1993.

EXIT FROM INDIA

FORD

Ford Motor Company announced that it would stop making and selling cars in India in September 2021. The choice was made as a result of the company's efforts to restructure its operations globally to concentrate on more lucrative markets and goods. Ford had been doing business in India for more than 20 years, but the company had trouble making a dent in the country's fiercely competitive and price-sensitive automotive market.

Ford's two manufacturing facilities in India, which are located in Chennai and Sanand, were shut down as a result of the move. Over 4,000 people were employed by the plants, so it was anticipated that their closure would result in a sizable loss of jobs. According to the business, it will collaborate closely with its staff, unions, suppliers, and dealers to ensure a smooth transition and lessen the effect of the closure on the neighbourhood.

Ford's decision to leave India dealt a serious blow to both the nation's auto industry and government initiatives to expand it. The government has been promoting the industry as a key driver of economic growth and job creation. India is one of the largest and fastest-growing automotive markets in the world. The COVID-19 pandemic has caused supply chain disruptions, slowing demand, and increased competition, which have all been problems for the industry.

The Indian government expressed dissatisfaction with Ford's choice and promised to keep promoting the auto industry and luring foreign capital. Additionally, the government had given its word that it would do everything in its power to support Ford's workers, suppliers, and dealers as they make the transition.

Ford's decision to leave India overall sheds light on the difficulties that foreign automakers face there and the need for a more accommodating political climate to support the expansion of the automotive industry. The action also serves as a reminder of how crucial it is to concentrate on profitability and sustainability in a market that is both competitive and dynamic.

Current Status of Ford in India: **Exited**

CHEVROLET

In May 2017, the American automaker Chevrolet declared its withdrawal from the Indian market. The choice was made as a part of an international restructuring strategy to concentrate on lucrative markets and goods. Despite operating in India for more than 20 years, Chevrolet had trouble making a dent in the country's fiercely competitive auto industry.

The business had made significant investments in India, including the construction of a manufacturing facility in Halol, Gujarat, and a technical hub in Bengaluru. Nevertheless, despite its efforts, the business found it difficult to take on domestic rivals like Maruti Suzuki and Hyundai, which dominated the Indian market with their reasonably priced and dependable vehicles.

Chevrolet's decision to leave India was a major setback for the business, which had made significant investments in the country. Thousands of workers at the factory and other locations were impacted by the change. The Spark, Beat, Cruze, and Tavera were among the models the company had introduced in India and were well-liked by Indian consumers.

Following the announcement of the exit, the company offered to keep offering spare parts and after-sales support to customers in India. Additionally, Chevrolet gave its dealers the assurance that it would support them in making the switch to other brands over the following few years.

Therefore, the exit of Chevrolet from India was considered to be a significant event. In fact, it was a significant deal in the Indian Automobile Industry. Issues like high competition and price-sensitive products are highlighted which are faced by foreign brands in surviving and thriving in the Indian Automotive Market.

Current Status of Chevrolet in India: **Exited**

WHAT WENT WRONG?

FORD

American auto giant Ford Motor Company had chosen to stop local production after 25 years of operations in India. As it "did not see a road to profitability in India," the US automaker stated that it will "take a hit of roughly \$2 billion." Less than 2% of the passenger vehicle market in India was held by the business, which had previously enjoyed success with models like the Ikon, Figo, and EcoSport.

Ford was hoping to shut off all the operations in its Sanand Plant, in Gujrat before the beginning of 2022 (precisely, by Q4 of 2021) and the other plant in Chennai which was mainly used to produce and manufacture vehicles and engines by 2022.

Ford was not the first one to exit the Indian market due to its profit making capability, in fact it was the 5th to do so. Before Ford, automakers like MAN Trucks, General Motors, Harley Davidson and UM Motorcycles. Honda also ceased production in its Greater Noida Plant (Uttar Pradesh) and discontinued CR-V and Civic Models in India. The other plant (Tapukara Plant, Rajasthan) continues to be operational to this date.

Here are the primary reasons why Ford decided to pull the plug from Indian Markets:

1. **Low Demand:** Ford disclaimed that they have suffered accumulated operating losses of more than \$2 Billion in 10 years in the country. To add to this issue further, the demand for new Ford vehicles were found to be weak and way below expectations and forecasts. Ford were unable to achieve long-term profitability in India.
2. **Local Competition:** The automobile market of India mainly consisted of local brands like Maruti Suzuki and the Korean Brand, Hyundai Motor India. On the contrary, Ford, had been struggling for years to earn profits and analyse long term profitability in India. Ford and Hyundai entered the Indian Automobile Market around the same time, i.e., mid-1990s. Nonetheless, there were vast differences between the fates of both the brands when it came to profitability, both in the short term and long term.
3. **Joint Venture Failure:** Ford Motor India were set to set up a Joint Venture with the Automobile Giant Mahindra & Mahindra but failed to do so. If the venture had been successfully achieved, the partnership would have allowed Ford to stay in the India Market and produce cars at a substantial lower cost.

However, with exit of Ford from the Indian Market, the company did declare that higher priced vehicles such as the much loved Endeavour and one of the most iconic Muscle Car in history, Ford Mustang, would be available for purchase through the mode of importing. Aftersales services were expected to be provided by the dealers which were to be taken care by the Ford.

CHEVROLET

Chevrolet was not the first brand that was introduced by General Motors in the Indian Market and pulled out subsequently. General Motors first introduced the brand Opel in the Indian Market. In its initial days, the selling numbers were looking profitable. But soon the consumers started facing maintenance and reliability issues and at the same time competition in India came out with newer cars with better reliability. As a result General Motors had to pull its operations of Opel from India.

Afterwards, General Motors launched the brand Chevrolet in India. It offered various models over various segments of automobile market in India. The sedans, Optra, Cruze, etc.; MPV (Multi-Purpose Vehicle), Tavera; and the hatchbacks, Beat, Sail, etc.; and others, Captiva, Aveo, Enjoy, etc.

As a result, General Motors had to shut down their operations of Chevrolet from India in 2017. Here are the various reasons why General Motors decided to pull out Chevrolet from Indian Markets:

1. **Internal Management Issues:** General Motors internal management not very stable to say the least. They were considered to be very bureaucratic in nature and didn't take decisions quickly, at both middle and high level management positions. The company had 9 CEO changes during their tenure in India (almost 21 years), as a result of the same and due to a lot of corporate restructuring, General Motors failed to achieve and implement a sustainable and profitable long-term strategy.
2. **Outdated Technology:** GM cars always had old platforms and engines when compared to the competitors, there was barely any car in terms of modernity that could compete with the competition. There were cases where their cars were barely able to pass the emission tests conducted by the Government of India. Whereas GM's competition kept coming up with newer cars and engines which were both modern in terms of looks and efficient compared to the predecessors and did better in the emissions test.
3. **Lack of Modern Cars:** GM had modern and very tempting cars in their global portfolio, needless to say, most of these "nice" cars were not introduced to the Indian Market. The only cars which were able to generate some level of fan following were, Beat, Cruze and Tavera. The Beat was popular but due to no major update for years, its sales started declining. The Tavera was also a popular car, but due to some emission issues, this was affected. The Cruze was very well known for its performance and quality of the vehicle, but while GM was stuck in the past, newer models from the competition like Volkswagen Jetta, Skoda Octavia and Hyundai Elantra snatched the mantle in the performance and quality cars of the segment.
4. **Declining Market Share:** GM had a market share of around 6% in 2010 which later lowered to just 1%. General Motors decided to increase its market share by 3% by the end of 2020 and while the automobile market in India grew by 9% by 2020, GM's market share declined to below 1% mark. A new low for the company.

As the conditions started to deteriorate for General Motors and failure of adoption of any sustainable and profitable long-term plans for Chevrolet, GM decided to exit the Indian Market and shut down all local operations. However, GM clarified that they would be providing after sales service for their existing customers upto 2024 and beyond.

DATA ANALYSIS

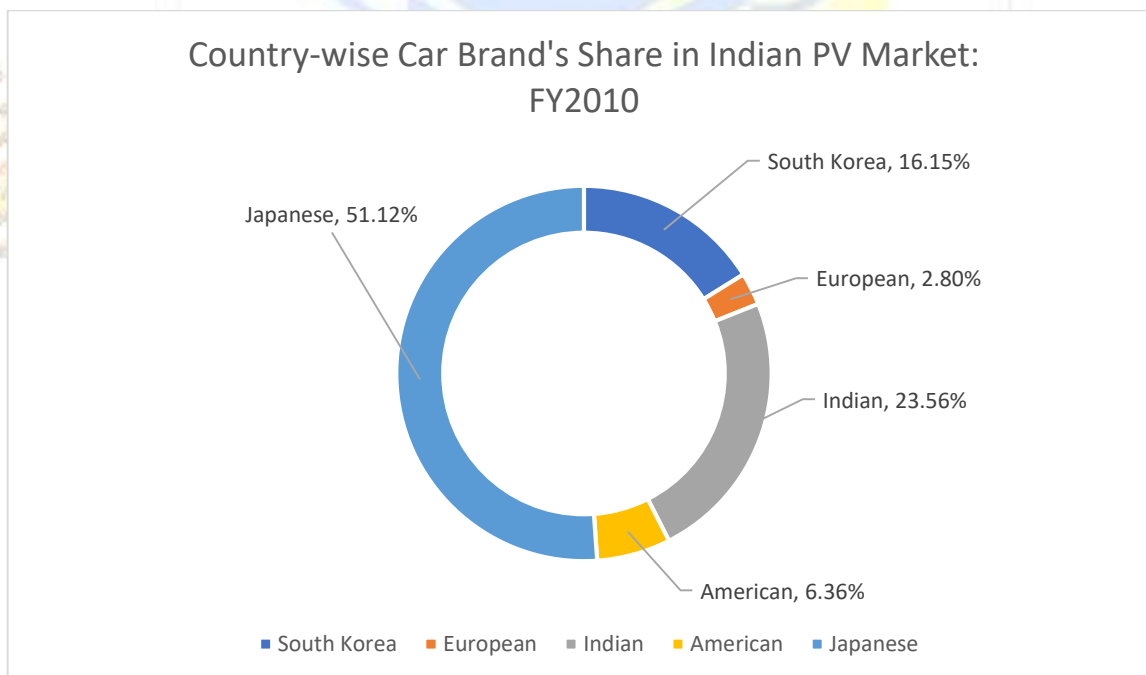


Figure 1: Country-wise Car brand's share in India in Fiscal Year 2010 (Source: ETAuto)

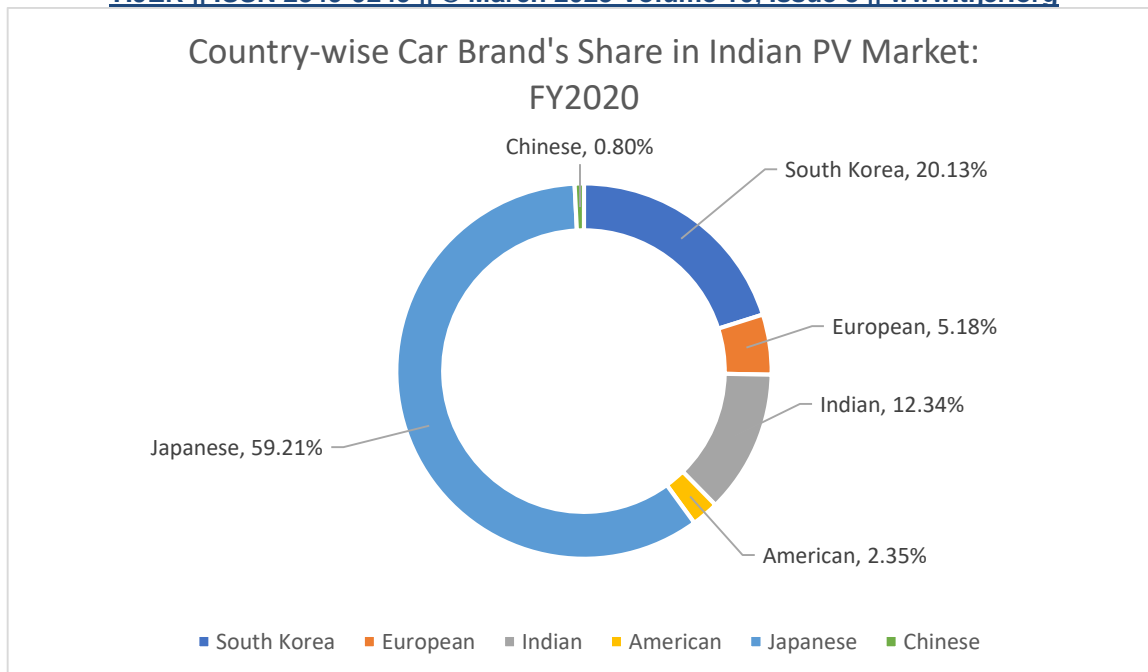


Figure 2: Country-wise Car brand's share in India in Fiscal Year 2020 (Source: ETAuto)

Comparing both the figures i.e., Figure 1 and Figure 2 which are country-wise car brands and their share in the Indian Automotive Market in the fiscal year 2010 and 2020 respectively, it can be inferred that Japanese manufacturers like Honda, Toyota, etc. have been dominating the Indian Market, followed by South Korean brands like Hyundai, and further followed by Indian brands like Maruti Suzuki.

Primary American Automotive brands in India were Ford and General Motors (Chevrolet) which formed the majority of the 6.36%, but when GM decided to leave the Indian Market in 2017, the market share of American brands further decreased to 2.35% in which Ford was still facing massive amounts of losses.

CONCLUSION

The government also paid little attention to the companies leaving until General Motors decided to cease operations; at that point, people began to take notice of the issue because GM is the largest automaker in the world, and by leaving India after nearly two decades of losses—and with India being the fifth-largest auto market in the world—it had a significant negative impact. The automotive behemoth Ford Motors chose to end operations in India in 2021, almost three decades after General Motors left the country. It's not like Ford wasn't well-liked in India; the company experienced highs and lows there.

However, the government is not to be solely blamed for the opportunities that were not taken by the automotive players who did not make the right move at the right time and ended up having unprofitable performance for various years which ultimately resulted in exit of the companies from the Indian Automotive Market altogether.

Due to their inability to comprehend the Indian market, companies like General Motors and Ford Motors failed. They also made some poor investment decisions. For example, Ford Motors invested thousands of crores of rupees in a new plant in Sanand despite the fact that their Chennai plant was only operating at 43% of its potential.

Companies also failed to pay attention to client needs, continuing to offer the same models while lowering costs, resulting in products that were subpar for the Indian market, which demands products that are specifically designed for it.

While they possessed the newest items for the worldwide market, they sold outdated and subpar products in the Indian market, which the customers rejected. They also did not focus on the service network and after-sales support, which resulted in the customers having to wait longer for spare parts.

One of the major reasons why some foreign companies like Hyundai, Kia, etc. were able to not only survive but also thrive was understanding the Indian Market properly before investing huge capital into it.

Besides it, other factors are as follows:

- Have successful partnership or a Joint Venture with an Indian Brand, e.g., Suzuki with Maruti – Maruti Suzuki; Toyota with Kirloskar, etc.
- Should understand the needs and wants of both existing and potential customers and study the market with a lot of scrutiny so as to thrive and not just survive in the Indian Market.
- Should be focussed on features offered and at what price what all features to be offered must be balanced in a very practical and realistic way.

In conclusion, other foreign brands should carefully analyse the factors and conditions which lead to the exit of most American brands from India like Ford and General Motors, and not repeat the same mistakes so that they are able to thrive in the Indian Market without the fear of survival chances.

At the same time, also analyse what the Japanese brands like Hyundai and Kia are doing in India that they are not just able to survive but also thrive in the Indian Market. They should be considering the customers situation and their needs and wants so as to offer the best product for them which will in turn result in more revenue and thus more profits.

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