

MAHINDRA AND MAHINDRA LTD

Shah Consulting
University of Alberta



INTRODUCTION

Morgan

Mackenzie

Nupur

Abby



CHALLENGE

What strategy should M&M deploy with respect to its auto service and used car sales business?



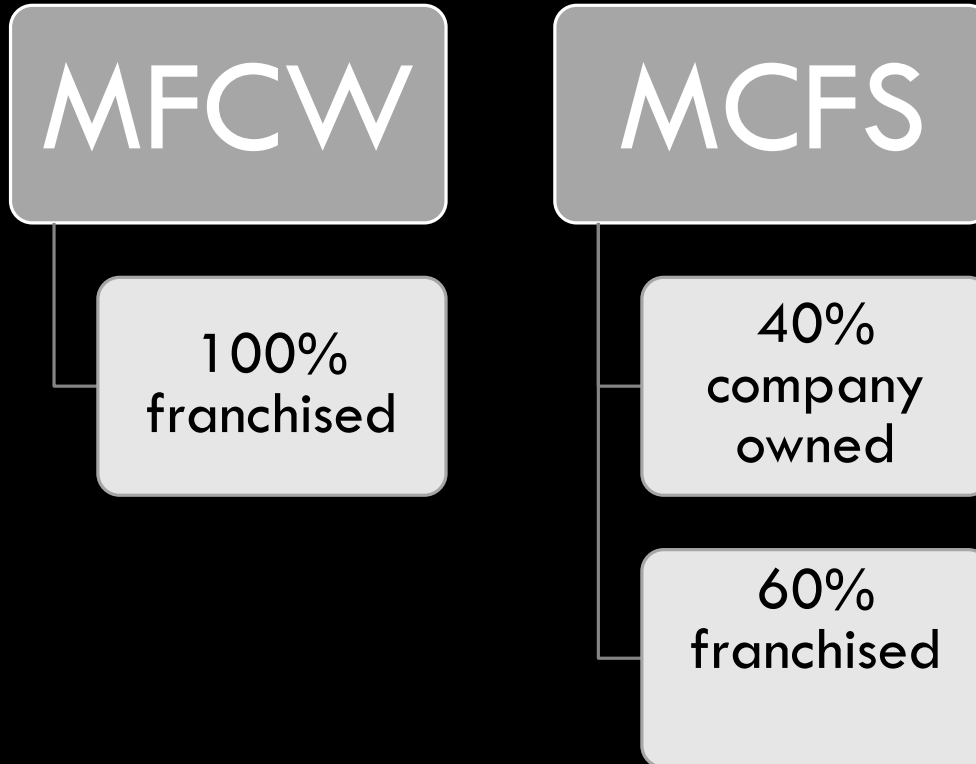
RECOMMENDATION

Utilize strengths of both companies – within their current business structure

ANALYSIS

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BUSINESS STRUCTURE



OWNERSHIP STRUCTURE

Private capital in sales business
but not in services

MFCW

- 13.36% Valient Capital
- 46.7% M+M
- 31.5% - PHI
- Remaining – Cox automotive

MCFS

- 100% owned by M&M

FRANCHISE BUSINESS MODEL

Potential to phase out into full franchise model

Advantages

Attract entrepreneurs (motivated by different things), highly invested, recognized brand name to work under

Little control
Limited working capital
Easy to scale up

Disadvantages

MFCS - SWOT

Strength

- Competitive rates
- Customer service
- High quality
- Multi brand servicing
- Learn customer

Weaknesses

- Slow start
- Profit has been negative since 2010
- Reduced services for the sake of efficiency

Opportunity

- People are buying more used cars
- Click model growing
- Services of cars happens more regularly
- Technology improvements

Threat

- Many customers like the one stop shop – go back to dealership
- Growing competition

MFCW - SWOT

Strength

- Investing in technology
- Provide franchise
- “in the cloud” solutions

Weaknesses

- Losses after tax in 2015,16,17

Opportunities

- Leverage relationships through private international investors
- Market expected to grow

Threats

- Uber/ car sharing programs expand internationally and grow in popularity

DEMOGRAPHICS IN INDIA - CONSIDERATIONS

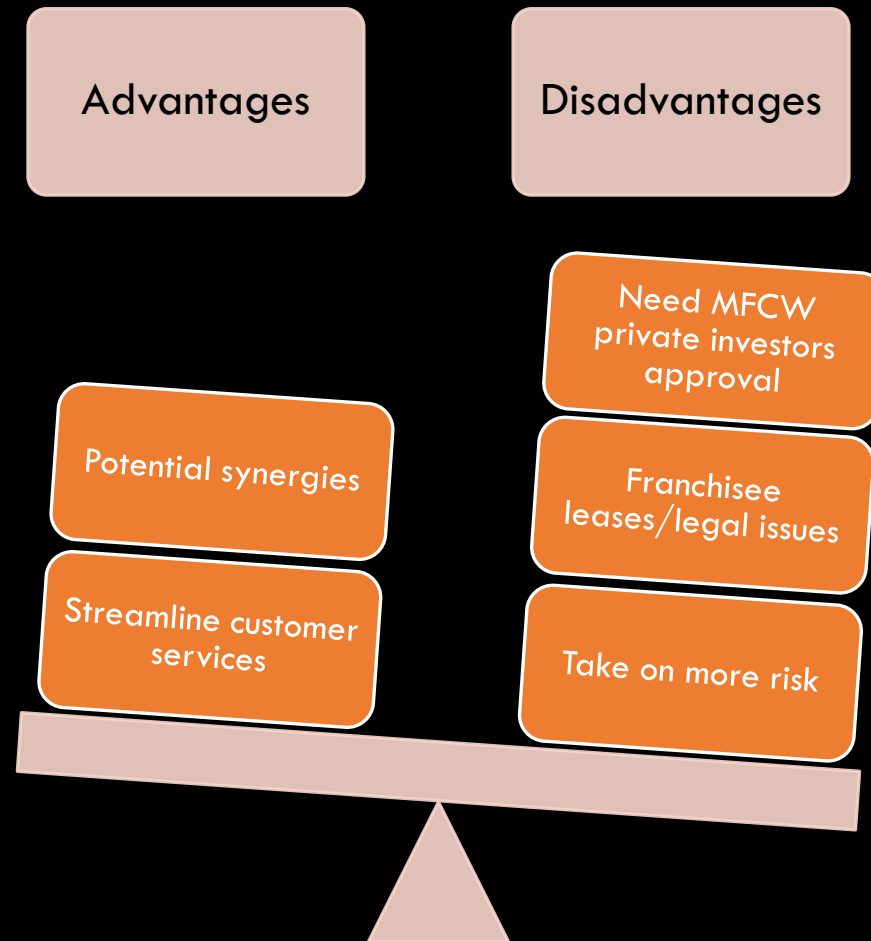
- ❑ Growing purchasing power of consumers in India
- ❑ Growing middle class population
- ❑ High youth demographics that want to buy their first car – for “cheap” and “good service”
- ❑ Car service market is expected to grow to INR 330 billion by 2020
- ❑ Used car market expected to grow to INR 2,500 billion by 2021

ALTERNATIVES

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MERGE THE TWO BUSINESSES

Logistical Mess



SELL BOTH BUSINESSES

Advantages

Disadvantages

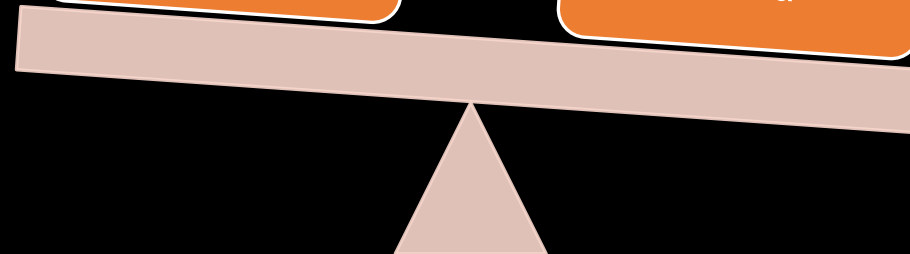
Sell on top!

Want to sell
while on top

Lots of growth
potential

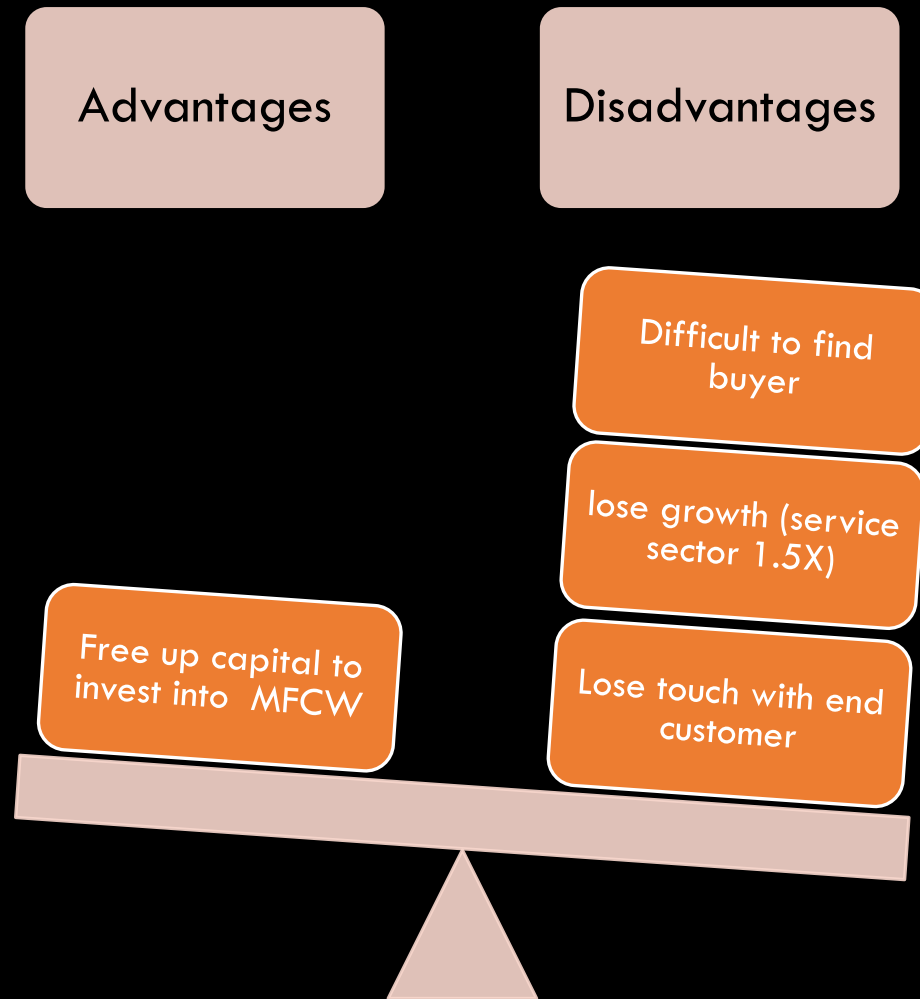
Become
financially sound

Losing strong
brand



SELL MFCS - SERVICES

Less attractive to buyers



SELL MFCW - SALES

Huge growth opportunity

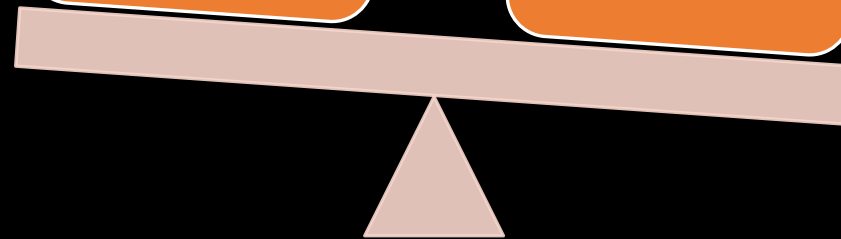
Advantages

Disadvantages

Free up
capital for
Services

Private
investors may
disapprove

Lose used car
sales growth
3X

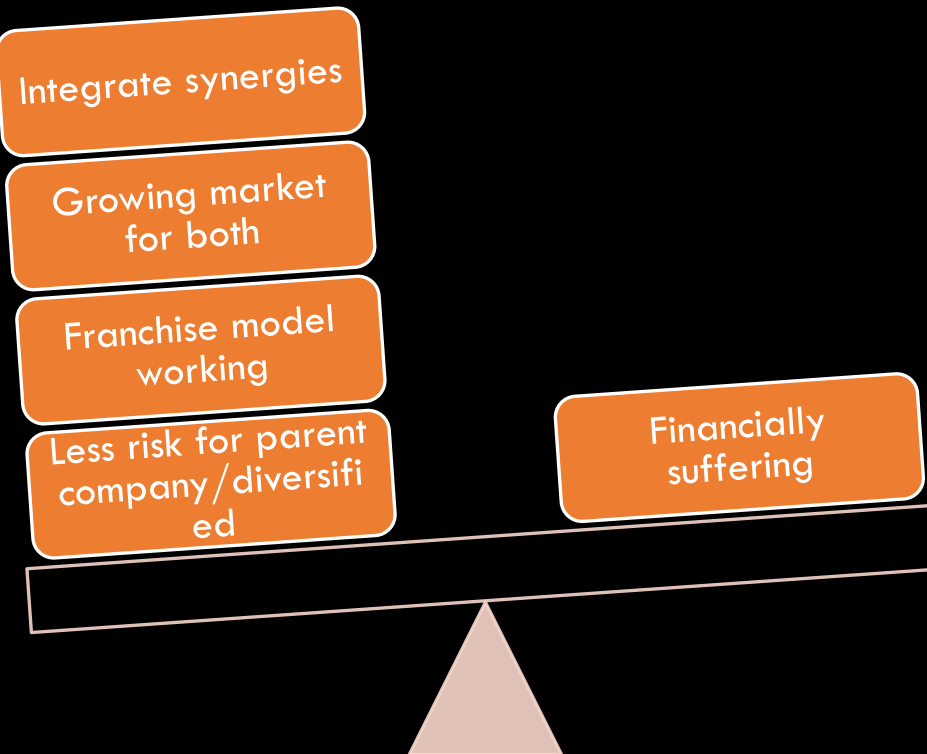


KEEP BOTH COMPANIES

Advantages

Disadvantages

Need to ensure both companies are going to be profitable



ALTERNATIVE CRITERIA ANALYSIS

	Cost	Impact	Time	Ease of implementation
Merge two businesses	Red	Red	Yellow	Yellow
Sell both businesses	Yellow	Red	Yellow	Green
Sell MFCS	Green	Yellow	Yellow	Red
Sell MFCW	Green	Yellow	Yellow	Red
Keep Both Companies	Green	Yellow	Green	Green



RECOMMENDATION

Utilize strengths on both companies – by keeping both with current business structure

IMPLEMENTATION

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KEEP THE TWO SEGMENTS SEPARATE BUT LEVERAGE STRENGTHS OF EACH

Both companies have strong value proposition in the long run

- Car ownership in India increasing

How can these two sectors help each other out?

- Where can we leverage from one to the other?

MFCW

Continue to invest in
Technology

Utilize the customer
data and
satisfaction model
from MFCS

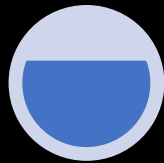
Cross-share data
between the two for
targeted marketing

MFCW — CUSTOMER ENGAGEMENT



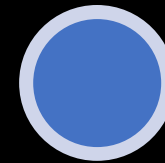
Launch right away —
May 2017

Have call center
contact customer
three days after
service to check
satisfaction —
utilize MFCS
call centre



Launch right away —
May 2017

Utilize mystery
shoppers



Launch in 2018

Conduct internal
process audits
through
establishing a
department of
business
excellence

These are strategies that MFCS has used to improve their customer satisfaction index

DATA COLLECTION FROM MFCS CAN HELP SUPPORT MFCW AND VICE VERSA

MFCW:
Buy Car

MFCS:
Service Car

MFCW:
Buy Car

DATA PROVIDED BY MFCS (SERVICE) TO MFCW (SALES)

Frequency of service provided to specific customers

- Who is in the market for a new car?

How much are they spending on services?

- Help to analyze how much buying power the customer has

With this data MFCW could provide targeted marketing to consumers

DATA PROVIDED BY MFCW (SALES) TO MFCS (SERVICES)

Type of cars purchased

- Assist in MFCS determining quantity of spare parts and spare part types required

Age of vehicles purchased

- Assist in MFCS in determining who to target for services

With this data MFCS could provide targeted marketing to consumers
And improve supply chain issues

MFCW

Fully launch
the
CarWorkz
app

Provide service
coupons to
MFCW
customers

Long term: Look for
private investors

MFCW — SERVICE COUPONS

Customer of MFCW (sales) is given a one-time credit on service for use at MFCS (services) location

- This brings the customer into the service ecosystem

High customer retention rates for service side result in returning customers

- Continue to focus on high level of quality on the services side as this will reduce churn

Recommend a 10% coupon for first time services

MFCS — CARWORKZ APP FULL LAUNCH

Service estimates

Book Appointments

Set alerts for servicing

MFCW — CARWORKZ APP

App was currently beta-tested and we recommend launching it fully

Customer is recommended to sign up for app when vehicle is purchased from MFCW, account is set up for them

When service frequency is high, ads are pushed to customer for MFCW vehicles

KEY PERFORMANCE INDICATORS

- ❑ Customer satisfaction over 90% for both MFCW and MFCS
- ❑ Increasing retention rate of franchise owners of over 90%
- ❑ Activate over 50% of MFCW sales into MFSC service accounts on application

LONG TERM PLAN

Services (MFCS) –
wants to raise INR
2600 - INR 3250
for expansion and
technology

Use MFCW's
international
presence to look for
angel investors like
Cox Automotive or
Valiant Capital (US –
based)

Start identifying
interested buyers
who want a partial
stake in MFCS

Ensure having a
buyer before
expanding MFCS's
franchises to avoid
additional financial
strain

WHY NOT AN INITIAL PUBLIC OFFERING?

Want to do this when your company is at its strongest point (i.e. attractive to shareholders)

- Currently weak financials - both companies running at a loss
- Some franchises fairly new – need support of parent company, be more established
- Strong automobile industry options for investments

CHANGING BUSINESS MODELS

Currently have company owned outlets and franchisees

- Do you want to be strictly a B2B business?
 - Potentially in the future once businesses become profitable
 - Want to improve businesses to encourage more franchisees to purchase

FINANCIALS

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COSTS FOR IMPLEMENTATION (IN USD\$)

	MFCS	MFCW	Assumptions	When to initiate
Department of business excellence - MFCW		\$300,000/year	3 full time staff to conduct audits at locations	Jan 2018
Mystery Shoppers - MFCW		\$288,000/year	Based on 1200 locations, 12 visits a year, \$15 USD/hr	May 2017
Call centre staff additions	\$150,000/year		3 full time staff to assist in calling MFCW customers	May 2017
CarWorkz app maintenance	\$100,000/year		Changing adds, improving services	May 2017
Data analytics team	\$300,000/year		3 full time staff	May 2017
Service coupons	\$1,100,000/year		220,000 cars sold per year, requiring service once per year Average service is \$50	Active Jan 2018
Total cost = \$2,238,000 USD/year				

PROJECTED GROWTH

MFCW:

Revenue in sales
expected to grow
along with market
to \$29.4 million USD
in 2021

MFCs:

Revenue in sales
expected to grow
along with market
to \$18.3 million USD
in 2020

RISKS AND MITIGATIONS

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RISKS AND MITIGATIONS

Risks	Mitigation
Franchise owners are not okay with strategy	Mutually beneficial and M&M can showcase the potential success of the strategy via data analytics
Strategy to connect companies is not successful	Customer feedback from application to assess why those who bought from MFCW did not go to MFCS and vice versa
Threat of new entrants	High level of service and strong local brand will allow them to curb threat

CONCLUSION

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Is IPO an option in near future?

- No – not financially sound yet but maybe in 5-10 years

Should MFCS expand more franchises?

- Yes – but not immediately – sell at state of MFCS first to refuse capital

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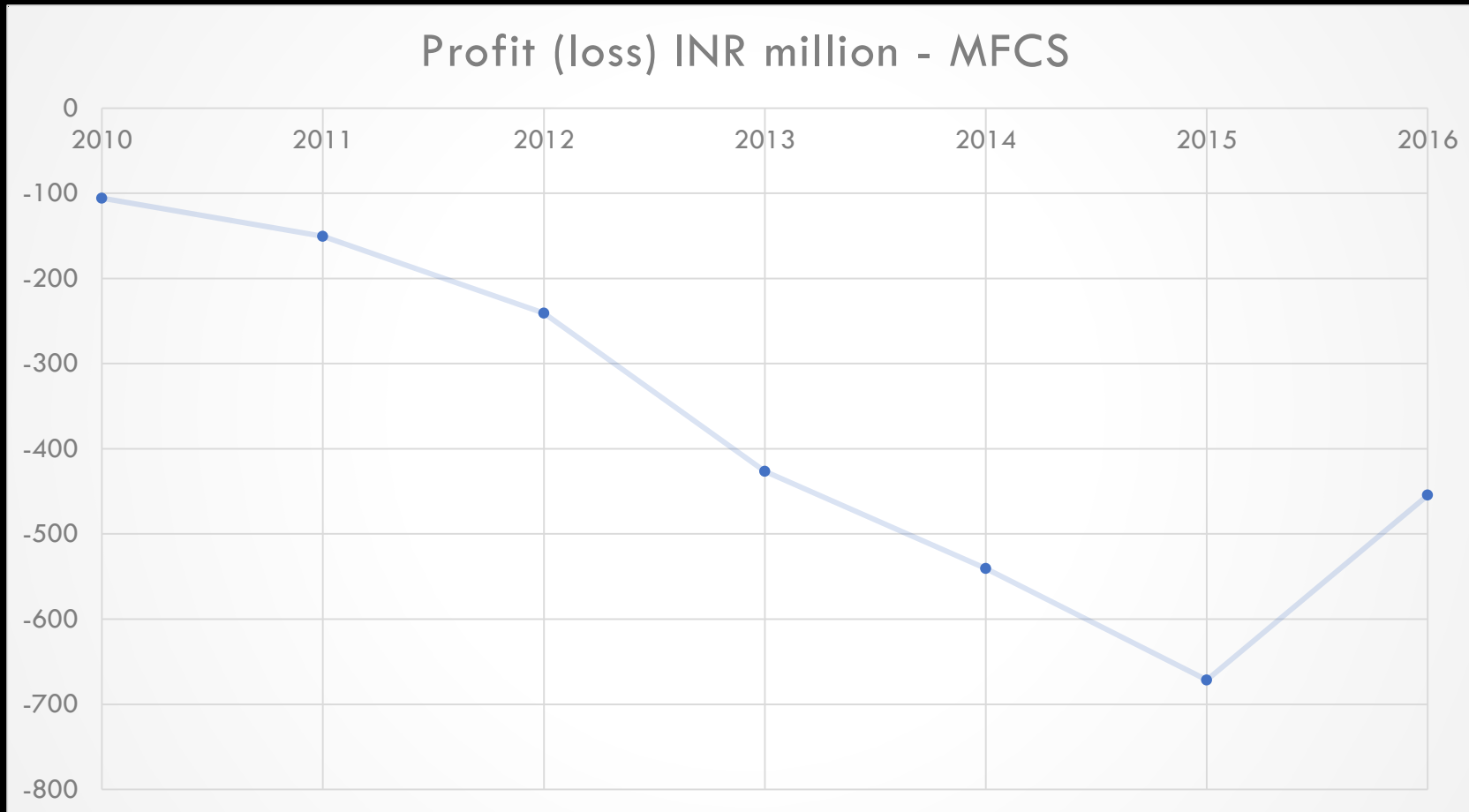
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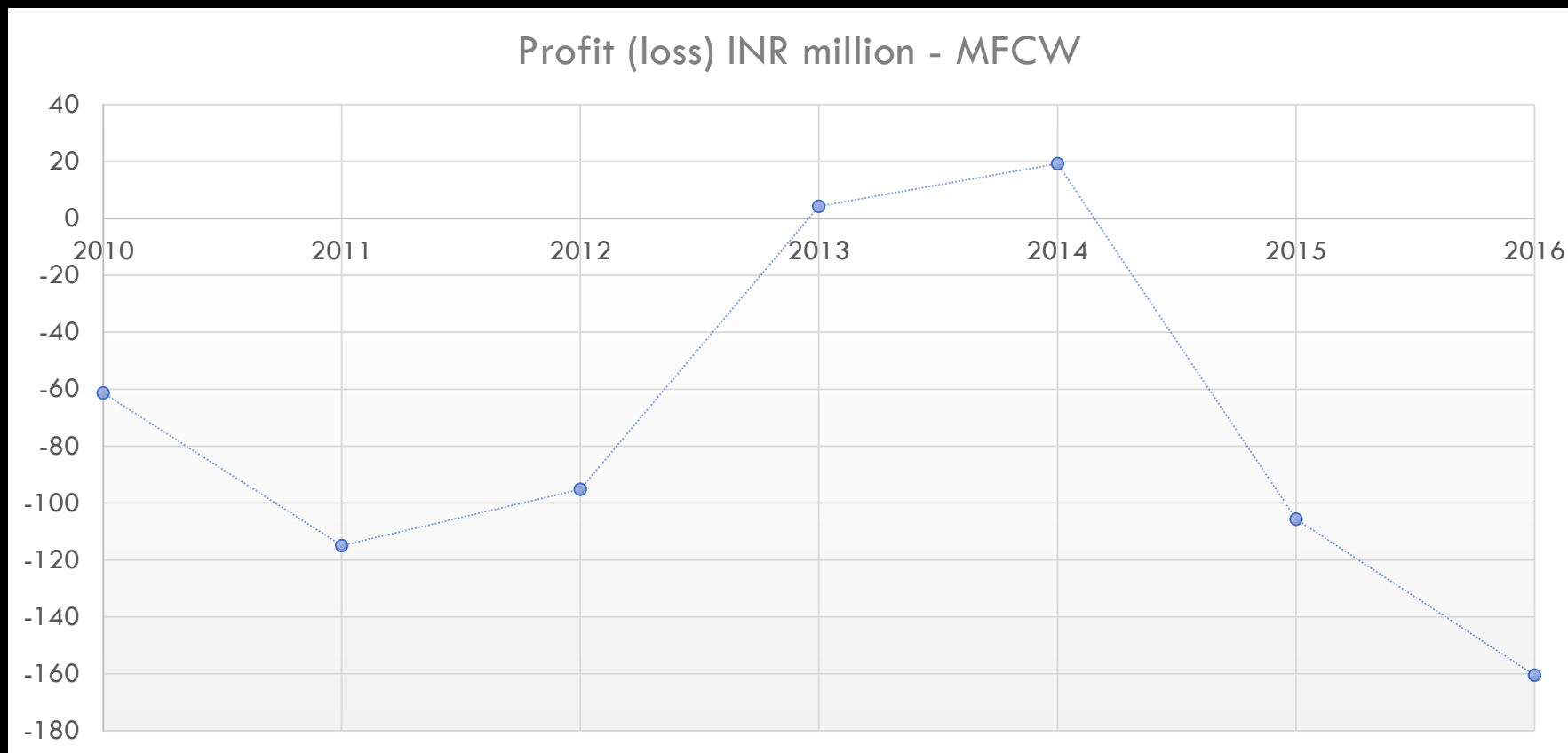
APPENDIX

CURRENT STATE OF FINANCIALS - MFCS



Profits have
been consistently
negative

CURRENT STATE OF FINANCIALS - MFCW



Profits have decreased in the past few years but capital is being reinvested into marketing