

Volvo's Different Indian Buses



Volvo has a strategy to sell buses at nearly four times the prevailing market price.

The Indian bus market has long been dominated by two subsidiaries of major Indian conglomerates: Tata Motors and Ashok Leyland. They made simple coaches on a design that had hardly changed for decades. On top of a basic truck chassis, the two companies bolted a rudimentary coach body. Engines were a meagre 110–120 horse-power and roared heartily as they hauled their loads up the steep roads. Mounted at the front, the heat from the over-strained engines would pervade the whole bus. Air conditioning was a matter of open windows, through which the dust and noise of the Indian roads would pour. Suspension was old-fashioned, guaranteeing a shaky ride on pot-holed roads. Bags were typically slung on the top of the bus, where they were easily soiled and at high risk of theft. But at least the buses were cheap, selling to local bus companies at around Rs 1.2m (€15,000; \$21,000).

In 1997, Swedish bus company Volvo entered, with buses priced at Rs 4m, nearly four times as much as local products. Akash Passey, Volvo's first Indian employee, commissioned a consultancy company to evaluate prospects. The consultancy company recommended that Volvo should not even try. Passey told the Financial Times: 'My response was simple – I took the report and went to the nearest dustbin and threw it in.' Passey entered the market in 2001 with the high-priced luxury buses.

Passey used the time to develop a distinctive strategy. His product had superior features. Volvo's standard engines were 240–250 hp and mounted at the back, ensuring a faster and quieter ride. Air conditioning was standard of course. The positioning of the engine and the specific bus design of the chassis meant a roomier interior, plus storage for bags internally. But Passey realised this would not be enough. He commented to the Financial Times: 'You had to do a lot of things to break the way business is done normally.'

Volvo offered post-sale maintenance services, increasing life expectancy of buses from three to ten years, and allowing bus operating companies to dispense with their own expensive maintenance workshops. Free training was given to drivers, so they drove more safely and took more care of their buses. The company advertised the benefits of the buses direct to customers in cinemas, rather than simply promoting them to the bus operators. Faster, smoother and more reliable travel allowed the bus operators to increase their ticket prices for the Volvo buses by 35 per cent.

Business people and the middle classes were delighted with the new Volvo services. Speedier, more comfortable journeys allowed them to arrive fresh for meetings and potentially to save the costs of overnight stays. Tata and Ashok Leyland both now produce their own luxury buses, with Mercedes and Isuzu following Volvo into the market. Nonetheless, the phrase 'taking a Volvo' has become synonymous with choosing a luxury bus service in India, rather as 'hoover' came to refer to any kind of vacuum cleaner.

A new state-of-the-art bus factory was opened in Bangalore 2008 and after further investments in 2012 it doubled the annual capacity to 1,500 buses per year. As Volvo's most efficient bus factory worldwide it has started to export buses to Europe. In 2016 Volvo continued its distinctive strategy and became the first bus company in India to manufacture and sell hybrid buses running on an electric motor and battery as well as diesel. Kamal Bali, President and Managing Director, Volvo Group India says they are very bullish on India: 'We are bringing in hybrid buses now. A lot of automation and connected vehicles are the future plans that we have for India.'

Questions:

1. Rank the elements of Passey's strategy for Volvo in order of importance. Could any have been dispensed with?
2. How sustainable is Volvo's luxury bus strategy?

Source:

- Whittington, R. et al., 2020. Exploring Strategy. 12 ed. Harlow: Pearson Education Limited.