

Case -study: Volvo's different Indian buses

The Indian bus market has long been dominated by two home-players, subsidiaries of major Indian conglomerates: Tata Motors and Ashok Leyland. The two companies made simple coaches on a design that 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 hailed their loads up the steep mountain roads of India. 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 a high risk of theft. But at least the buses were cheap, selling to local bus companies at around Rs 1.2 million (\$21,000).

In 1997, Swedish bus company Volvo decided to enter the market, with bus prices at Rs 4million, 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 basic product had superior features. Volvo's standard engines were 240-250hp 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 more roomy 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. To kick-start the market, Volvo supplied about 20 subsidised trial units to selected operators. Volvo trainees rode these buses, alerting the company immediately when something went wrong so Volvo could immediately send its engineers. Faster, smoother and more reliable travel allowed the bus operators to increase their ticket prices for the luxury 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. None the less, 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.

In 2008, Volvo opened a new state-of-the-art bus factory in Bangalore. It is Volvo's most efficient bus in 20-25 days. Annual capacity is 1000 buses per year.