

IB CASE -1 (CO3,CO5)

Mahindra & Mahindra

Mahindra & Mahindra (M & M) is a major player in the tractor and certain segments of the automobile market in India. After an impressive growth for a few years, the tractor market in India has been stagnating in recent years.

M & M has been selling its tractors and utility vehicles in foreign markets including USA. Some of the components for its products have been sourced from abroad.

M & M has a 100 per cent subsidiary in USA, Mahindra USA, with a strong network of 100 dealers.

Mahindra has a five per cent market share in the US market in the 20-30 horse power (HP) range.

As a part of the strategy aimed at building a global supply chain, Mahindra USA has signed a memorandum of understanding (MoU) with the Korean tractor major Tong Yang, a part of the \$ 2 billion Tong Yang Moolsam group, according to which Mahindra will source high horse power (mostly 25-40 hp range) and sell them around the world under the M & M brand name. To start with, the premium range of tractors will be sold in the US.

M & M's current tractor range is more utility-oriented and lacks the aesthetic appeal that Tong Yang's tractors have, a must for a strong presence in the US market.

Questions

- 1) What are the advantages and disadvantages of global sourcing ?
- 2) How will the foreign market expansion help M & M ?
- 3) How does the strategic alliance with Tong Yang benefit M & M ?
- 4) What are the possible risks of the alliance ? How can they be overcome/ minimised ?