

## MARKET LEADERSHIP IN THE BRAZILIAN AUTOMOTIVE INDUSTRY: THE CASE OF MARCOPOLO\*

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In this paper, we analyze the factors that explain the leading market position of the largest Brazilian bus bodywork manufacturer. Net revenues of Marcopolo exceeded US\$ 2 billion in 2011, the company exports to

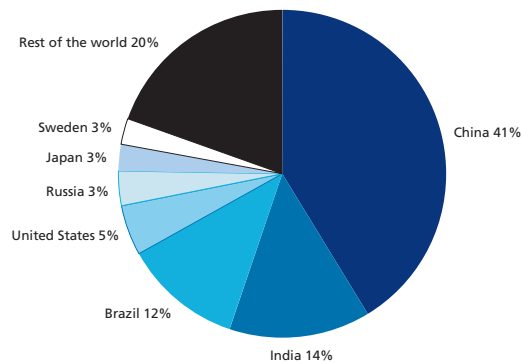
The results from this analysis comprise the project “The rise to market leadership” (Malerba, Nelson, 2010), formed by a set of case studies of companies in the information and communication



over 100 countries and its share of the Brazilian market exceeded 50% in 2011. Currently Marcopolo has four production units in Brazil and 13 abroad, employing more than 17,000 people worldwide (Marcopolo, 2012). As a result, Marcopolo represents about 8% of the global bus bodies market (Zignani; Deiro, 2011).

technologies (ICTs), automotive and auto parts from Brazil, India and China, in order to identify differences in international and intersectoral factors that explain the leading position occupied by companies from these countries.

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In general, it is shown that some idiosyncratic factors related to the Brazilian market led multinational corporations to renounce competition with Brazilian producers in the bus bodyworks segment. In fact, the low technological intensity and higher labor intensity in this segment relatively to light vehicles, for example, left room for a greater presence of companies from developing countries like Brazil, India and China in the bus bodywork manufacturing.

At first, the development of Marcopolo in a metal-mechanic enclave in Caixas do Sul helped the company develop its technological capabilities. After that, however, Marcopolo seems to have privileged the development of these skills, intramural R&D and vertical integration. Thus, cooperation with other companies in the manufacturing segment of the bus body and the relationship with universities and research centers cannot be considered as factors that explain the leading position currently occupied by Marcopolo. Even mergers and acquisitions in which Marcopolo was involved were driven by market reasons and did not aim at technology transfer. Although there is a kind of cluster companies manufacturing segment of bus bodies in the region of Caxias do Sul, there is not a cooperative culture among them. This is because the new companies are generally spin-offs of incumbent firms, and are perceived as competitors that can appropriate the technological capabilities accumulated by companies that originated them. This may explain the low observed levels of cooperation between firms in the region. However, it was possible to verify the existence of cooperation activities between Marcopolo and other companies in the automotive sector that do not belong to the segment of bus bodywork manufacturing.

The analysis of the company's trajectory revealed that the Marcopolo tried to keep ahead of the rhetoric of public policies and market trends in Brazil. Indeed, the company went public when it was a rarely

used financing option, began to export at a time when Brazil emphasized import substitution and it is among the first national companies to own production facilities abroad. The internationalization process of the company involved successive approximations, trial and error that eventually enabled the company to successfully engage in acquisition and joint-venture initiatives and, more recently, in partnerships with local suppliers in countries that implemented.

The company grew into a niche where it was able to dictate the relationships pattern between suppliers and buyers. Currently, major customers of bus bodywork manufacturers – namely, bus transportation companies – appreciate the possibilities of customization and have their own maintenance facilities. This means that for a multinational to contest the leadership of Marcopolo offering complete buses (body, chassis and engine), it will have to deal with customers used to local standards of customization and flexibility, for whom post-sales services are not as valued. However, the presence of large multinational manufacturers of complete buses in Brazil is a threat to local businesses, especially in the face of sluggish demand developed countries. In this case, the products would be offered at lower prices, even without the customization possibilities that became characteristic of the domestic market. Thus, for Marcopolo, the biggest challenges in the near future appear to be associated with modularity and product platforms and families, in order to lower costs and time, especially to face the possible threat posed by entry of new competitors in the country. This may require, for Marcopolo and other major local producers, identifying alternative suppliers of chassis and engines or the establishment of strategic alliances with these companies.

When considering the aspects mentioned in the preceding paragraphs, it can be observed that the case of Marcopolo may provide important insights for policy makers in Brazil. Brazilian industrial policy towards automobile industry has emphasized since the mid-twentieth century the production of light vehicles, but failed to consolidate a nationally-owned company in this segment. Inversely, in a segment that was not object of a great deal of explicit policies, the leadership of a nationally-owned company was achieved by virtue of their patterns of competition. The leading position of Marcopolo was consolidated after a long period and could not be easily predicted in its first years of operation. Alongside the adoption of strategies that involved higher levels of risk and higher return expectations, this case study allows understanding the reasons that led Marcopolo to its current leading position.