

A Study of Cross Badging Practice Followed by Automobile Industry

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ABSTRACT

Cross badging is the practice of selling one car model under two different brand names. Cross badging or rebadging is followed by automobile companies to save time and money spent in manufacturing a completely new model. The growing competition demands frequent production of new versions of cars and does not give liberty to car manufacturers to have long turn-around time, hence they resort to cross badging. In a world full of complexity, volatility, ambiguity and uncertainty, market trend keeps changing very frequently, hence it is important for the marketers to spend their money judiciously. Hence cross badging is one such strategy which can help marketers match the changing trend and their competition without much pressure. This paper discusses the concept and importance of cross badging to the automobile companies in today's world with short lived consumer demand and trend. Effort has been made to discuss some of the cross badges introduced in the Indian market by successful brands. Cross badges are used by new entrants to have a competitive advantage over their competition. This practice has proven very beneficial to both car manufacturers and consumers. For consumers with high brand loyalty cross badging is helpful in providing them multiple car options in their brand of choice. Longer shelf life of a car model ensures its availability to model patent customers for a longer time. Although with a time gap the same version is available at different price range hence the same model can fit different consumer budget. This paper tries to analyse the advantages and disadvantages of cross badging compared to producing a completely new model and the benefits it carries for the consumers. An effort has been made to analyse the strategic partnerships formed by different companies like Renault-Nissan and Toyota-Suzuki, for producing cross badges for Indian market. This paper also tries to understand the significant role of cross badging partnerships for making affordable electric cars for the Indian Market.

Keywords: Cross Badging, Indian Automotive Sector; Renault-Nissan Strategic Alliance, Toyota-Suzuki Alliance



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INTRODUCTION

In Cross badging two car manufacturers sign an agreement to share one model and sell it under two different brand names. The original brand which produces the car model is called the donor and the copy is called cross badge. This concept was introduced in India by Volkswagen a German car manufacturer, which was later picked and made famous by big car manufacturers like Nissan, Renault, Ford and Mitsubishi.

Quite contrary to the common belief, cross badging or badge engineering is different from platform sharing. Platform sharing indicates sharing of basic car skeleton while keeping the other aspects different; hence it produces different models of cars. Platform sharing is an age-old practice followed by car manufacturers, where different car models share their platforms for cost cutting. But Cross badging or badge engineering is different from platform sharing, as companies share the

complete car model. The same model is sold in the market under two different badges or brand names. The original model is called the donor car while the copy is called cross badge or badge engineered car.

Normally it is followed by partner or group companies to cut the cost involved in R&D. Usually a nominal fee is paid to the partner company in exchange for using their car for cross badging. Sometimes cross badged cars are produced by the same factory as the original. Two different car manufacturers or two different sub-brands with a common parent brand form strategic partnership for sharing one model of car between them like Skoda-Volkswagon. One company produces and introduces a new car model while the other sells the same model only by changing the badge or brand name. Although a cross badge is a twin of donor car, companies maintain a time gap between the launch of donor and cross batch to give visibility and market acceptability to both. A cross badge may target same or

different market as the donor. Sometimes the two are launched in two different countries. Mostly donor and cross badge are introduced with a time gap. Many also see a common phase with both existing and fighting for the same market. A cross badge introduced by a better brand than donor leads to cannibalization of donor brand. Most of the time cross-badges cannibalize donor brands because it is an advanced version of donor, giving more value to customers. Pricing of the two depends on the brand equity although sometimes a cross badge is priced higher because of some advanced features and better exteriors compared to donor. This practice has several benefits like it extends product life cycle in cases where cross badge is launched with a gap after the parent brand, reduces the risk of product failure, reduces cost of introducing a new product, cuts the cost involved in brand promotion & marketing, provides easy acceptability in the market, availability of more variety under the same brand name and provides buffer against obsolescence. Another factor driving this change is the low level of car penetration in India as compared to other countries (Nielsen, 2014).

Although cross badging has a lot of advantages it also has its disadvantages like failure of cross badge might affect the image of the donor brand. Cross badge might lead to cannibalization of the donor. A cross badge launched at a premium might not be acceptable in the market for a premium price if the donor brand is comparatively cheaper.

Trending in Indian Automotive Sector

In times of global uncertainty India continues to be a bright spot in the world economy. Indian manufacturing sector has witnessed immense growth. With the government supporting the manufacturing sector by taking policy reforms like GST and infrastructure development, companies are focusing on innovation and R&D (PWC & FICCI, 2017).

A study by KPMG on the global automotive industry suggests that China stands a chance to become the leader in vehicle sales projected to reach 40% global share by 2030 (KPMG, 2017).

Much like China where emerging urban middle class is driving the spending, Indian Urban population presents the greatest opportunities although with a broader customer base (Goldman Sachs, 2016).

Traditional ecosystem of the automobile industry has been challenged with technological developments and evolving business models. With growing competition, audience fragmentation, changing customer taste, growth of niche and differential marketing and fast changing trends automobile manufacturers are under immense pressure to produce new car models and variants in a very short span. Developing a completely new product demands heavy investment in R&D. Every new model is a new project which demands full attention, long drawn periods, major changes in

infrastructure and big budgets. Developing a completely new model requires in-depth research and development involving huge investment and a turn-around-time (TAT) of almost 4-5 years (Alanazi, 2023). But heavy competition does not allow the companies long TAT, limiting the time gap between the launch of two different models (Singh, 2017).

This has made cross badging very popular in automobiles. Car manufacturers rather than investing time money and energy in a new model prefer the more convenient route of cross badging. Partners share one model and sell it under two different brand names. They have an agreement where the donor launches the model first under its brand name and the cross badge follows with a time gap or in a different market. Usually, the cross badge is priced lower than the donor brand. A cross badge has advantage over donor in terms of market acceptance and experience. Faults in the model can be corrected based on consumer feedback. Sometimes cross badges also incorporate new features based on market trend to give the model contemporary effect if the cross badge is launched with a time gap compared to donor.

India has witnessed some of the most successful strategic partnerships between car manufacturers to sell badge engineered cars. Hindustan Ambassador was modelled on the Morris Oxford. Produced by Hindustan Motors in 1957, it was the first car manufactured in India. Ambassador had the longest production span in India running over 57 years. Popular with the bureaucrats because of its strong and spacious make Indian government bought almost 16% of total units produced by the company at a time. Ambassador began losing its dominance with the entry of Maruti Suzuki in the Indian market in mid-80s. It lost further market share post liberalization in 1990 when global car manufacturers entered the Indian auto market with more affordable models offering contemporary designs and technology (Malagihal, 2021). The foreign brands dominated the market and created an intensely competitive business environment for traditional firms of Indian origin, such as Tata Motors, Mahindra and Mahindra Limited, and Ashok Leyland.

Renault and Nissan signed a strategic partnership in the year 2010 to sell cross badges in India Pulse & Scala introduced under the brand umbrella of Renault were cross badges of Nissan's Micra & Sunny respectively. Global alliance signed between Suzuki & Toyota in 2017 included agreement to sell cross badges in India. Suzuki and Toyota agreed to share their technology for production. Suzuki's expertise in producing small compact cars and Toyota's expertise in electric cars was their contribution in the joint-collaboration for production. Partnership with Suzuki has helped Toyota gain exponential growth in sales and market share of the Indian market (Balachandran, 2025). When Baleno's cross badge was launched under the brand umbrella of Toyota by the name Starlet its sales immediately

jumped, 20 times more compared to Baleno. Glanza, Urban Cruiser Taisor, Rumion and Urban Cruiser Hyryder modeled from Maruti Suzuki's Baleno, Fronx, Ertiga, and Grand Vitara respectively are other cross badges launched by the alliance.

Volkswagen a German Car Manufacturer introduced its cross badges in India in 2008. The Indian Subsidiary of Volkswagen started sharing its products with Skoda India. In true sense they exchanged badges i.e. they used the same car by just changing the logo. This was the simplest form of cross badging used in India.

Some of the major car manufacturers following cross badging are Nissan-Renault, Ford, Skoda- VW. As a result of Renault-Nissan-Mitsubishi Alliance, Mitsubishi SUVs are modeled on the existing Renault car. Eclipse Cross and Grandis are manufactured by Renault but will be sold with Mitsubishi badges and styling. This is a strategic move by Mitsubishi to fill product gaps in European markets with rebadged Renaults while developing its own new vehicles.

City Rover launched in UK in the year 2003 by "M G Rover" was a cross badge of Tata Motor's Indica launched in the Indian market. It was positioned as a small car giving value for money (Subbu, 2003). The starting price of city rover was approximately 7.0 lakhs. The model failed drastically in the European market and had to be discontinued in 2005. Because of its poor build quality, it was not accepted by the European consumers. Although both Indica and Rover have similar build quality it was as though quality standards for Indian market were much below the European standards.

Mazda BT-50 the cross badge of Ford Ranger was designed to have a completely different look from its donor from Ford Ranger while still sharing the platform and basic anatomy. Another case of cross badging is Daewoo Matiz & Chevrolet Spark. Chevrolet Spark is a cross badge of Daewoo Matiz produced by Daewoo. Post acquiring Daewoo Motors in 2002 General Motors started marketing it under the name of Chevrolet Spark. A JV between Renault & Mahindra that started in 2005 and ended in 2010 gave rise to another cross badge "Mahindra Verito" which was badge engineered from the donor "Mahindra -Renault Logan" a product of Mahindra-Renault JV. The rights over Logan were given to Mahindra after the JV was dissolved. Mahindra started selling Logan under a different badge "Mahindra Verito".

Renault-Nissan Alliance

Renault Nissan partnership was one of the longest running partnerships in history (Kentaro et al., 2022). Through this alliance they expected to build long-term market value through synergistic partnership (irjevskis, 2021). A very important feature of this Alliance was production of badge engineered cars for Indian market. The two partner companies had an agreement under which 80% of production was devoted to producing

cross badges of Renault while the rest went to Nissan. A strategic partnership with its foundation laid way back in 1999 resulted in multiple launches in a short span of time. India was a new market for both and hence this partnership could help them in spreading their roots and beat their competition in Indian Automobile Sector. As per the general trend followed in the international market, sporty cars are more costly compared to their sober variants. But it was reversed for Indian market. In order to capture the young population of India, Pulse a more sporty version was priced lower compared to its more sober version Micra. This was done to keep Pulse in affordability range of Indian youth, the main attraction of Indian market.

Micra & Pulse from Renault and Nissan respectively were the same car with some aesthetic improvisations used in pulse for differentiation. Others following the trend are Sunny by Nissan and Scala by Renault. According to an agreement between Nissan and Renault a cross- badge was priced higher compared to its donor. In line with this agreement Sunny the donor was cheaper compared to its crossbadge Scala. Same is true for Nissan Terrano a cross badge priced approximately Rs 50,000-75,000 higher than its donor Duster. To overcome the twin car effect Nissan incorporated major changes in Terrano to differentiate it from Duster. Both Terrano and Duster have been highly successful on the Indian roads.

Nissan and Renault have been most aggressive when it comes to cross-badging products for the Indian market. Although through their partnership they launched many successful cross-badges for the Indian market, in 2017 both car majors announced to end their alliance for cross-badging with Duster and Terrano (Wang, 2022). Toru Hasegawa, corporate VP of Nissan stated that cross-badging was a strategy for entering the Indian market as both were new to India hence this alliance helped them reduce their risk in the initial phase. But with time they have gained experience and knowledge of the Indian market and the alliance was irrelevant as it had already served its purpose.

But a strategic alliance as a new business collaboration is justifiable only if it builds long-term market value added by building a synergistically combined partnership. In 2023 Renault and Nissan announced their plan to once again form alliance for sharing and cross-badging cars in India. This strategic alliance can help them in cost reduction and increased plant utilisation. With focus on cross badging for electric cars both firms are also working on launching electric version of Kwid which will be sold under both brand names.

Global Alliance of Toyota & Maruti Suzuki

Toyota signed a global Alliance with Suzuki and agreed to share cross-badges in India in 2017. They agreed to share their technologies. An agreement was signed according to which Suzuki was supposed to supply

Baleno and Vitara Brezza models to Toyota, and Toyota was to supply Corolla car model to Suzuki (Suzuki, 2018).

Recently they have expanded their cross-badging partnership in India to electric cars. In addition to bringing together their technologies and production they intend to leverage the collaboration for success in electrified vehicles (Toyota, 2019). They have jointly developed an electric SUV which will be launched in India in 2025. The SUV is modelled on Maruti eVX platform. This e-SUV will be sold by both Toyota and Suzuki under different brand names. Toyota is planning to sell it as Urban Cruiser BEV and Maruti Suzuki will brand it as e- Vitara.

Toyota's expertise in electric vehicle can be used by Maruti to leap into EV without investing much in R&D. In-turn Maruti can provide its expertise in small and compact cars, knowledge of Indian market and strong distribution network. Suzuki and Toyota are testing around 50 electric vehicle prototypes in India. Although there are many benefits in this partnership, it poses risk to Toyota's brand equity. Too much dependence might also damage Maruti in the long run, hence Maruti also needs to simultaneously build expertise in EVs.

CONCLUSION

Cross badging is a practice followed by automobile companies since time immemorial. Although for the customer it only gives a broader option of brand for a single model, it is a boon for marketers. Automobile companies following this practice are aware of the advantages following cross badging. It helps marketers in cost cutting, for producing a completely new car companies have to invest somewhere between Rs. 500-800 cr., which is almost 40 times the cost incurred in badge engineering i.e. Rs. 20 cr. In addition to the cost it reduces the turn-around time for new models. Because of the growing competition and introduction of multiple models in automobile industry pressure to churn new models in a short time is very high. Developing a new product is crucial for success and helps develop competitive edge over competitors (Monica R et al., 2014). Cross badging can help companies stay contemporary with minimum investment. It also reduces the need to upgrade the system and the workforce as compared to producing a new model. Today the market is customer driven and if the customers are happy in paying a higher price for the same model for a more premium brand it is illogical for marketers to invest in a new model.

Cross badging also has its disadvantages. The practice produces duplicate models with different badge or brand names which might lead to dilution of differentiation in the various car models. This affects the company's reputation and brand equity whose basic premise is brand differentiation.

Brand Cannibalization is another very big disadvantage

of cross badging. A badge engineered version with better features and better brand name might lead to the cannibalization of the original model with lesser features and lesser brand equity. Vento and Rapid in spite of being siblings thrived on each other's market share. With mutual cannibalization it was tough for the VW group to increase the combined total market share for its two sedan brands. While many companies discontinue the original version on purpose others are cannibalized because the cross badge takes away their market share. But again, this is more common when both the donor and cross badge are launched in the same market or country.

With the new trend moving towards electric vehicles, there is a huge demand for electric vehicles. Companies lacking expertise in EV need to invest heavily in EV technology to prevent themselves from obsolescence. Companies like Maruti with their rich experience in Indian market are forming partnership with those having technology and know-how for EVs and are looking at entering into affordable mass market of India. Renault-Nissan partnership is now seeing a revival with both the companies planning to produce cars jointly and sell it under both brands. The Alliance is now focusing on producing affordable e-kwid for Indian market.

With the growing awareness towards sustainability and circular economy, electric vehicles are trending considering their low dependence on oil and low pollution. However, inspite of these benefits, some operational issues need to be addressed for large scale adoption of electric vehicles (Alanazi, 2023). EV cars require huge investment, especially for companies lacking expertise in this technology. Limiting themselves to hybrid or fossil fuel variants will lead to their demise as EVs are disrupting the traditional automobile industry and redefining face of success in the automobile industry (Accenture, 2016). They are seeking help from other car manufacturers with proven track record in electric vehicle. Cross badging can provide buffer against risk of new technology in new market. Some companies eyeing Indian market are joining hands to produce cross badges with other car manufacturers to take advantage of their experience and distribution network in India.

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