INTRODUCTION
CHAPTER 1: INTRODUCTION

1.1 Concept of new product launch strategy

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1.1 CONCEPT OF NEW PRODUCT LAUNCH STRATEGY

1.1.1 Purpose of Business Organization:

In the words of Peter Drucker, the purpose of a business is to create a customer. Further, what the customer buys and considers as value is never just a product. It is always a utility; that is what a product or service does for the customer. Creating and satisfying customers and improving profitability become the core objectives for any company. In today’s business scenario, companies are keen towards building long-term relationships with the stakeholders, creating goodwill and developing strong networks with the marketing intermediaries.

1.1.2 Evolution of marketing philosophy:

In the early 50’s, when the Production concept was the basis of the functioning of the organization, the customer had very little choice. The seller dictated the terms during an exchange with the buyer. The company mass produced and mass distributed the products depending on the capacity to produce. Slowly the market scenario began to change. Companies relating to the Production concept moved on to Product concept, which worked on the principle of continuous product development. But this philosophy was myopic and considered the product to be a separate entity-isolated from the rest of the marketplace. A firm here focused on improving its own product by keeping the external environment away. Later, the customers began to change and became more aware of their requirements. Simultaneously the companies also initiated the change process for
themselves. They became more aggressive. They believed that by promoting the products aggressively, the customers would definitely buy. This outlook also had its own set of limitations.

1.1.3 Consumerism:
Gradually, from the beginning of the 20th century, customers especially in America and Europe became very active as buyers and started demanding number of benefits from the sellers. Companies began to understand the importance of working along with the customers for better acceptance of the products and better profitability. Consumerism slowly began to spread in all the markets. In India, this consumerism began in the 1980's when the market started opening up. The modern marketing concept of the companies is based on need identification of the buyers and delivering better satisfaction to them. This results in a better product for the customer and improved profitability for the company. Demand for better, superior products has been on a rise since the last three decades. As a result of this demand, companies are forced to work on the improvement of the quality of the products, processes and even the people working with the company. It is difficult to develop the right product for the market as that calls for right concepts and right processes to be adopted by the company.

"Some scholars have suggested that a market oriented culture in a business leads to a superior performance." By way of adopting market-oriented culture, companies tune themselves to the customer expectations. This results in new products that are developed
by keeping in mind the customer psychology. Further, this culture in turn improves the organizational performance and the possibility of new product success.

1.1.4 Impact of Globalization:
In the last decade, the process of globalization began all over the world. The pace of development in the developing countries attracted multinational companies towards them. Liberalization Process began in countries, which worked under restrictions. In order to create a favorable impression globally, countries and companies today strive hard to improve their image in the world markets. Thus began a new era of global marketing and strategic alliances, which resulted in widening of market base and improved profitability. Countries like China, India and Brazil are considered to be the new emerging markets.

Modern companies work with the belief that the customer seeks a bundle of benefits whenever he buys a product. It is important for any company to deliver a great value to the customer. Customers worldwide irrespective of their income groups do compare the price and the performance of the product at one time. If the perceived product performance is superior when compared to the price, the customer values the product. If the price performance equation does not match, then the customer is unhappy and dissatisfied. With almost uniform product quality and insignificant price differentiation between the competitors, it is indeed very difficult for any seller to sell the product and earn profits. The fate of the product in the marketplace hence is a critical issue for any organization. Thus, in order to offer variety to the customers, companies regularly modify their existing products and work on new product development as well.
1.1.5 Need for New Products:
New products are of great importance to a company. The level of competition in the market pressurizes the company to plan for a series of products in order to fill in the product line and increase the product mix. As quoted by Robert Cooper, “product innovation is central to business prosperity. As industries and companies restructure and restrategize to cope up with changing times, rapidly developing technologies, new and fierce competition and radically shifting market places, those managements that are able to improve the effectiveness and time efficiency of new product efforts will be the ultimate winners.”

The current market scenario demands dynamism to be displayed by any company. New products are essential for organizations that want to grow. New product planning and proper launch is inevitable as it

a) improves the profitability of the company

b) improves the overall image of the company in the marketplace

c) improves the image of the product in the customer’s mind

1.1.6 Role of New Products in Automobile Industry
“The automobile industry is the largest manufacturing enterprise in the world and is one of the most resource-intensive industries of all major industrial systems. Global automotive manufacturing is oligopolistic in structure, dominated by a relatively small number of large producers.”
The impact of India’s initiatives in economic liberalization and globalization (post 1991) is most apparent in the automobile sector. Automobile industry is a key driver of economic growth contributing around four to five percent to the Indian GDP. As per the U.S. Census International database emerging markets comprising of India, China and other countries will represent 90% of vehicle sales growth during the next decade.

Introduction of reforms and entry of international companies has intensified competition in the Indian automotive sector. This has resulted in the transformation of a seller’s market (created mainly due to the Indian government’s protectionist policies) into a buyers market. The changing structure of this industry has posed many challenges and opportunities to the market participants. The automobile industry in India has undergone a metamorphosis in terms of both the strategies as well as processes. The biggest challenge is to develop vehicles to meet the varied customer expectations.

1.1.7 Conceptual Framework for New Product Launch Strategies:

The study of New Products, strategies and their launch with specific reference to Automobile Industry is very interesting and intriguing. The researcher hence identified that it was necessary to initially study

a) the basic concept of product

b) the product strategies

c) new products and their perspectives

d) steps in the process of new product development
1.1.7.1 Concept of Product:

Experts have defined product with different perspectives. The researcher came across the following definitions of product.

Product definition:

1) A Product is anything that can be offered to a market for attention, use, acquisition or consumption. It can be a tangible product, service, person, place, organization or an idea.

2) A product may be defined as everything, both favorable and unfavorable that a person receives in an exchange.

3) A product is a set of tangible and tangible attributes including packaging, colour, price, quality and brand plus the sellers' services and reputation.

4) A product is defined as every want satisfying attribute a consumer receives in making an exchange including psychological as well as physical benefits.

What can be concluded is that a product is anything that satisfies a want or a need of the buyer. It is a bundle of attributes, which are capable of exchange and use. It consists of both, the tangible as well as the intangible components. When buying a product both tangibles and the intangibles work on the mind of the customer. With a view to explain this concept, example of Mercedes Benz car is considered.
e.g.: Mercedes Benz car has been built on the principle of world class engineering. Magnanimous amounts of research and efforts have gone behind the making of this car. The car has premium price tag. When the customer decides to buy this car, he buys

1) Technologically superior product
2) Safety
3) Image
4) Style
5) Confidence
6) Social status

The price is then compared to all the above-mentioned benefits. The decision to buy is based on the evaluation.

The researcher feels that it is important for any company to be able to translate the attributes of the product into understandable benefits for the customers. The customer understands these benefits easily. Different groups of customers seek different benefits. Companies need to study these expectations and design the products accordingly. The uphill task before the company is to be able to define and design the product correctly. While reviewing various articles, the researcher found that companies that defined their product correctly faced lesser problems in placing their products at the right position in the marketplace. Product planning plays an important role in the final fate of the product. Under product planning, a firm evaluates and considers the various parameters involved in the development and management of new products.
1.1.7.2 Levels of Product:

As discussed earlier, a product is a bundle of attributes. These attributes give the product a unique personality. But when the product is a part of a competitive environment, then it is likely to be lost or unheard in the clutter. The major problem before the marketers today is the fact that all the products are uniform in quality and price difference too is insignificant when compared. This poses a challenge in terms of seeking attention and eventually differentiating the product from the rest of the competition. Selling the product with the support of the core benefit of the product is not sufficient. Marketers today are working on building additional features and value around the product. A unique image of the product is likely to lead to better acceptance by the market. It is this personality that differentiates the product from the competition. By taking appropriate steps in terms of image building, strong emotional bonds could be developed between the product and the customers.

The researcher feels that a thorough product analysis is the basis of any marketing program. To improve the understanding of the product, the three level product structure developed by Philip Kotler is referred to. It is discussed below:

“Products can be broken into 3 levels

- **Core Product**- Marketers here define what core benefits the product will provide to the customer.

  Eg: A truck serves the basic purpose of transportation of goods.

- **Actual Product**- Marketers build the actual product around the core product.

  This may be done on the basis of the following characteristics:
• Quality level
• Features
• Brand name
• Packaging

all combined to carefully deliver the core benefits.

Example:

• Customer chooses the accessories for a car of his choice
• Colour options are available to the customer purchasing vehicles
• Brand is associated with Popular personalities like Sachin Tendulkar for TVS Victor, Kapil Dev for Kinetic Boss and so on.

• Augmented Product- At this level, the product offers additional consumer benefits and services.
  • Warranty
  • Customer training

Eg: Payment options, warranty period, technical support and assistance etc.

As conclusion, it can be said that in a competitive market, the lines that differentiate one product from the other are thin. Price differentiation is difficult. Hence marketers must first identify the core consumer needs (develop core product), then design the actual product and find ways to augment it in order to create the bundle of benefits that will best satisfy the customer. This will be applicable to products, which are made for the mass markets as well as for products made for the niche markets. This understanding of
the product will help the company in planning its product strategies with the aim of racing ahead of the competition.

1.1.7.3 Classification of Products:

An interesting question to ask would be why people buy products? Why is a car or a scooter bought? Is it for the core benefit of transportation only? What is the level of involvement in this decision?

The customer during the purchase process gets involved in the product and hence seeks certain emotional benefits from the deal as well. People use products to improve the quality of life they lead. The level of involvement in the purchase process entirely depends on the type of product. Normally for products with low unit value, a customer is keen on completing the purchase process quickly without special efforts and extra time. When the product is of high unit value, the time and efforts invested by the customer are much more. On the basis of this typical behaviour of the customers, Kotler's views on classification of products need to be studied. Products are classified on the basis of who the final purchaser is. The marketing mix is changed accordingly.

Kotler's basic classification of products goes as given below is used by the researcher with relevant examples from Automobile Industry.

- *Consumer* products: They are destined for the final consumer for personal, family and household use.

  e.g Two wheelers, Four wheelers- Cars and Utility Vehicles
• *Business to business* products: They are made to satisfy the goals of the organization.

  e.g Commercial Vehicles

The products – automobiles, studied under this research fall in the category of Shopping and Luxury Goods. This study will enable to understand the customer behavior in terms of the product category – automobiles. As per the classification of consumer products, automobiles come under shopping goods and luxury goods category. Here consumers expend considerable effort in planning and making purchase decisions. Producers’ need the cooperation of intermediaries. Use of sales personnel, communication of competitive advantage, branding, advertising, customer service etc is done. Product with the best set of attributes is bought. If product attributes are judged to be similar, then priced based comparison is carried out.

Whenever a customer decides to buy a vehicle, he is interested in taking additional efforts in order to reach to the right decision. Detailed comparison is carried out. This comparison is done on the basis of certain parameters such as performance, price, after sales service support, style, brand image, fuel efficiency etc. Study of the market leads the customer to a set of alternatives. Out of all the available alternatives/ options, an evoked set is created. This evoked set consists of choices very close to the expectations of the customer. Finally, a product that in the best possible way meets the desired set of expectations is bought. This typically is the behaviour of the customer when purchase of the vehicle is concerned.
**1.1.8 Background for New Products**

Once the product concept was clear, the next step was to understand the background of New Products. The researcher identified the following questions that need to be answered.

1) Why are New Products important for any company?

2) What are New Products?

3) What leads to the development of the New Products?

4) What are New Product Strategies?

5) What are the major steps involved in New Product Development Process?

Companies use products to deliver customer satisfaction. Customer satisfaction and delight comes when the customer connects with the product and also perceives value in the deal. It is a major challenge before the companies to create the right perception of the product’s usefulness in the mind of the customer. The customer should consider the product to be unique and an important element of his life.

"Constant changes in local, national and global Social, Economic and Tecnology (SET) Factors produce Product Opportunity Gaps (POGs). POGs can be expressed in terms of Value Opportunities (VOs). VO’s must then be translated into a product solution that
integrates the appropriate style and features that anticipate emerging needs, wants and desires of consumers. Considering the rapid changes in the consumer tastes, technology and competition, companies must develop a steady stream of new product and services.

New product strategy is a part of the web of strategies. It is derived from the marketing strategy, technology strategy and the overall corporate strategy. This is because new products serve the organizational as well as the customer needs. The primary objective of new product development and launch process is to secure future volume and profit growth. But a firm may have other objectives as well, such as maintaining the firm’s present position as an innovator and defending market share. The firm’s new product strategy derives from an evaluation of company resources, the competitive scene, the capabilities, strengths and weaknesses of the company.

1.1.8.1 New Products:

By new products we mean original products, product improvements, product modifications and new brands that the firm develops through its own research and development work.

Lamb, Hair and McDaniel define a new product as a product new to the world, the market, the producer, the seller or some combination of these. Merle, C. Anthony Di Benedetto and Roger J. Calantone explain that a new product is a term of many opinions and practices, but most generally defined as a product (good or service) new to the firm marketing it. This excludes products that are only changed in promotion,
though some people like to think of a repositioned product (such as new use) as a new product. The term new is used in a relative sense.

1.1.8.2 Need for Variants:
Competitive strategy may drive new product planning on a short term or long term basis. In case of automobile industry, developing new products is expensive and a lengthy process. The time span required to roll out new products is big. Hence for the short term, product variants are needed to improve the declining market share. There is also a need to improve the existing product lines by adding different product sizes and or added features that may be with the intention of deterring the competition from entering into the market. Minor product changes are also desired to secure the loyalty of the dealers. When a full range of the product is available with them, then they may not consider selling competitors offerings. This also satisfies the customer in terms of availability of options to choose from.

1.1.8.3 Role of New Products:
In the long run this competitive strategy may seek a profound contribution from new products. These new products appeal to the traditional customer base of the company and even seek new customer segments. New products also perform a learning function for the organization.

According to Perreault and McCarthy, identifying and developing new product ideas and effective strategies to go with them is often the key to a firm's success and survival.
New Product Development is the development of original products and also making changes in the existing products. This starts a new product life cycle for the product. According to Boyd, Walker, and Larreche, the basic objective of new product development is to identify new product opportunities that can be successfully commercialized at the greatest return on the funds invested and that are compatible with firms resources- both financial and managerial. Successful New Product Development is a very difficult task. But still, it becomes an important activity for the company. In this process of new product development launch, there should be 100% participation by the top management and the entire staff of the company. Top management defines the market and the product categories after research and feedback from the various sources. It is again the responsibility of the top management to set specific criteria for new products and identify strategies on the basis of the role the product will play in the market.

The role of this new product may help the company

a) to remain an innovator
b) to defend its market share position
c) to get a foothold in the new market
d) to provide more variety to the customer
e) to weaken the competition
f) to strengthen the company position with the dealers

1.1.8.4 Reasons for New Product Launch:

New Product Launch from a company is because of one of the following reasons:
1) **Technological Partnership:**

New Product is launched on the basis of new technology, either acquired from the parent company or with foreign collaboration.

Eg: 1) Bajaj and Kawasaki come together to launch the range of motorcycles under Kawasaki Bajaj.

2) Kinetic and Honda formed an alliance to launch the Kinetic Honda.

2) **Attractive new markets / market segments**

Companies enter into new lines of business and cater to altogether new markets for the first time. In general, diversification strategy tries to reduce the dependence of a company on a limited line of products.

- Eg: Decision of Tata Motors to enter the Passenger Car Market with the indigenous Car- Indica.

- Mahindra and Mahindra begin their operations in China to improve their global dominance

3) **Expanding the existing Product Portfolio:**

New product lines and brand extensions sometimes supplement a company’s existing business.

Eg: Bajaj for years known as Scooter company decided to launch motorcycles as the market needs had changed. The motorcycle market was growing at a fast pace and the company was keen on using its image in the two-wheeler segment of the vehicles.
4) Improvements / Modifications in existing products:

Company introduces new products that offer superior performance and replace existing products.

Eg: Kinetic Honda moves from Kinetic Honda DX to ZX and further to Kinetic Zoom.

5) Need to cover the price conscious lower end market

These are new products, which are expected to provide similar performance at lower cost.

Eg:

- The creation of the scooterette segment probably resulted because of the urge of the manufacturer to give a better driving experience than the moped to the customer at a cost less than that of a motorcycle and a scooter.

- In the Motorcycle segment, all companies have introduced entry level motorbikes targeted towards the price conscious buying class.

6) Product Relaunch

Here old products are relaunched with improvements and targeted at new markets or consumer segments.

Eg: Launch of Tata 207 in the year 2004. This product when was introduced in the late 90's did not do well as the company failed in explaining the utility of the product to the customers. But Tata Motors relaunched it with modifications as they observed that the market was now ready to accept their product.

In a Research conducted in the year 1981 on New Product Management, Booze, Allen and Hamilton measured the proportions of types of new products as follows:
<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) New to the world products (entirely new markets)</td>
<td>10%</td>
</tr>
<tr>
<td>2) New Product Lines</td>
<td>20%</td>
</tr>
<tr>
<td>3) Addition to existing lines</td>
<td>26%</td>
</tr>
<tr>
<td>4) Improvements in/revisions to existing products</td>
<td>26%</td>
</tr>
<tr>
<td>5) Repositioning (existing products in new segments/markets)</td>
<td>07%</td>
</tr>
<tr>
<td>6) Cost reductions</td>
<td>11%</td>
</tr>
</tbody>
</table>

If we go by the statistics as given above, then the major percentage of new products comes from the category of - Addition to existing lines and Improvements in / revisions to existing products.

Further in an article on New Product Strategies, Dr. V. Sumantran, Executive Director, of Tata Motors comments that in case of Automobile industries it is logical to use product platforms as a strategic method for quick new product introductions. In case of technical products, the time period between concept development and product launch is very high. If a product platform can cater to a number of products then the speed of new product development process increases. This will enable the company to quickly respond to change in market expectations and be profitable.

Eg: Indica Platform extended to Indigo and Indigo Marina

As discussed earlier, we have identified new products are either innovations or modifications. Modifications in the products include:
1) **Feature Modification**: This is called as functional modification, which makes change to what the product does.

   E.g.: Kinetic Honda uses lean carburetor technology to improve fuel efficiency of the vehicle.

2) **Quality Modification**: Here the suppliers and the manufacturers increase the quality of the basic product. This is difficult to convey. There is a trend to adopt worldwide-accepted standards such as QS 14000, Euro II emission norms and so on. When standards are adopted, they improve the customer perceptions about the quality of the product.

3) **Style Modification**: This is the most frequent form of modification. Here the aesthetic appearance of the product is modified and changes are made. Introduction of metallic colours for the car- Maruti 800, adding stylish mirrors and accessories to motorcycles and scooters are examples of style modification.

4) **Image Modification**: This concentrates on changing the non-product attributes so that the customers feel that the total product package has changed. In today’s market scenario, image plays an important role in the success or failure of the product. A good product needs to be marketed well. Efforts need to be taken to develop a specific image in the mind of the customer. Volvo has been able to successfully associate the safety feature in the image of its products. A poor or ineffective image affects the growth of a good product. Sometimes companies change the image of the product to convey the product message.

   E.g. Hyundai after the initial launch, imaged Santro as the Sunshine Car with popular Indian film stars like Priety Zinta and Shahrukh Khan featuring in their
advertisements. This marketing campaign proved to be successful enough to evoke an enthusiastic response from the market.

1.1.9 Importance of Innovation

Further, during the study process, the researcher understood that if innovation is the driver of any organization, then growth prospects for the company are much higher. Innovation is a culture, which can be created within the organization. This will be a proactive approach adopted by the management to face the business challenges in the future. The situation calls for improved or better innovation practices to be followed within the organization. Products, like people go through a life cycle. New products are essential for sustaining a company’s revenues and profits. Existing products are replaced if the sales eventually decline. Managing innovation is not a one-way process. Huge amount of money is spent on research and development. The organization spends its time and effort on NPD Projects. This innovation needs to become acceptable to the buying community and at the same time profitable to the company. Firms today need innovation to sustain the market and competitive pressures.

The organization planning to launch new products must have a mindset for innovation gelling with prevailing and futuristic market conditions. As a researcher it was interesting to study the concept of innovation. Different people have put across different views about the concept, as given below:
1.1.9.1 Concept of Innovation:

As defined by Myers and marquis (1969), Innovation is not a single action but a total process of interrelated sub processes. It is not just the conception of a new idea or the invention of a new device nor the development of a new market. The process is that all these things act in an integrated fashion. Rogers and Shoemaker (1971) state that it matters little as far as human behavior is considered whether or not an idea is objectively new as measured by the lapse of time since its first use or discovery. If the idea seems new and different to the individual, it is an innovation.

The insights about innovation as stated above bring to the forefront the following points:

1) Innovation is initiated by creativity
2) Innovation is translation of creative ideas into marketable products
3) Innovation calls for an integrated approach to be used by the organization.
4) Any activity that leads to differentiation of the product from the rest is termed as Innovation.

The researcher has correlated certain examples from the Indian Automobile Industry to the three dimensional Innovation model as proposed by Ramanuj Majumdar in the following discussion:

1) Market Innovation

When the company decides on market innovation, it makes improvements on existing products and launches new products. These are basically altered versions of existing or old products. Here consumers are not required to change their consumption or usage habits drastically to accommodate these new products. Breakthroughs in the use of
advertising media, new marketing themes or channels and so forth allow reaching new 
consumers or reducing price sensitivity.

These are examples of improvement in the products whose success was derived more 
from marketing innovations such as brand and easy availability rather than any 
significant change in the substance of the product itself.

Eg: Maruti Suzuki 800 – The model and the price tag were a major attraction for the 
customer. However, success of this car can be credited to the easy financing plans made 
available by the company for the customer to choose from.

2) Product innovation:

In case, the company decides for product innovation\(^2\), then these are basically 
innovations on the technology and design of existing products although the product 
category as such already exists in its primitive form. Such new products are targeted for a 
new class of buyers. Product innovation can widen the market and hence promote 
industry growth and or it can enhance product differentiation. Product innovations many 
a times flow vertically originated by the customers, dealers and suppliers. Success of 
such ventures depends on the ability of the marketers to convince the consumer about the 
improvement in the performance over traditional brands as well as over new entrants.

Eg: a) In the 100 cc two wheeler vehicle market, TVS Suzuki was the first entrant and 
captured a sizable market. However, Hero Honda became the market leader in the 
category of motorcycles by virtue of better performance and marketing techniques.
b) Scorpio – Multi Utility vehicle from Mahindra and Mahindra set the market rolling and received great response from the market.

3) Process Innovation:

This method basically involves those products that are made with new technology\(^{21}\). These products succeed in view of their significant new utility to the user. Innovations can make the process more or less capital intensive, increase or decrease economies of scale, change the proportion of fixed costs and so on – all of which affect the industry structure. These ventures require an initial awareness building and persuasion to install the product. Early entrants reap the benefit of leadership. Subsequent entrants face the difficulty in establishing themselves.

Eg: Mercedes Benz is a trendsetter in the luxury car segment. Focus on research and development has helped the company achieve technological excellence. Here technology has played an important role in building value around the product and is the natural justification for the price range.

1.1.9.2 Innovation in the Automobile Industry:

In the automobile industry today, it is seen that number of models of vehicles available are in the market. The customer is provided with a wide array of products to consider and purchase. The demand of unique and innovative vehicles is increasing. The R & D departments of companies are working hard to introduce new vehicles in a short span of time. So a company’s ability to successfully identify and launch new products has
become one of the most important criteria for success. There are two aspects to this activity:

a) the product development process itself – linked with the capability of the company

b) maintaining the pace of innovation to achieve long-term success - linked with the strategic initiatives displayed by the company.

Automobile Industry is marked by continuous improvement and introduction of innovative products. This industry with technical expertise also uses advance marketing tools and techniques. By developing a vast range of products, this industry extends multiple value offers to a customer to choose from. The design of a vehicle is a complicated process involving many activities to be performed systematically and simultaneously. This process is both exciting and challenging. This process further varies from one company to other. As a result the strategies also vary.

For years research is being focused on technology and non-technology intensive organizations. Automobile Industry under study by the researcher comes under the category of Technology intensive firms. Presented below is a model for the strategies identified for technology firms as put up by Freeman and his colleagues.²⁶

Table 1: Broad Innovation Strategies for Technology Intensive firms:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Characteristics</th>
<th>Aim</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Leader /</td>
<td>Science/technology</td>
<td>To ensure that the product is launched before the competition</td>
</tr>
<tr>
<td>offensive</td>
<td>intensive</td>
<td></td>
</tr>
</tbody>
</table>

25
2) Follower / defensive

3) Cost minimization / Imitative

4) Market segmentation specialist / Traditional

On the basis of the above model, researcher cites certain examples from the Indian Automobile Industry to improve the understanding of strategies.

Table: 2 – Strategies of Automobile Companies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Example of Companies</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Leader / offensive</td>
<td>Maruti Suzuki</td>
<td>Maruti 800</td>
</tr>
<tr>
<td>2) Follower / defensive</td>
<td>Hyundai</td>
<td>Santro</td>
</tr>
<tr>
<td>3) Cost minimization / Imitative</td>
<td>Tata Motors</td>
<td>Indica</td>
</tr>
<tr>
<td>4) Market segmentation specialist</td>
<td>Daimler</td>
<td>Mercedes Benz</td>
</tr>
<tr>
<td>/ Traditional</td>
<td>Chrysler</td>
<td></td>
</tr>
</tbody>
</table>
Once the broad organizational strategy is decided, and then the company works in terms of maximizing profits with minimum levels of investment and expenditure. It must have been this trigger that led to the creation of product platforms. If a company produces only a few simple products, it can successfully develop each independently of the others. But as a company increases the number and complexity of its products, it maximizes effectiveness by evolving from a product-by-product approach to a system approach. This will enable the company to use its capabilities to the fullest and improve the speed of new product introduction. The result is a family of products based on common technologies and subsystems.

1.1.10 Product Platforms:

According to Myer and Utterback (1993), product platforms are important for new product decisions. In case of the car industry many individual models may share the same basic frame, suspension and transmission. A robust platform is the heart of a successful product family serving as the foundation for a series of closely related products.

In the article titled “Accelerating product development in the automobile industry” in Venkataramani Sumantran, Executive director, Tata Motors writes, “every model in the auto industry is destined to a shorter life. The faster pace of regulatory changes adds great emphasis to this situation. To achieve more rapid product development, organizations have employed many fundamental enablers including: platform concepts allowing more effective leverage of designs; doing work concurrently; reducing the time taken for each task. Major automobile manufacturers have used all these methods for reducing product development time. Tata Motors, the largest automobile firm in India, has also used many
of these same levers to accelerate product development. Tata Motors developed a new Sedan Indigo in about 20 months (and subsequently a Station-wagon, Indigo Marina), leveraging the successful Indica platform and manufacturing system. This approach, supported by a formal vehicle development process, concurrent engineering, math’s based simulations and a disciplined manufacturing planning activity has been deployed with considerable benefit. The cross-functional teams employed in many stages of the development activity have also promoted organizational learning apart from reducing product development cycle time. Ultimately only the marketplace success of these products, contributing to the financial turnaround of the company, can be viewed as a true measure of the success of these efforts."

As a conclusion, it is said that innovation success depends on how the product is launched, the reception given by the customers and the ongoing attention given to its improvement.

1.1.11 The New Product Development Process:
Systematic approach to the Product Development Activity is likely to improve the chances of the fate of the product in the marketplace. New Product Development (NPD) and Launch is a science by itself. New product development is one of the riskiest, yet very important, endeavors of the modern corporation. Managing new product development successfully requires a commonly applied, disciplined process that is consistently used and under-stood by all managers. Companies use a variety of approaches to develop new products. Based on the research of Philip Kotler, new
The product development process can be presented in a model, which identifies the activities performed in bringing new product ideas to the market place.

Before a product is introduced to the market, it goes through a series of steps or phases. This planning process, which is called the New Product Development Process, allows a firm to generate and evaluate ideas, to eliminate the least attractive ones, to develop the product and finally test and introduce it to the marketplace. The study of new Product development is important as it clarifies how an idea is transformed into a product. This is a structured approach developed to remove the gaps of communication, understanding and need identification. The end objective of any New Product Development is to launch a product successfully in the marketplace. The phases are shown in the following figure:

1.1.11.1 Stages in the New Product Development Process

1. Idea Generation
2. Idea Screening
3. Concept Testing
4. Business Analysis
5. Product Development
6. Test Marketing
7. Commercialization

If the company plans the New Product Development Process well, then certainly there are better chances for the product in the market place.
1.1.12 Why New Products Fail?

Irrespective of the fact that the new product development process leads to a range of new products, only a select few products are successful in the market place and are accepted by the buyers. The researcher proposes to study the reasons for new product success or failure. The major observations from the reading are

1. The failure rate of new products remains high despite better product-planning processes.

2. Product failure can be defined in two ways:
   - Absolute failure occurs if a company incurs a financial loss.
   - Relative failure occurs if a company makes marginal profit but does not attain profits or image objectives.

In a nutshell, for any successful launch it is needed to consider,

- production capabilities
- promotional capabilities
- price
- competition
- the speed of acceptance among consumers and channel members
- intensity of distribution
- time period to profitability

There are certain questions that need to be addressed to ensure the success of the product:

1) What do customers understand about the product they want to buy?

2) Has comprehension of its benefits spread in a predicted way?
3) Is it easy to adopt the product?

4) Is the product easily available?

5) Is the price performance equation acceptable?

6) Is the product competitive?

This research is exploratory research as it seeks to define problems and issues. The aim here is to obtain a better insight or a new insight, which could lead to a fuller definition of the challenge, which certainly is as below:

Launching the product in a market so as to make it a success.
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1.2 INDIAN AUTOMOBILE INDUSTRY - AN HISTORICAL PERSPECTIVE
WITH FOCUS ON DEVELOPMENT

1.2.1 Introduction:
Automobile Industry in India as we see today is completely different as compared to the way it was in the 60’s and 70’s. The growth and the development of this industry can be identified with a cocoon transforming into a butterfly, beautiful to look at with pride. As seen in the recent times, this industry uses the most modern technology for the development of vehicles expected to match the customer expectations. In the current business scenario formation of strategic alliances, improvement in the manufacturing capabilities, building dealer networks, creating customer relationship programs, adoption of global standards and managing innovation are ongoing activities within the Automobile companies. This industry is sensitive to competition and uses modern marketing tools and techniques to create a high impact on the mind of the customers. From a limited number of models of vehicles available in the market, the customer today has an option of looking at a wide variety. The product portfolio (offer basket) balances the performance and price related expectations of the customers. The issue is that the comparison of the vehicles is not between the good and the bad. It is between the good, the best and the very best.

India is increasingly becoming a global hub, both for the vehicle manufacturing and the components industry. The policies of the Indian Government have attracted many foreign manufacturers to set up their manufacturing plants and R & D centres in India. General Motors, Daimler Chrysler etc. are examples which support the earlier statement.
1.2.1.2 Post-independence Era:

In the initial years after independence, the Indian Auto Industry was protected. There were number of market gaps left untapped. As a result of these gaps, the customers had to decide amongst a group of limited options. In passenger cars, the choice was between an Ambassador and a Fiat Padmini. For a Bajaj scooter, the customer had to wait for seven long years. The available models of motorcycles lacked aesthetic appeal and were bulky. Lack of product activity in the market was because of the complex regulatory systems of the Indian Government. Difficulty in getting license to import technology / products created a low volume, high cost industry which was inefficient, unprofitable and technologically obsolete. The new two-wheeler segment like scooterette and category of utility vehicles in the four-wheeler segment did not exist.

1.2.2 Current Status of Indian Automobile Industry:

After studying the history of this industry, the researcher feels that the industry has moved from a conservative approach to an entirely new business outlook. Of course, the credit for this goes to the policies initiated by the Government of India and the quick response of the companies to convert these policy changes into business opportunities. The change in the Indian Industry is a definite result of the change in the economic reforms and deregulation in the policy structure and attraction provided for foreign investment. India today is playing a significant role in the Asian Region. The Automotive Industry in India is now working in terms of the dynamics of an open market. Many joint ventures have been set up in India with foreign collaboration. Strategic partnerships have been formed with foreign partners to get an access to their
technical expertise The Government of India is keen to provide a suitable economic and business environment conducive to the success of the established and prospective foreign partnership ventures.

There continues to be significant activity in the Indian Automotive Industry. Overall growth seems to be positive across all segments with commercial vehicles and two wheelers leading the way. India is fast developing as both an export and sourcing hub for many of the leading Vehicle manufacturers. The vision of Auto Policy of the Government of India is to establish a globally competitive automotive industry in India and to double its contribution to the economy by 2010.

1.2.3 Role of Domestic Companies and Foreign Companies:
Once the economy opened, the attitude of the customers began to change. Market forces compelled the domestic companies for better quality products. The critical issues of survival and growth forced the domestic players to change the business mode and embrace the newer techniques of vehicle manufacturing and selling. The domestic companies now began to strategically plan for

a) Expansion of product lines
b) Modification of existing products
c) Development of new products

With the liberalization process, some sectors like the Automobile, FMCG, IT, Tourism etc. have begun to face intense competition from a number of players both foreign and domestic. The opening of the Indian economy attracted number of foreign companies to
1) Explore the untapped Indian market

The automobile companies entered the Indian market with improved products in terms of features and world-class standards of quality and performance. The aggressive marketing strategies deployed by these companies resulted in a market loaded with attractive vehicle options. The customers were groomed to move beyond the utility aspect of the vehicle and understand benefits like comfort, luxury, status elevation, and so on. This was definitely new to a conservative automobile market in India. A product like a car was earlier offered to the market with focus on the product features. As we see, the offer of a car today is based on tangible and intangible product features, strategic pricing, exclusive promotional efforts and support of dealer networks.

2) Use India as the hub for exports to Asian and other countries.

a) Hyundai Motors India limited (HMIL) exports to Europe and United States of America from India. Hyundai also proposes to ship its output manufactured at the second plant at Chennai to Europe, Latin America and other neighboring markets, including the Middle East region.

b) Daimler Chrysler exports cars from India.

c) Kawasaki from Japan in alliance with Bajaj Auto has made India as their export hub.

1.2.4 Progress of the Indian Automobile Industry

The need to progress with effective management of cost compelled the companies to look out for newer techniques of business. Value chains, lean manufacturing, process
management, indigenization, structured new product development (NPD) are buzzwords in the industry today. The open door policy of the Government and the availability of low cost labour in India led to the setting up modern plants for vehicle manufacturing. E.g.: Fiat, Hyundai, and Toyota.

The automotive industry's strong linkages with the capital equipment and the services industry, and the potential for earning foreign exchange through exports also acted as an impetus for its growth. The automobile sector comprises of all vehicles, including 2-3 wheelers, passenger cars and multi-utility vehicles, light and heavy commercial vehicles, and the allied engineering sector comprising largely of the auto components. The dynamics of the Indian two wheeler industry have also changed significantly over the last five years. The demand for motorcycles is growing.

With increased production and capacity creation in the passenger car sector, substantial growth in exports is envisaged. This tremendous growth in the vehicle sector is geared to accelerate the continuous growth of the auto-component industry as well. There is a rising demand for the utility vehicles. The commercial vehicle segment also now has geared up to respond to the new wave of modernization and customization. The basic psychology of the customer still remains as Value for Money, which revolves around low price for modern and better-designed vehicles resulting in superior performance.
The fundamental reasons for the growth of the auto sector are

1) **Increase in the demand for Personal Transport**

   In India, what we observe is that barring a few cities like Mumbai and Delhi, in all the other cities public transportation systems are ineffective. The schedules of the public transport are not time bound. The experience of travel is also not very satisfying. This major gap led to an increase in the demand for personal vehicles.

2) **Mobility**

   There is an increase in the mobility of the people. They are involved in multiple activities. This results in the demand for personal vehicles that would offer convenient and economical solutions to the mobility issues.

3) **Time Constraint**

   Time is precious. The day-to-day activities of people are as per specific schedules. Hence there is a growing demand for time saving machines. Inefficiency of public transport in India has resulted in the customer preference for personal vehicles. In such conditions, personal transport is a time saving machine.

4) **Rising middle class**

   The number of households in India, as estimated by the NCAER for 1989-90, was 142.4 million, which grew to 176.5 million by 1999-2000. The NCAER study estimates that the number of middle-income households expanded at a much brisker rate from 20.2 million to 51.9 million over the same period. The estimated size of the Indian middle class is now 275-300 million. This middle class is ambitious, understands the importance of education and is eager to push themselves into the upper strata of the society. It is quicker in terms of adoption of new products. Price consciousness is very high. But if the product suits their price
considerations, then the decisions are fast. The vehicle manufacturers understood this psychology. New products were created to suit to the taste of this class.

e.g.: The emergence of the A and B segment in cars, mopeds and low end motorcycles-economy class support the above discussion.

5) **Wide range of options**

Customers would like to choose the best product, amongst many. After understanding the buyers decision-making process, the researcher realized that the feeling of being powerful in the decision making process, thrills the customer. When limited choice was available to the customers in India they were unable to make a judicious decision. Further, there was unawareness about the requirements. With the progress of the country, the manufacturers in competitive spirit loaded the market with new vehicles with unique features. Branding exercises helped the customer in differentiating the product from the other options available. In addition, what is observed is that a particular model is available in different forms called as variants. Variants increase the depth of the product mix.

e.g.: A customer interested in having a robust yet trendy motorcycle would narrow down his choice to Bajaj Pulsar which is ‘definitely male’.

6) **Improved access to financing**

Buying on credit was once considered to be a bad practice by the Indian society. The modern materialistic approach towards life today motivates an individual to acquire products and use them to improve the standard of life. Easy financing schemes solved the customers’ problem of spending lump sum at one time. The financial pressures during decision making reduced. All vehicle manufacturers
today offer financing schemes to the customer. The customer wins as he gets an opportunity to use the product. This fact the researcher feels made a tremendous effect on the growth of demand for the automobiles. The hesitation with reference to the price of the product is taken care of by this means.

7) **High levels of latent unsatisfied customer demand**

Until the 1990's the customers in India were starved for world class vehicles. Media put forth before them the kind of options available to their western counterparts. There was a craving for vehicles, which would be superior in performance.

8) **Growth of middle class and rising per capita income**

Today the middle class of India is booming with a figure that tops 300 million and who enjoy a per capita income of $250. The National Council of Applied Economic Research estimates that the number of people living in households that earn at least $1,800 annually—considered the minimum for middle-income families—has increased by 17% in just the past three years, to more than 700 million. At this income level, Indian families can purchase motorbikes, televisions and refrigerators. The organization expects the number to rise an additional 24% by 2007⁵.
1.2.5 Segmentation in the Indian Auto Industry:

The researcher also studied the various segments of the Automobile Industry in India. The segmentation can be made as under:

**Chart 2: Segmentation of Indian Automobile Industry**

```
<table>
<thead>
<tr>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Wheelers</td>
</tr>
<tr>
<td>Three Wheelers</td>
</tr>
<tr>
<td>Passenger Cars</td>
</tr>
<tr>
<td>Multi Utility Vehicles</td>
</tr>
<tr>
<td>Commercial Vehicles - LCV, M&amp;HCV, Tractors</td>
</tr>
</tbody>
</table>
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1) **Two Wheelers:**

This segment is in the growth phase today. A two-wheeler has become a valuable support for increasing productivity and profits besides helping in personal transportation. It saves fuel, as the fuel efficiency of a two-wheeler is higher when compared to any other segment. In rural areas, it enables the people to travel frequently to nearby towns for their daily needs. Rather, the growth in the rural market is one of the major reasons of growth of the two-wheeler industry. The purchasing power of the rural customer has increased because of good monsoons and increase in the prices and demand for agricultural goods.

The old profile of two-wheeler industry consisted of Scooters, Mopeds and Motorcycles. The new profile along with other three stated segments also has an addition in the form of scooterettes. Mopeds are entry-level products aimed at lower/middle income groups desiring economy as the major benefit. At one time scooters were a popular choice over
mopeds. But as the market developed, the customers changed their preferences. The current situation depicts a change in customer preferences from scooters to motorcycles. The motorcycles have been further segmented into four types such Entry level, Executive, Premium and Performance. The price tag swings upwards from entry-level bikes to performance bikes. New segments like the scooterettes have emerged from the core need to have a fuel efficient, low priced, stylish and trendy two-wheeler that may be used by even teenagers just out of school.

Rising income in the urban and rural households will ensure a rising market for the two-wheeler, considered today as a basic need. Companies operate with options for the customers to choose from. These products address the specific needs of the customers. Automobile industry is a typical example where we see customer preferences driving the industry. Reliability, fuel efficiency, safety, styling, economy and convenience are some of the benefits that are sought by the customers. With petrol prices on the rise and stringent emission norms being applied, the customers prefer four stroke vehicles over the two stroke. These four stroke vehicles offer improved mileage and control pollution by way of lesser emission. Modern vehicles also need to be environment friendly and should comply with the emission norms as prescribed by the authorities.

There is also a segment that only looks for power and pleasure of driving when buying a two-wheeler. High-powered two wheelers such as Hero Honda CBZ and Karizma are examples of such vehicles. Rather than differentiating the product merely on the basis of price and begin commoditization of the industry, companies should centre the product
story on brand attributes. These attributes need to be communicated by way of effective branding. So it may be concluded that there is a definite need to talk more than the product to the customer. To consider a global example in this context is the brand Harley Davidson. Motorcycles in low-income countries are a form of transportation. But Harley Davidson motorcycle is a recreational product. Harley focuses on a broad spectrum of needs: needs for status, fun, affiliation with the Harley legend and history and with Harley riders, both past and present and the feeling that the riders experience on a Harley. India is the largest manufacturer of motorcycles and the second largest manufacturers of scooters in the world. This is the largest and most vibrant automotive sector in India. The range covers small mopeds of less than 50 cc, highly fuel-efficient scooters and motorcycles of engine capacity ranging from 100cc to 350 cc.

2) Passenger Cars:

The passenger car industry has changed beyond recognition. With two models initially in the form of Fiat Padmini and Ambassador, the Indian car market is flooded with a range of products from the world’s best companies like Toyota, Skoda, Hyundai, GM, Ford, Mercedes Benz etc. At the same time we see Indian initiatives in the form of Maruti Suzuki, Tata Motors, Mahindra and Mahindra who have made a commendable contribution in the growth of this sector. As compared to the developed countries, the volume sale for passenger cars in developing countries comes from the economy segment. The presence of Maruti –800, Maruti Alto, Tata- Indica, Hyundai Santro, on Indian roads indicate the popularity of this segment. However, we see that there is a substantial increase in the demand for premium and luxury cars.
The key demand drivers perceived for cars are as follows:

a) Increase in the disposable income

b) Improvement in the infrastructure by the Government- construction of National highways and Super fast Expressways

c) Change in the customer perceptions for cars as a product. Other than offering transportation solutions, cars are perceived to be products having the potential of displaying the social status of the owner customer.

d) Change in the culture of the Indian society, which is now keen on living life qualitatively. Ownership of a car opens up newer avenues of fun and entertainment for the family of the customer.

e) Change in vehicles desired by the customers after around 3-5 years. Earlier the purchase of car was once in a lifetime purchase. Today it is seen that the customers desire to upgrade to newer products with superior qualities. Customers go along with the trend in the society. For e.g there is an increase in the demand for B and C segment cars like Maruti Zen, Hyundai Accent, Maruti Esteem, Ford Ikon etc.

f) Change in the nature to upgrade to new cars has initiated action in the second hand car market as well. There is a growth in the used car market.

g) Luxury cars are an attraction to a specific segment of the market. This has led to a good business opportunity for the D and D+ segment cars such as Toyota Corolla, Toyota Camry, Honda Accord, Honda City, Mercedes Benz etc.
However it is interesting to note that along with Indian manufacturers, even global manufacturers have to adapt their car design as per the requirements of the local market. Tata Motors had specified while making Indica that the rear seat space should match that of the Ambassador, used by the Government and the companies. Thus, Indica is longer and wider than other small cars. Ford redesigned Fiesta by stretching the floor plan design by 40mm in order to increase the rear seat space and launched this model as IKON in India. The passenger car buyer is very specific about the exteriors and the interiors of the car.

The segmentation in the Passenger Car market goes as under

a) Economy Segment

b) Luxury Segment

c) Super Luxury Segment

3) Multi Utility Vehicles:

Multi Utility vehicles belong to the family of Passenger Cars. Until a few years ago, jeep was available under this category. However, status was not associated with this product. Mahindra and Mahindra, Maruti Suzuki were the major players in this market. Tata Motors introduced Tata Sumo in 1995. With this introduction began a new era of Multi Utility vehicles in the Indian market. Customer perceptions about this category began to change. Today, multi utility vehicles have acquired a unique space in the customer’s mind. It is now considered as a family vehicle. MUV’s were earlier designed keeping in mind the use of the product in the rural areas. E.g Mahindra Jeep. As the use was perceived to be restricted to the Rural Areas, styling / aesthetic appeal was never a
priority with the manufacturer. However, Tata Sumo and Mahindra Armada carried a look that went along with the lifestyles in city. It is only later that we see demand for the MUV’s rising.

Toyota Qualis, Mahindra Scorpio, Tata Safari, Ford Fusion today have provided impetus to the growth of this segment. The positioning of these vehicles has resulted in customer interest for this category. Even Global Manufacturers are eyeing this segment in India.

4) Three Wheelers

Three-wheelers are used for both goods and public transport purposes. This segment is very sensitive to the operating cost of a vehicle. The success of diesel three-wheelers in 1995 was mainly due to low operational cost of the vehicle.

There is an increased demand for six-seater and goods carrier segment. The demand for three wheelers is likely to change because of the introduction of effective public transportation system. Engines running on petrol are being replaced by diesel engines.

5) Commercial Vehicles

Growth of Commercial vehicle segment is linked to the growth of the economy. Infrastructure development definitely triggers the demand for the commercial vehicles. The completion of the Golden Quadrilateral Project is likely to change the transportation scenario in India. Rural development is a priority on the Government Agenda. With more rural roads being built, the potential for commercial vehicles will also increase. The
fastest growth of vehicles in India in volumes has come from commercial vehicles. Between 1998-99 and 2003-04, output of such vehicles has grown 2.8 times compared to the 2.2 times increase in passenger cars.

Commercial vehicles may be classified in a number of ways such as the eight official classes or by the attribution of vehicles. Eight classes of commercial vehicles are officially listed as <2 ton, 2t-4t, 4t-6t, 6t-8t, 8t-10t, 10t-12t, and 12t-15tand >16t. Within heavy commercial vehicles, the categories are most significant are Distribution Lorries, Tractors and Construction Lorries. Buses and Coaches are considered on the basis of the number of passengers they can transport. “The main characteristics of the Commercial Vehicle market are as follows:

- Vehicles are often used for long distance journeys.
- Growth of industry leads to more use of commercial vehicles.
- Specialized requirements lead to a high degree of customization.
- Heavy commercial vehicles need total solutions consisting of warranties, maintenance and repair contracts or even round the clock assistance.
- Product in commercial vehicle segment is split into two components-
  a) the vehicle itself
  b) the body the customer needs to carry for their business
- Customers display increased level of technological expectations
- Environmental and Safety issues are important.”

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With an estimated 39% of CVs plying on the roads 10 years old, demand for HCVs is expected to grow by 8% in FY05. Also adding the positives are higher crop output, industrial sector growth and favorable interest rate environment. India is the fifth largest manufacturer of commercial vehicles in the world.

1.2.6 Market Share for the Various Segments of Indian Auto Industry:

As per the information available with the Society of Indian Automobile Manufacturers the market share for the various segments in 2003-2004 was as follows:

Table 3: Market share of various segments in 2003 - 2004

<table>
<thead>
<tr>
<th>Market Share</th>
<th>2003 -2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVs</td>
<td>3.83%</td>
</tr>
<tr>
<td>Passenger Vehicles</td>
<td>13.26%</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>78.96%</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>3.95%</td>
</tr>
</tbody>
</table>

Chart 3: Market share of various segments in 2003-04
1.2.7 Production statistics of Automobiles:

Table 4: Production Statistics of automobiles in India

<table>
<thead>
<tr>
<th>Category</th>
<th>2002-03</th>
<th>2003-04</th>
<th>2004-05*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Car</td>
<td>608,851</td>
<td>842,437</td>
<td>699,082</td>
</tr>
<tr>
<td>Multi Utility Vehicles</td>
<td>114,479</td>
<td>146,103</td>
<td>178,187</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>203,697</td>
<td>275,224</td>
<td>247,797</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>5,076,221</td>
<td>5,624,950</td>
<td>4,758,639</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>276,719</td>
<td>340,729</td>
<td>271,983</td>
</tr>
<tr>
<td>Total</td>
<td>6,279,967</td>
<td>7,229,443</td>
<td>6,155,688</td>
</tr>
<tr>
<td>Percentage Growth</td>
<td>18.1</td>
<td>15.1</td>
<td>16.0</td>
</tr>
</tbody>
</table>

* Figures relate to April-December, 2004

Source: Ministry of Heavy Industry & Public Enterprises

1.2.8 Global Automobile Industry:

Peter Drucker christened the Automobile Industry as the industry of industries in 1946. Governments of all countries look to this industry as a major opportunity for economic development, international trade and foreign direct investments. The researcher feels that the global automobile industry has transformed in comparison with the early stages of the 20th century. According to Herbert Tay, achieving and sustaining competitive differentiation is the foremost challenge for automakers. Further he adds that the global automotive industry is at crossroads in the highly interdependent economy. As per the Price Waterhouse Coopers survey report; the automotive industry enters its second
century. Companies that innovate consumer centric practices, which engage the consumer in an enduring relationship will enjoy a more sustainable advantage over the competitors. The report further highlights the emergence of E technologies that will change the landscape of the operations of the company.

“The following conclusions have been drawn with reference to the success of an automobile company in the future:

a) Product Innovation although essential is not sufficient to guarantee long term success.

b) The real challenge before the company is understand and identify new opportunities for creating value for customers and investors.

c) Old practices and roles of the employees require rethinking in an era of e-business and heightened competition for consumer relationships.

d) Assets must be strategically deployed to eliminate redundancies and achieve greatest efficiency.

e) New consumer centric strategic assets and unfiltered consumer insight must be developed/acquired and positioned appropriately in the enterprise.

f) Success of any company is determined by the strength and weaknesses of the companies involved, their ability to transform from the current state and the choice of partners.”
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1.3 RELEVANCE OF THE STUDY IN THE PRESENT SCENARIO

1.3.1 Role of New Products:

New products are fascination to organizations. In a competitive scenario, the need to race ahead of rivals is prominent and hence any organization invests maximum resources in creating new products. These new products are required to

- Ensure Future growth
- Increase profits
- Improve customer perceptions
- Dissuade the customers from product switching

The primary objective of most new product and market development efforts is to secure future volume and profit growth\(^1\). Changing times demand a steady flow of new products from the company. At the same time efforts need to be made by the company to identify new lucrative market segments. Identifying / creating new segments which will provide boisterous opportunities remains the biggest challenge. The capability of top management to foresee the future trends will determine the quality and end result of the new product development activity.

A business’s objectives for new entries influence the kind of entry strategy it should pursue and the marketing and other functional programmes needed to implement the strategy\(^2\). Ideally for companies, the volume and profit should come from the existing products and new products as well.
1.3.2 New Product Success- A dilemma and a challenge

Desires and demands of the customers keep changing. A competitive action is an other major factor for new product initiatives. Hence a company puts in great efforts in developing new products. It channelizes its resources for product development with the hope of returns on investment. However the process of new products is risky as it is vital to the long-term success of companies. But surprisingly for many years the rule of thumb has been that about 80% of new products fail. Several studies have been carried out in this area. The alarming failure rates of new products are a great matter of concern. There are number of reasons for this poor success rate. Some companies feel advertising will work for the product. Others spend a lot of money on product development but do not give adequate weightage to consumer research. Some companies despite of poor results after consumer research and product testing go by the intuition that it would be a winner. The reason for failure in many of these is the inability of the company to understand and listen to the consumer say and adopting the right track.

Companies have to innovate and develop new products to survive, but new product development is expensive and risky and increasingly companies are looking to minimize risk by conducting thorough consumer research at the pre-launch and post-launch phase. Finally any company would definitely be thrilled if the new product clicks in the marketplace. Understanding of failure differs from one case to another. Hence the researcher feels it would be right if some products were considered to be on the verge of decline leading to failure and some as total failures – completely rejected by the marketplace.
The researcher after understanding the importance of new products to any organization found the study of new product launch strategy to be interesting. Launch is the method followed to introduce a product in the market place for customer purchase. Improved or better performance of a company is a result of a successful New Product Development (NPD) and Launch Strategy. The researcher also arrived at a conclusion that mere launch study is not sufficient. The effectiveness of the new product launch strategy is based on the overall structuring of the NPD process in a company, the aligned integration of all the concerned departments and finally the actual launch. Further, the launch is most effective when the product stands up to the expectations of the customers scattered over different parts of the market. There is a need to identify the various factors, which constitute an effective launch. A high quality launch is strongly linked to new product profitability and effective after sales service central to the successful launch of the new product.

### 1.3.3 Relevance of the study with reference to Pune

Pune being a hub of automobile manufacturers and dealers, the researcher decided to correlate new product launch strategy with the automobile industry. Automobile industry in India is currently in the growth stage. There is terrific action taking place. Competition is intense and companies are planning to sweep the market with new vehicles specifically designed to suit the Indian conditions.

### 1.3.4 New Product Launch Process – Role of channel partners

One of the important themes of this research is to identify the factors for new product success and failure. This is not simple as the number of parameters involved in the New
Product Development and Launch Process are many. To take the example of Auto Industry, it needs to be looked at as an integrated system. It is made up of several sub systems all interdependent on each other. To just quote if there is less demand for automobiles, the auto ancillary units will have lower volumes of business and lesser profits. The dealers would be enthusiastic and ready for partnership if the customers accept the new vehicle and spread good word of mouth. Customers would not know about the vehicle if the company does not create sufficient awareness. In the modern era, it is observed that some companies create hype around the product even before the product is launched. A classic example is in the form of Tata Indica where prior to the launch, the market was well aware and eager to accept the indigenous car from Tata Motors.

In case of automobiles, the selling of the vehicles takes place through the dealers. It is the dealer who is representing the company in the marketplace. Credibility about the company and the confidence about the vehicle is built by the dealers. Though the dealers are external entities from the company’s point of view, the customers consider them to be the face of the organization. It is at the dealer level that interpersonal relationships are formed with the customers. This is the place where the product is made visible to the customers for enabling the decision. The customers give direct feedback to this channel of the company about the vehicle performance, suggestions and the desired changes. The promotional schemes planned by the company to create exciting offers for the customers are executed at this stage. The personal advice on what to buy is also given by the
dealers. Hence the researcher found it very essential to cover dealers in a survey as they play a vital role in the launch process.

1.3.5 New Product launch and the role of customers

Finally, the researcher discussed the role of customers in new product development process. The need to involve customers who owned vehicles was primarily because they are the end users of the vehicle. Customers can either pose problems to the company or may partially indicate the expectations from the product. In both the cases, their views are extremely important. In the first case, companies work to identify solutions to customer problems. The vehicle made this way fits the customer expectations, as it is the solution to customer problems. To further explain this concept, the researcher takes the example of scooterettes. The parents of teenagers just out of school hoped for a two-wheeler that would solve the mobility issues of their children. But spending a lot of money at this stage did not make any sense. Hence when Bajaj Auto introduced a scooterette like Sunny and Spirit or TVS introduced Scooty or Kinetic when introduced Nova and Zing, they all had the youngsters as customers in their mind. This solution was affordable to the parents and appreciated by the students – the users. In the second case, the customer participates in the product development process. As the users of the vehicles, they are the best people to give hints / ideas to the company. When the customer participation is sought, companies are successful in creating value offers for them. Finally customer value proposition needs to be strong for sustainable future performance. Therefore, customer responses were collected in the form of structured questionnaires.
1.3.6 New Product Success-A global concern

Worldwide new products are an enigma to all organizations. Success and failure makes a
great impact on the working and growth of the company. Hence companies are desirous
of their new product launch strategies creating a winning situation for them in the market.
But it is not easy. In the words of Robert Cooper “the problem is so complex, and each
case so unique, that attempts to develop generalized solutions are in vain.” 7. There is no
standard formula for success. Many factors contribute to product success and product
failure. There are certain factors like Government regulations, economical conditions,
and impact of foreign competition, which are beyond the control of any company.
However, there are number of internal factors involved that are related to the company
such as the organizational foresights, the technological and human capabilities, the
quality consciousness, the marketing mindset, and many such. Product success or failure
cannot be attributed to any one but is definitely a combined effect of many of these.

1.3.7 Holistic Approach for New Product Launch

The researcher has attempted to view at the situation with a holistic approach. This
holistic approach definitely will create better understanding about the launch strategy for
new products. The researcher proposes an integrated new product launch system, which
is a summary of the researcher’s understanding of the topic. The study indicates the dos
and the do not’s in context of launch in the Automobile Industry. The study will further
identify the various factors that lead to new product success or failure.
1.3.8 Summary

To summarize, new product performance in the marketplace is a core and critical issue to any firm. The launch strategy after execution indicates whether the launch was successful or not. The researcher has been fortunate to get an access to related published research in this area. Availability of material was one major base for the development of this research project. The fuller is the definition of the problem; it is easier to think about it with the required depth and dimensions. It is the reading that helped the researcher in landscaping the research topic.

The present momentum gained by the automobile industry is putting tremendous pressure on the companies for superior performance. The researcher through this research work aims at clarifying the issues concerned on an open canvas. The researcher is hopeful that this conceptual clarity will help the companies in planning effective new product launch strategies resulting in successful products.
References

1) Boyd, Walker, Larreche, Marketing Strategy-Planning and Implementation, 3e, McGraw Hill, pp. 220

2) Boyd, Walker, Larreche, Marketing Strategy-Planning and Implementation, 3e, McGraw Hill, pp. 220


6) Personal discussions with company executives and dealers