CHAPTER- VI

APPRAISAL OF PROMOTIONAL POLICIES

PURPOSE AND OVERVIEW

It is packed with an analysis of advertisements and other promotional activities undertaken by the sample units under study.

An analysis of Brand positioning.

Covers a macro level study of promotional policies for the period 2002-03 to till July 2007.

Also comparative study of relationship between Promotion, Promotional mix and integrated marketing mix.
**Promotion** is the communication process in marketing that is used to create a favorable disposition toward a brand of a product or service, and an idea, or even a person.

Promotion for a brand of a product or service is the most common kind of promotion.

Promotion mix is a blend of communications tools used by a firm to carry out the promotion process and to communicate directly with target markets (or audience in the language of communications). These communications tools include advertising, the internet, direct marketing and e-commerce, sales promotion, event sponsorships, point-of-purchase displays, support communications (like directories, brand placements in films, and specialty items.), public relations and personnel selling. Each of these tools is capable of communicating in a different ways to achieve a different kind of impact on consumers.

Finally integrated marketing communications (IMC) is the process of using promotional tools in a unified way so that synergistic communications effect is created. That is every form of communication being used—from the company’s business cards, and stationery through the most elaborate full-production television ad—is evaluated to be sure that a clear, consistent and compelling message is being communicated to the intended audience.

In summary, promotion is the communication process itself. The promotional mix represents the **tools and activities** of promotion. IMC is a way of managing the process and activities so that they are coordinated and a synergistic effect is achieved.

Promotion has a positive and supportive impact on:

**Product**-information and persuasion, building and maintaining brand loyalty among consumers.
Price: Consumers look beyond the product and its features in making their choices. They balance the price of brands against those features.

Distribution: Consumer access to brands is facilitated by promotions. When special P-O-P or broacher materials are used at the retail level, consumer's access to a brand increases.

Biking is no longer about commuting: it’s about making a statement. With organized retail booming in India, two-wheeler majors are looking at opening company-owned stores in malls or up market shopping centers to offer not only bikes but also apparel, gaming zones, Internet lounges and cafes.

Bajaj Auto has already made a presence with Pro-biking show rooms. Sooner or later, these life style stores will become the norm among industry players, especially for marketing high-end bikes, that have a whole range of accessories.

Apart from displaying the entire range of bikes, the apparel, gaming zone, Internet surfing lounge, as well as the music area in the show room will help increase footfalls. Such retail formats create a clear brand image, which otherwise might not be conveyed by dealers.
“Now, buy a Bajaj online”¹

Bajaj Auto has launched e-biking, a web site where you can simply register, login, order a bike online. Called Bajaj’s e-biking website, it is meant to be an online catalogue for five of Bajaj’s motorbikes—the CT100, the Platina, the Discover twins and the Pulsar 150 DTS-i. Customers can get from the website details about the product, breakup of the price and details of other service facilities.

Bajaj also claims that a trained representative of the company will visit the customer to take the transaction forward, including assessing and trading-in an old bike, processing a financial deal, and eventually closing the transaction, before delivering the bike.

“TVS to launch performance Kits to Jazz up Bikes”²

Now there is a paradigm shift in their positioning activities almost similar to Harley-Davidsons explained in review of literature. Positioning the Apache RTR 160 motorcycle in the performance segment is not going to be enough for TVS Motor company. It is looking to strengthen its position in the racing segment with this bike, for which it will launch kits allowing customers to modify these bikes.

“This is the second level of customization they are looking at, allowing customers to enhance bikes. This program is scheduled to take off from Nov, 2007 in 10-12 cities across the country”. Their survey has shown 20 per cent of buyers went for such enhancements, which was hither too done through gray market, leading to a loss of the

¹ Business Line, Bangalore edition, Feb, 18th 2007
² Economic Times, Bangalore edition, July 14th, 2007
manufacturer's guaranty. These kits will be manufactured by TVS Motor based on the research of its racing team, ensuring the manufacturer's warranty remains intact. This would facilitate introductory or penetrative pricing relatively easy at a later stage.

With macho performance being the in thing, the old ‘fill-it-shut it- forget it’ campaign is now history. At launch, the company spent more than Rupees 20 core on the Pulsar’s “Definitely male” campaign. The ad featured two nurses doing rounds of a maternity ward, lifting the sheets off a Bajaj Pulsar, and shouting “It’s a Boy, It’s a Boy”. Another showed the Pulsar the Pulsar playing pranks, like pulling a young girl’s dupatta with the tag line “Bajaj Pulsar...definitely male”.

TVS employed a similar strategy for Apache and plastered the country’s top cities with hoardings exhorting consumes to “Do what older guys can’t, Ogle publicly” and “Flirt now or you will grow up to be a dirty old man”.

The promotional polices are for the period 2002-03 till Dec2006.

The sales growth in the executive B2 class (engine capacity between 75 cc and 125 cc) has shown a continuing slide on month-to-month basis during first two quarters of 2003.

The B2 segment is where the market leader, Hero Honda, has its Executive class Bikes-Splendor and Passion which fight it out with the TVS-Victor and Bajaj Auto’s Boxer and
Caliber. Both TVS and Bajaj maintained all the promotional activities undisturbed, but the reason for the dip with respect to Bajaj and Hero Honda was attributed to:

- Shift to more expensive Bikes
- Entry of TVS Victor

A big gain for the TVS – market share has moved from 14% to 21%

Most of the two wheeler companies during this period pinned their hopes on freebies and discounts in a desperate attempt to push sales. During the third and fourth quarter-

TVS went with offering of Rs 20,000 on Victor. March, normally a bad month for the two-wheeler industry. Two wheeler is not a priority for income tax benefits. Bulk buyers such as courier service segment, restaurants such as pizza huts, would not to buy bikes.

Youngsters normally put on hold their plans to buy bikes in view of exams. Ideal period would be at the time of announcement of examination results / at the time of admissions to various colleges- product wise depending on the target audience.

TVS had a successful campaign “Victor Kharido Balla Ghumao” launched by Sachin Tendulkar. *Improved sales by 20 per cent* a biggest gain in the market share from the North and the West. Victor’s share (to TVS total motorcycle) rose *from 63 per cent to 75 per cent.*
Despite falling volumes,

*TVS backed 2-stroke bikes- Direct marketing in Rural Markets.*

Buyers in rural markets look for motorcycles that are *rugged* and also on *low maintenance* and it is here Max100 and Max 100R -2 stroke bikes score. A firm demand made TVS to focus on direct marketing in rural markets. This has reflected in improved sales- nearly 3000 units or 20% of the 15,000 units sold in a month, came from direct marketing initiative.

Tamil Nadu accounts for 20 per cent of the total Max 100 and Max 100R sales of the company. Utter Pradesh contributed another 20 per cent the rest mostly from Gujarat, Rajasthan Madhya Pradesh and Bihar.

**Bajaj Auto Image**

Bajaj seems to have had compelling reasons to plan a revamp its branding strategy:

- the rapid rise of the company’s motorcycles sales
- Plans to go global with proposed assembly plants in one or two south Asian countries.
- Increasingly low age profile of its average customer.
- The need to pithily showcase its in house design and technological capability.

The new identity is expected to be very dynamic and represent style and technology. The new color is said to represent precision and stability. The change in identity is expected to

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4 Business Line Bangalore edition, Jan 1st, 2004
recognize all these changing values and present easier interface for the world to understand the New Bajaj.

TVS Motor Company and the Union bank of India have join hands to launch “Union Miles Scheme” an exclusive two-wheeler finance scheme. The scheme would cover individual customer and institutional customers.

Almost simultaneously, Bajaj Auto tied up with ANDH for extending Two-wheeler loans to the farming community across the country with special concessions to the customers under the scheme called “Bajaj Kissan Chakra”. Two wheelers sales of Bajaj were from Hire purchase, which again mostly dominated by the unorganized financial service sector with relatively high interest rates. The product from the corporate association of Andhra bank with BAL aims at providing finance to farmers at a low rate of interest 9.75 per cent as against normal lending rate of 10.5 per cent.

Targeted Ads took potshots at TVS entry level two stroke motorbike- MAX 100R.

In its campaign Bajaj Auto asks a simple but a direct question. “Do you want a high priced two-stroke motorcycle that gives less mileage, or would you prefer a low-priced motor cycle that gives you more mileage? “

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5 Business Line, Bangalore edition, Aug 4th, 2004
6 Business Line, Bangalore edition, Mar 8th, 2004
“After Cars, its freebie time for bikes now”

Most of the two wheeler companies are pinning their hopes on freebies and discounts in a desperate attempt to push sales. Till a couple of months ago these promotional offers were being largely offered by car makers. Two-wheeler companies were only intermittently resorting to this means. Freebies almost dried up in the car industry and flooded the two-wheeler market.

Bajaj Auto offering a zero percent finance scheme under which a sum of Rs 20,000 for eight months will not attract any interest some of the dealers even went to the extent of Lucky draw in select towns that will earn the customer a Bajaj vehicle free.

“Bajaj, Yamaha train guns on TVS”

Both Companies have launched a sustained print media campaign against TVS in order to grab more share at the entry level motor cycle segment that accounts for 80,000-90,000 units a month across the country- TVS entry level two-stroke motor cycle ‘MAX 100R’ happens to be the only motorcycle company that continues to manufacture and market two-stroke motor cycle in the country.

In its campaign, Bajaj auto asks a simple but a direct question “Do you want a high priced two-stroke motor cycle that gives less mileage, or would you prefer a low-priced motor cycle that gives you more mileage?

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It then goes on to compare the Kawasaki Bajaj Boxer AT with TVS Max 100R. As per the Ad, the Boxer, which gives 87 kilometers per liter (kmpl) as per the test conditions, comes with a four stroke aluminum engine. While pretending to be unsure of Max 100R’s kmpl, the Ad highlights the TVS motorcycle having an engine made of cast iron. Finally the attention is turned on the price front. While Boxer AT is priced at Rs 26,990, Max 100R has a price tag of Rs 29,990.

“Discounts eat into bike co margins”

It has long been an effective retail tool for car marketers. But discounting game in bikes has had a damaging impact. Although the discounts by themselves aren’t big, the resultant hit on realization as well as the additional volumes required to make up for it are significant. According to a study by Morgan Stanley, for every Rs 1000 discount offered by Hero Honda, the additional number of bikes to be sold to make up for the drop in realization levels is 151,504 units. For Bajaj the additional number works out to around 135,000 units while for TVS around 86,894 units for the same level of discount.

Consider the impact on the bottom line: According to sources in Hero Honda, for every Rs 1000 discount (which has been an offer for one year) realization is hit anywhere between 2.5 to 2.75 per cent. For a Rs 1000 subvention, which effectively works out to around Rs 733 for the company, there will be a 2.5 per cent reduction in sales realization. Part of the problem with bike makers is that capacities have grown faster than demand and with every one pitching in for volumes; even discounts have become a zero-sum game. Companies are left with trying to work out their buffer strategy.

10 Economic Times, Bangalore edition, Apr 30th, 2003
TVS for instance, tries to back up discounting with value engineering and design and cost reduction so that buffer benefit is ready before the realization drop. The underlying theme is to predicate discounts on cost reductions.

As for Bajaj, the company tries to use discounting as a regional policy to cut down on realization hits. And it also does not initiate discounting, preferring to follow the lead taken by others.

Ultimately, discounting can help only those with idle capacity.

Bajaj Auto plans biking merchandise: 11

Bajaj might soon be doing Harley-Davidson. To hammer home the advantage they gleaned from the launch of the class leading Pulsar 220, Bajaj auto might soon be introducing their new range of riding gear into the market. With talks of big bikes zooming into the country, this might be the right time for India’s second largest bike maker to stake their claim as pro-biking company. Company’s premier Probiking show rooms, start stocking hi-quality branded accessories such as, riding jackets, gloves and helmets. Such Probiking show rooms will be a major branding exercise that will establish the Bajaj brand as a modern and serious motorcycle manufacturer.

Probiking showrooms are designed to give the customer a complete feel of the product they are buying.

The showroom offers the prospective ‘Probikers’ a chance to test-ride the bikes on specially designed, indoor dynamometers for a static test-ride, wherein riders would be

able to put the bike through ultimate driving conditions and check out parameters such as acceleration, time, power, torque, top speed etc, which is not possible on a normal road test. This leads to spending less on advertising and bringing in sales through giving an option to the customer- "see and feel"

Abroad, the merchandising concept by bike manufacturers already exist with major motorcycle manufacturers such as Harley-Davidson, Kawasaki, Yamaha, Ducati and Suzuki among others, having their own range of biking accessories. Motorcycle merchandising is a serious business for bike manufacturers because it not only ensures brand loyalty and but it also cultivates a devoted fan following for the manufacturer. Cult brands like Harley-Davidson even have phone covers, dart boards and jeweler sold under their banner.

In India, this would be the first move by any bike manufacturer. Bike enthusiastic are slowly but surely waking up to the concept of leisure riding. The demand for bigger bikes is on the rise. And moreover, India is currently the world’s second largest two wheeler manufacturer churning out 84,44,168 units. India also boasts the youngest population in the world. Hence there is no question about the potential for manufacturers.

Bike Companies to add up ad and marketing spend this year:

It is not only the products front that the two major two-wheelers makers Bajaj and TVS are fighting out - also increasing their market spend considerably- Bajaj Rs 106 crores and TVS Motors Rs 68 crores during 2006-07.
Bajaj Auto Ltd

"RIDE LIKE A PRO- Bajaj Pulsar’s new stunt-packed campaign targets the growing tribe of serious bikers"

The new Pulsar ad campaign by Bajaj auto for the 200DTSI was launched during July 2007 and like the previous Pulsar campaigns, it is also an attempt to woo bikers to upgrade to larger bikes, an area of strength for the company. The thrust on larger bikes is easily explainable - Bajaj has a 60 per cent plus market share in the 150 cc and above category of motor bikes. Also, since the companies enjoy higher margins in larger bikes, Bajaj has made persistent efforts to attract bikers to larger bikes.

Since the target audience is rather different, the company’s current communication, too, is different from the earlier. In the past, the Pulsar was branded on two platforms- one, showcasing performance, and the other, featuring its typical male/macho character.

For instance, one of the ads in 2001-02 showed the Pulsar turning its “head” to follow two nurses sashaying (chasing) down the road, while another showed it pulling a girl’s dupatta. But given the focus on the professional biker who craves performance more than anything else, the current commercial has stuck to showing imagery in this regard alone. The company says that macho image works best to attract college-goers who are conscious about the impression their bikes on young women.

Ogilvy & Mather’s logic behind the recent ad campaign “The serious biker doesn’t care much about sexy-looking women. What turns him on is performance; hence the new ad attempts to showcase the power, maneuverability and freedom that a skilled rider can
enjoy on the Pulsar 200". Also by giving the impression of being a more powerful bike, Bajaj is hoping that it can motivate the 150cc and 180cc Pulsar buyers to upgrade to the 200cc instead. The 150cc and 180cc Pulsar cost Rs 58,00 and Rs 59,000 respectively (Ex-show room price). At Rs 65,000 the new 200cc Pulsar is not parked too far away.

As seen with most companies these days, Bajaj too, has taken campaigning on the internet seriously. The company is advertising on home pages of large e mail web sites such as MSN and rediff and a few biking web sites like ProShop.

V Promotion policies and practices- Customer response:

- Customer loyalty and Customers Loyalty programs

  Customer loyalty presents a paradox. Many see it as primarily an attitude-based phenomenon that can be influenced significantly by customer relationship management initiatives such as the increasingly popular loyalty and affinity programs. However, empirical research shows that loyalty in competitive repeat-purchase markets is shaped by the passive acceptance of brands than strongly-held attitudes about them. From this perspective, the demand-enhancing potential of loyalty programs is more limited than might be hoped.

Recent advances in information technology have provided the tools for Marketing Managers to create a new generation of CRM tactics. One such tactic thousands of firms has considered, and which many have adopted, is to establish a customer loyalty program. Examples of these schemes can be found in Japanese retailing, US Airlines and Hotels, French Banks, British Grocery stores, German car companies,
and Italian fashion stores, American Universities. Typically these programs offer financial and relationship rewards.

Of course India too is getting onto such leagues: Maruti, Hyundai, Hero Honda, Bajaj and TVS Motors.

I have reviewed three different perspectives on loyalty, and relate these to a framework for understanding customer loyalty that encompasses Customer Brand commitment, Customer Brand acceptance and Customer Brand buying. This framework is used to analyze the demand - side potential of loyalty programs. Analysis has been made to relate these with respect to Bajaj Auto and TVS motors where these programs were successful/failure.

**Table 6.1.0**

<table>
<thead>
<tr>
<th>Outlet</th>
<th>BAL Distributor</th>
<th>BAL Dealer</th>
<th>BAL Sub Total</th>
<th>TVS Distributor</th>
<th>TVS Dealer</th>
<th>TVS Sub Total</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location ▼</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Capital</td>
<td>18(15) (38)</td>
<td>45(38) (36)</td>
<td>63(36)</td>
<td>16(13) (53)</td>
<td>40(34) (36)</td>
<td>56(39)</td>
<td>119</td>
</tr>
<tr>
<td>District Head Qrs</td>
<td>23(18) (47)</td>
<td>49(39) (39)</td>
<td>72(41)</td>
<td>11(9) (37)</td>
<td>42(34) (38)</td>
<td>53(38)</td>
<td>125</td>
</tr>
<tr>
<td>Taluks</td>
<td>7(10) (15)</td>
<td>32(45) (25)</td>
<td>39(33)</td>
<td>3(4) (10)</td>
<td>29(41) (26)</td>
<td>32(23)</td>
<td>71</td>
</tr>
<tr>
<td>subtotal</td>
<td>48(15)</td>
<td>126(40)</td>
<td>174(55)</td>
<td>30(10)</td>
<td>111(35)</td>
<td>141(45)</td>
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<td></td>
<td></td>
<td>315</td>
<td></td>
</tr>
</tbody>
</table>
Research data from table 6.1.0 responses from Distributors & dealers for the study reveal:

❖ State capitals range around 36 percent, except in case of TVS constitute 39 percent.

❖ District Head quarters ranges from 41 per cent in case of Bajaj and 38 per cent for TVS.

❖ Taluks ranges 33 per cent for Bajaj and 23 per cent for TVS.

❖ Overall, 174 respondents (55 per cent) for Bajaj and 141 respondents (45 percent) for TVS contributed to the study.
Region wise- Distributor / Dealer analysis of data on Promotional policies.

Table 6.2.0

<table>
<thead>
<tr>
<th>Region</th>
<th>Bajaj</th>
<th>TVS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very Bad</td>
<td>Bad</td>
</tr>
<tr>
<td>North India</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>East India</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>West India</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>South India</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Survey

Table 6.2.0 reveals that Bajaj’s Distributors/dealers across the country have rated promotional policies as **good**-North (67%), East (59%), West (57%) and South (56%) in comparison to just **satisfactory**-North (52%), East (57%), West (56%) and South (48%) by TVS’s Distributor/dealers across all the zones.
Region wise- **Consumers** analysis of data on **Promotional** policies.

Table 6.3.0

<table>
<thead>
<tr>
<th>Region</th>
<th>Bajaj</th>
<th>Bad</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very Good</th>
<th>Total</th>
<th>TVS</th>
<th>Bad</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very Good</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>North India</td>
<td>0</td>
<td>0</td>
<td>16(50)</td>
<td>14</td>
<td>1</td>
<td>31</td>
<td>0</td>
<td>1</td>
<td>13(65)</td>
<td>6</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>East India</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>10(83)</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td>6(50)</td>
<td>4</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>West India</td>
<td>0</td>
<td>21</td>
<td>38(60)</td>
<td>4</td>
<td>63</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18(55)</td>
<td>12</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>South India</td>
<td>0</td>
<td>2</td>
<td>10</td>
<td>21(58)</td>
<td>3</td>
<td>36</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>18(50)</td>
<td>4</td>
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<td>Total</td>
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<td>142</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>101</td>
</tr>
</tbody>
</table>

Source: Survey

Table 6.3.0. reveal consumers from East(83%), West(60%) and South(58%) have rated Bajaj’s promotional activities are good as compared to just satisfactory in case of TVS Motors from North (65%), East(50%) and West (55%) zones.
Advertisement expenses as per cent of net sales:

Table 6.4.0

<table>
<thead>
<tr>
<th>Year / Manufacturer</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
<th>2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd</td>
<td>3.00</td>
<td>3.50</td>
<td>2.50</td>
<td>3.00</td>
<td>2.50</td>
<td>2.50</td>
</tr>
<tr>
<td>T V S Motors Co Ltd</td>
<td>1.90</td>
<td>2.25</td>
<td>2.50</td>
<td>4.00</td>
<td>3.80</td>
<td>3.25</td>
</tr>
<tr>
<td>Hero Honda Motors Ltd</td>
<td>2.00</td>
<td>2.25</td>
<td>2.50</td>
<td>2.80</td>
<td>2.20</td>
<td>2.50</td>
</tr>
<tr>
<td>Kinetic Motor Co Ltd</td>
<td>4.50</td>
<td>6.50</td>
<td>6.30</td>
<td>5.80</td>
<td>12.20</td>
<td>11.00</td>
</tr>
</tbody>
</table>

Source: Survey
Keeping aside Kinetic Motor Co Ltd, TVS Ad spend is higher than Bajaj, the savings made by TVS in input material (raw material cost per bike-details given in pricing policies) has allowed them to spend easily on promotional activities, but for a lower market share, in anticipation of future growth with the introduction of upgraded version and new models.