CHAPTER- VIII

FINDINGS, CONCLUSIONS AND SUGGESTIONS

This being the concluding chapter of the research design, is packed with the summary of major findings emerged from data analysis, followed by a set of useful suggestions made for improving marketing health of the case units viz Bajaj Auto Ltd and TVS Motor Co Ltd in particular and of two-wheeler industry, in general.

During late seventies and early eighties, situation led to several firms to

- Operate below the Minimum Scale of Efficiency (MSE),
- Under-utilized capacity
- Use of out dated technology.

With the onset of innovations in technology, collaborations, major shift in buying behavior, liberalization of Government policies and modern marketing tools, a need for a comparative study arose.
Major findings of the study are as follows:

1> Products Policies:

i) Bajaj’s Distributors and dealers have rated products and product development policies as good with North (67%) East (53%), West (59%) and South (68%) and TVS’s Distributors and dealers have rated just satisfactory- North (50%), West (56%) and South (45%) with only 52% from north as Good.

ii) TVS Motors consistently increasing (almost 3% of their turnover, which is the highest by any two wheeler manufacturers in India) investment on product development and R&D. Variation observed in case of Bajaj Auto Ltd on R&D spend between 2001-02 and 2004-05, then on increased.

iii) Inspite of spending so much on R & D by TVS, no revolutionary product has emerged, whereas on the other hand, Bajaj with a relatively less spend on R &D has revolutionised with a fuel efficient engine-DTSi.

iv) Bajaj Auto’s export of motorcycles has substantially increased by 56 percent during 2007-08 over 2006-07.

v) Bajaj has introduced variants of fuel efficient DTSi engine technology, fitted on to 125 cc bike “Exceed”, 135cc, 150 cc series, where as TVS too with a similar technology, only on a 125 cc bike “Flame”.

160
vi) Bajaj has shown, during 2001-02 to 2005-06, a consistent sales growth of 27.50 percent CAGR as against TVS’s of 15.70 percent during the same period.

vii) On the export front too, Bajaj has posted a 56 percent increase during 2007-08 over previous year, as against TVS’s 7 percent increase.

viii) Bajaj have made a substantial penetration into the premium Bike segment, from 6 percent during 2001-02 to 62 percent during 2005-06.

2> Pricing Policies:

i) Entry level prices of Bajaj are relatively less as compared to TVS.

ii) Deluxe segment prices of TVS are competitive/comparable to Bajaj

iii) Bajaj pricing very high in Premium segment bikes as compared to TVS.

iv) Customers from East are not comfortable with both Bajaj and TVS.

v) Pricing policies of both Bajaj and TVS has been received well by Dealers and Consumers from North and Western India.

3> Promotional policies:

i) Bajaj Auto spends almost 3.5 percent of their net sales on promotional activities as compared to Bajaj at 2.5 percent.

ii) Bajaj’s promotional activities have been rated as Good by distributor/consumers from all over India as compared to just satisfactory in case of TVS.
iii) Rural and urban spend on promotional activities, found to be more balanced in case of Bajaj.

iv) Innovative promotional methods such as ‘pro biking’ by Bajaj is catching up with urban consumers.

Place / Distribution/ Logistics:

i) Seventy six percent of Bajaj’s Distributor/dealers in West have rated deliveries, terms of payment as good, followed by 58 percent in the North against TVS’s 47 percent in the West and just satisfied with 61 percent in the North.

ii) Consumers of Bajaj Auto from North and West have rated deliveries, terms of payment as good as compared to satisfactory in case of TVS.

iii) Direct marketing to rural markets, by TVS has reflected in substantial improvement in sales.

iv) TVS’s “Union Miles Scheme” in association with Union Bank, has had an impact on the improved sales.
Strategy canvas drawn based on rating scale by Customers, Distributors and dealers:

Ratings: Very bad 20, Bad 40, Satisfactory 60, Good 80 and Very Good 100.

Bajaj Auto needs to improve at styling the new product /upgraded version, value for money and definitely on promotional activities.

TVS Motor Co Ltd way behind Bajaj in most of the important parameters- New product development (particularly frequency in churning out new products), styling the products improved mileage, pricing and delivery. This could be by opening new plant close to potential geographical area.
Suggestions:

1> In view of ever increasing Crude oil price, manufacturers to develop,
   a> innovate fuel efficient bikes,
   b> develop engines which can run on alternate fuel
   c> keep a tab on environmental issues / the emission norms, for which
      World over concern on “Global warming”

2> Different models / designs for
   a> different terrain, such a hilly area, coastal regions
   b> different geographical areas which make sense in using the
      Bike’s power optimally.
   c> Premium segment customers look only for style and performance and not
      the price.
   d> Economy segment look only for mileage and price.

3> Pricing policies to be attractive and competitive
   a> Based on the target segment both disposable income of consumers,
      attributes customers look at and usage pattern.
   b> TVS are focusing more on economy segment. Need to balance across the
      segments from a longer perspective of the business
   c> Terms of payment particularly Rural and semi-urban areas which are high
      potential markets.

4> Demonstration and word –of- mouth are more powerful in rural and semi urban
   markets than any conventional form of media reach. The money thus saved can be
   passed on to the consumer.
Regular demos in melas or shandy day.

Festival occasions.

A door-to-door campaign at potential customers door steps.

5> Post delivery activities:

- develop robust Service centers
- ensure prompt timely supply of spares at affordable prices,
- educate the customers on utilizing the services of ‘authorized service center’ for optimal use of the bikes.

Over the last decade the two-wheeler industry has been one of the highest value creators, recording annualized share holders return of over 40 percent. One of the chief drivers of this value creation has been the strong sales growth, which has sustained at over 15 percent over the last five years.

The threat from the “Rupees lakh car” appears to be limited. The current substitute in the form of “used cars” already exists. The relevant segment that could migrate is the “premium” commuter segment which comprises only 5-7 percent of the overall volumes. Further, it is estimated that the total cost of ownership (TOC) for the “1 lakh car” would be three times that of a two-wheeler (with no signs of decline in crude oil prices) and this would deter customer migration.

Finally, fundamental demand drivers remain strong-rising income levels, increase in youth population, absence of quality public transportation, low penetration levels in particular in smaller towns and rural markets and shorter replacement cycles. For the
industry to realize this demand and sustain the growth momentum, different approach is required from the past. The focus needs to be on innovation across product-markets and to redefine their scope of business operations.

In the domestic market, two segments are expected to contribute significantly to growth. The urban middle class (annual household income between Rs 2-10 lakhs) and the rural aspirers (annual household income between 1-2 lakhs). Both these segments offer unique challenges. The growth in the urban middle class will be driven by increasing number of households and rising income levels. Thus product demand will get created and the focus will be on delivering affordable financing. Existing financing sources are going to be challenged given the reach required and the cost of serving these “higher credit risk” segments.

The growth in rural aspirers will be primarily driven by an increasing in penetration levels (current figures are at 15 vehicles per thousand households). The challenge is here to create a unique product for this market, rather than the adaptation of the existing urban vehicle, which meets the needs and price expectations of the customer.

Finally Bajaj Auto and TVS Motor Co need to further explore the global market to de-risk local demand cycles. India as a player which has the scale and capabilities to compete on a global basis and there is a significant opportunity available in developing markets, in particular in South East Asia and Latin America.

The critical aspect, not to view this as an export option, but as an opportunity to create a local dominant position in these markets.