CHAPTER VI
TI CYCLES OF INDIA

TI cycles of India was a unit of Tube Investments of India Ltd., a part of the Rs.5200 crore Murugappa Group, which had a strong presence in engineering, bioproducts, sanitaryware, plantations, sugar, farm input, finance and general insurance. The company was the market leader in a market worth Rs.1500 crores of approximately 10-11 million bicycles in the country. Murugappa Group was a pioneer and market leader in several fields with operation across 12 states in India. TI Cycles of India had market share of 30 percent to its two brands Hercules and BSA.

The company started in 1949 and had been in the forefront of innovations and pioneer in the market bicycles. TI Cycle proved and recognised as the trend setter and innovator in the cycle market. TI’s contribution was taking the cycle industry to the highs of where it stands today. TI continuously brought out cutting edge products, product innovators and passion.

TI cycles of India was one of the most professionally managed organisations in the bicycle industry. The company introduced more firsts than any others in the bicycle industry was known through its brands than its own name. The company introduced first sporty cycle, first racer bike and recently designer bike made with design assistance from the IDEA constitute of Italy. The company’s famous brands BSA and Hercules grown in stature and strength year after year by assuming quality specifications and a symbol of joy and pride.

The company had a wide distribution reach with its efficient set up of 3 plants located in Chennai, Noida and Nasik. TI was far ahead in the fast emerging special or fancy cycle segment with a dominating range.
TI Cycles of India tied up with cycling Federation of India for a three year period. The main objective was to promote cycling as a healthy sport in India. The company was committed to promote cycling as a sport and as a recreational activity on a large scale. One such initiative was the BSA Cycle Run 2004 organised in Chennai in April. The event was participated by people in all age groups.

Even with the stagnant cycle market over the last few years, TI cycles aimed to expand the market by getting new customer segments into the cycling fold. One of the market identified was the urban market where the penetration of cycles was very low. The company planned to reposition cycle in this market as a lifestyle product and aimed to promote cycling at means to keep fit. The Cycle Run was conducted not only to promote the product but also to keep the city clean and healthy.

TI cycle of India entered in retail business in a big way through the launch of their flagship store, cycle world at Chennai. The company not only wanted to be a part of the retail business in India but also to present cycles and cycling as a lifestyle option to discerning customers. This retail store provided international buying experience for consumers. Cycles were nearly displayed by different consumer segments across different age groups making an easy selection for the consumers. It provided a test track for consumers where they could actually test out bikes of their choice and watch their ride in the life-size mirrors placed at strategic points. The store also provided health equipment like joggers, steppers and a variety of exercise cycles. The cycle world store offered exchange of old cycles, free home delivery and personalised service for high end bikes and health equipment.
Strategy:

The Company’s strategy was to move very close to the customer. The most important idea of this model was the Nationalisation of the supply chain through development of quality and cost effective vendor base closer to the company’s plant. The company achieved growth through product development, brand and vendor management. Even though the primary input including the price of steel witnessed frequent and steep increase, the continuous improvement in efficiencies and better product mix helped the company to reduce this impact. The consistent growth of the Indian automobile industry and the emergence of India as a preferred destination for outsourcing of engineering products, provided opportunities for growth of cycle business.

Conducted focussed program by one programme per business. Near about 30 percent programs were conducted through internal facilities. The company VP’s and other top management people used to conduct one module each for two programs per year. Introduced Programe Director concept for 50 percent programs. Also introduced Merit Certificate for participants

Corporate Governance:

The Company was committed to the highest standards of corporate governance in all its activities and processes. TI considered corporate governance as the cornerstone for sustained superior financial performance for serving all its stakeholders and for instilling pride of association. The entire process begun with the functioning of the Board of Directors with leading professionals and experts serving as independent directors and represented in the various board committees. The informational asymmetry between executive and non-executive directors were eliminated through a systematic attempt. The
company emphasised transparency, disclosure, supervision and internal controls, risk management, internal and external communications and high standards of safety, health, accounting fidelity, product and service quality as they key elements in corporate governance.

**Philosophy:**

The company created a transparent culture throughout the organisation. The transactions with people would be aimed at upholding a win-win attitude. The company enabled each employee to realise his/her potential and do whatever it takes to contribute to the company. The company would be subjected to audit by any person at any level and at any time.

**Focus Areas:**

Reviewed existing standards of performance and set challenging standards. Identified skill/knowledge/talent gaps and evolved an active plan to raise the levels to the emerging realities. Institutionalised counseling and feedback process to improve and facilitated higher performance. Build a high performance culture and evolved a roadmap, involving business leaders in this process.

**Competency Management:**

An organisation's success depended on the perceived value of its products and services. It can also leveraged its intellectual capital by building the competency of individuals to achieve strategic goals. The management demanded every individual of the organisation to demonstrate the three main aspects of competency—skill, knowledge and talent. The company wanted to build the competencies of an individual through 4-step process—Attract, Nurture, Retain and Develop Talents. TI was able to active better
performance with an effective HR management. This resulted an increase in the moral, 
fairness and self worth of an individual. Each and every individuals were able to identify 
their own beliefs and were able to achieve their strategic goals.

Training and Development:

TI started a unit based initiative later developed into the Management 
Development Centre (MDC). To meet the demand and challenges of today’s competitive 
market place, it was imperative to develop and enhance the competencies of its people. 
The MDC was an Institution Industry Interaction Centre undertaking the overwhelming 
task of training and educating executives to deal with increasingly complex work places 
and to become internationally competitive.

Human Resources:

Human Resources was a key asset of the organisation to drive high performance 
to meet the challenges in the market. The critical success factors of HR were in 
identifying, nurturing talents and also developing leadership within the organisation to 
take care of growing business opportunities. It also had an essential systems like 
performace appraisal, communication, focus on training and development.

Global Bicycle Industry:

In 1990, manufacturing was reorganised with focus on costs and productivity. In 
1993, TI entered global market and soon emerged as the largest exporter of cycles from 
India. Bicycle was undoubtedly the most diversely sourced recreational product in the 
world. In 1994, the global production was more than 100 million and China was the 
largest producer and exporter followed by India. Taiwan was well known for high quality
products and majority of them were exported. Indonesia and Thailand were also marginal producers. Europe and US were the largest import markets.

The anti dumping duties imposed on China in 1992 helped India and East European countries to penetrate in the European market. The success of Indian firms in European markets prompted Europeans to build several non-tariff barriers. The Indian exporters were adversely affected by Chinese low cost supply.

The Indian Bicycle Industry:

In India, bicycles were the second most widely owned durable products. There were no Government regulations on assembly and manufacturing of bicycles. Even though certain components production was reserved for small scale industries, the cycle penetration in India still remained low. Majority of the Bicycle owners belongs to the low and low middle income households. And those categories was using as utility vehicle. Most of the buyers were from rural India. Recently with rising family income, the Indian buyers graduated to motor cycles.

With an annual turnover of more than 12 million bicycle, the bicycle industry in India was one of the most established business in the country. The bicycle industry had raised the country's position to that of the second largest bicycle manufacturer in the world, next only to China. The Indian bicycle industry was well accepted and recognised for its quality standards in international markets.

The bicycle components and bicycle spare parts in India, except for free wheels and single piece bicycle hubs were manufactured by the small scale sector (SSI). The large scale units were manufacturing bicycle frames, chains and rims for captive consumption. The complete bicycle were manufactured within the purview of organised
sector. The bicycle industry was currently making endeavours for enhanced and increased bicycle exports. This was because of the scope for export of Indian manufactured bicycle in the international market was significant. The public report said that the exports fall within the range of Rs.150 crore.

The model for the modern bike was the safety bicycle invented in England in the early 1880’s with a chain, sprocket driving rear wheel and equal sized wheels. Over the years followed with the further development of the bicycle with pneumatic tires, two and three speed hub gears, and the derailleur gears, which was the last major innovation of bicycle design until the 1970’s. Today’s bicycle offered more than just the simple pleasure of cycling. From fitness and trekking to racing bicycles covered a much broader spectrum of activities than in the days of their predecessors.

Every region in India was headed by a Regional Sales Manager and he had a team of Sales Executives under him. TI cycles had over 2500 dealers across India spread in the different regions of the country. Every region had a merchandiser to cater to the promotional activities of that particular region. The company had warehouses in Ludhiana and Jaipur to cater to the dealers requirement in the respective regions in the shortest possible time.

**TI Cycle’s Early Response to Competition:**

In the early 1990s, TI cycle business were under severe strains because of the competition, high demand on quality from foreign buyers and partly because of the very low margin. TI cycle’s strength was in its superior design and product development abilities. The immediate competitor Hero’s advantage comes from its proximity to numerous small manufacturers of components which made a low cost bicycle.
Considering all those factors TI shifted the manufacturing focus to specials category that consisted of mountain bikes, children bikes and geared bikes.

**E-commerce Portal (www.ticib2b.com):**

TI cycles implemented E-commerce in the year 2000 through www.ticib2b.com. The system was implemented both in the front-end and back-end through a web server, developed by satyam. The company marketed the product through a strong sales force in all the regions of the country. These representatives were authorised to deal with the distributors all over the country. When TI implemented E-commerce, all the sales representatives were given a palmtop cost Rs.30,000 to speed up the communication between the manufacturer and the authorised dealers. The representative used this palmtop mainly to collect orders from the dealers. The E-commerce facility also had been opened to back-end.

Each and every users of ticib2b.com comprised of both sales representatives and vendors. They were provided with a user name and password. In the marketing side, the representatives went to the dealer collected the order and entered into the palmtop. This would be connected to the internet either by connecting the telephone lines or at different browsing centres depending on the connectivity the concerned location where the representative in comfortable. In this system, as soon as the order gets in the hands of sales representative it reached the head office on the same day. Whereas in the traditional method of operation, the sales representatives after collecting the order sent it to the head office through surface mail. It had taken three to four days to reach the office. Then only the production people can plan the schedule. So through the E-commerce initiative, the company reduced the total time from 3 to 4 days to 3 to 4 hrs for order acceptance. This
three hours had been taken because all the order received in the front end has to be downloaded to the legacy system. There were no integration of the internal system and the front-end operation. Even then the ticib2b site permitted the dealer to check whether the order was serviced or was it in transit.

When the order was downloaded, it went through the legacy system. The site also provided delivery schedule. The dealer was accessible to the site. The dealer could contact and enquire about a particular order through the ticib2b.com. Even though the dealer was permitted to access the site to see all the related information, only the sales representative were authorised to sent the order. This was because usually in bicycle business, the order from most of the dealers was very few in numbers. And also the volume of business per day was not feasible for him to operate. The time when TI implemented E-commerce, the connectivity was very difficult and the speed was not that much conducive. But at the same time dealer verified the bills/overdue and other valuable information regarding his business.

Bicycle manufacturing business was on a planned schedule. The production schedule varied based on the demand in the market. This market was sensitive to seasonal fluctuations. There was not much demand for bicycle during the raining season whereas the demand was more in school seasons and festivals.

The sales representative can also inform the company about the collection of bills. So if any particular bill was pending with a dealer, the representative could seek new strategies by contacting his boss through the system. Here the representative could tactfully deal his dealer and get the payment.
In addition to the dealers and sales representatives, the vendors were also accessible to ticib2b.com. They were given a user name and password to logon to the site. For vendors, the E-commerce initiative helped to improve the communication process. But the vendor has to initiate an order to connect to the b2b site. The vendor invested money for doing business transaction through traditional method. So the vendors were not interested to use the E-commerce system. Otherwise they were comfortable and satisfied with business transactions. So most of the vendors rethink to invest their own money to improve the communication with the company. Moreover the Internet speed and infrastructure was not good during 2000. All the vendors were given a tentative schedule on 24th of each month which will be followed by a formal schedule for next month on 31st of each month. In such an advancement through the newly introduced system the company was able to reduce the piling up of stocks. In the traditional business operations, the vendors were delivered the raw materials based on their convenience and cost. So once the raw material reaches the factory site, the company was forced to buy the raw material. But through ticib2b.com, the company was able to control the business transaction with the vendors communicate timely and confirm the order finally. In short the inventory level had been totally controlled by the company through www.ticib2b.com. Invoice were also generated in within three to four hours. The company could check the order process and dispatch details with the web server. The E-commerce operation was successful in the western region (Mumbai) and Karnataka. But later TI cycle of India withdraw E-commerce operation from the market.
**Reasons for the Failure of ticib2b.com:**

When TI cycle implemented ticib2b, the Internet speed was very slow and the palmtop provided to the representatives were not able to connected through the telephone lines. The Internet connectivity was very difficult. So the attitude of sales representatives and vendors were not positive to use the E-commerce site.

For any type of business transactions, the need of advanced technology should arise from the business partners. Here the vendors were not interested in the use of ticib2b.com. The increased financial burden for the implementation from the vendor part forced the company to go away from the site.

Another major problem was that the legacy system carried thirteen digit coding for order processing whereas representatives were used only three to four digit coding system for the same process. So there were no synchronisation.

The infrastructure available in India during the E-commerce implementation limited the web speed and thereby the usage of E-commerce portal. The dealers were so accustomed with the traditional method of operation. So that they were hesitated to use the new system. The company was not implemented any ERP solution during the E-commerce initiative.

**Future Plans:**

The company was very seriously planning to re-launch the E-commerce activities. Now the infrastructure and technology available in the country was conducive for implementing E-commerce. The company implementing ERP solutions (Oracle Apps) at all the plant and trying to integrate each other. Oracle Apps had already implemented in Noida and Nashik plant. When ERP implemented, E-commerce would be successful..
Cycles of India