

Analysis of indian tyre manufacturer mrf



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Business to Business Marketing is defined where one business markets products or services to another business for use in that business or to sell on to other business for their own use (Wright, 2004). For e. g. A stainless Steel washing drum, may go into a consumer product but it will be bought by the domestic appliance manufacturer i. e. Whirlpool for its own use. Other e. g. such as P&G will want to buy such things as packaging, food flavouring, vegetables, tea and coffee for its own use to go into branded FMCG products. Whereas B2B marketing is fundamentally different from consumer goods or services marketing because buyers do not consume the products or services themselves. In consumer markets, where goods and services are consumed personally by the people who buy them (Fill and Fill, 2005). For e. g. selling soups into Tesco for onward sale to the end consumer is B2C but selling shelving is B2B. Other e. g. such as selling cars into the showroom for the end customer is B2C and selling fleet cars is B2B. Further the difference between B2B and B2C are shown in below Characteristics.

Characteristics of B2B Marketing:

The marketing of goods and services between organizations is not the same as consumer goods marketing because there are a number of fundamentally different characteristics, diverse marketing strategies and operation need to be implemented to satisfy the needs of business customers. There are certain characteristics which are explained below such as:

Huge Market:

Decision Making Unit:

“ The DMU consists of the individuals who actively participate in the individuals who actively participate in the decision when it is in the negative and zero states” by Hill and Hilliers (1977). An organization’s decision making unit may have specific requirement that influence their purchase decision in a particular market which can be policy factors, purchasing strategies, and a level of importance attached to these types of purchases, attitude towards vendors and towards risk. For e. g. In advertising auto manufacturing have recently begun to target their advertising towards women and some have initiated special sales training geared towards selling women. And e. g. Men for shaving cream and women are most often the decision making unit.

Derived Demand:

It is refers to the direct link between the demand for an industrial product and the demand for consumer products: the Demand for industrial products is derived from the ultimate demand for consumer product. For e. g. A material and components that are used in a Harley- Davidson motorcycle where some of its components are manufactured by Harley-Davidson but the finished products reflects the efforts of over 200 suppliers or business marketers who deal directly with the firm. But the customer is stimulating the demand for a diverse array of products manufactured by business marketing firms such as tires; coil springs etc while purchasing Harley-Davidson (Hutt and Speh, 2004).

Relationship Marketing:

It is a key characteristic of B2B marketing concerns the significance of relationships. Relationship marketing centers on all activities directed towards establishing, developing and maintaining successful exchange with business customers and other constituents (Morgan and Hunt, 1994). The development and maintenance of positive relationships between buying and selling organizations is pivotal to success. Whereas collaboration and partnership over the development, supply and support of products and services is considered a core element of B2B marketing. And In B2C market the relationship between manufacturer and consumer or reseller and consumer who are considered in the past as relatively weak as well as unimportant. “ A well-developed ability to create and sustain successful working relationship with customers gives business marketing firms a significant competitive advantage.”

Customer Relationship Life Cycle

Sources: (Barry Slides, B2B)

The above diagram elucidates the possible to break down of customer relationships into number of different phases but at aggregate level such as customer acquisition, development, retention and decline.

Large Risk:

Types of organizational Customers:

Characterizing organisation by size, to differentiate between the very large and the very small. For e. g. According to Macfarlane (2002), there are number of difference between global and national organisations, public

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sector, small and medium sized enterprises (SMEs) and Small office/home office not least in the ways they specify product and services. There are three different types of organisation which helps in understanding both the benefits and marketing approach demanded which are explained below-

Commercial Organisation- it consist of different commercial organisation such as distribution, original equipment manufacturer, users and retailers which include wholesalers, distributors etc

Government organisation- this type of organisation are responsible for a huge volume and enormous value of business purchases such as health, environmental protection, education, policing, transport, national defense etc are some areas which attract funding and sellers.

Institutional Organisations- This type of organisation which is neither governmental, nor private and commercial in nature such as Non profit organisation i. e. churches, charities, schools etc.

Complex Networks Value Chain:

The Value chain of B2B has the potential of being very complex as marketers seek to influence intricate channels of influence and demand. Value chain starts with business and consumer demand from which drozen of business products or services are generated. Products pass through all activities of the chain in a specified order at each activity the product and service gains some value. But the ultimate goal of the value chain is o maximize value creation while minimizing costs. A Marekting opportunity exists through value chain. They are some shared characteristics with B2C such as delivery

value to meet customer needs. Whereas dealers , agents etc provide cost efficient alternative to manufacturer and services channels through this complex value chain. And these distributors' channels develop and evolve in ways that recognise these factors which maximize value to both manufacturer and end users (Walford and Letwin, 2009).

PART B

MRF TYRES

(Tyres with Muscles)

In 1961, then MRF has come a long way towards achieving greater heights in the automotive tyre industry with 6 manufacturing units, and distribution network of 2500 outlets with India. And Export to over 65 countries worldwide. Today, MRF is the market leader among tyre manufacturers in India, with a 24% share terms of revenues. Its leadership position, coupled with its strong brand recall and high quality, MRF commands the price-maker status. It is the leader in the two/ three-wheeler segment (including motorcycles) and tractor front tyres, and holds second place in the passenger cars and tractor – rear tyres.. It is majorly a B2B industry. The marketing of MRF is a perfect example of B2B marketing as it has all the characteristics that are there in B2B marketing. MRF has recognised the importance of relationship building in B2B marketing and hence they focus on relationship building in their marketing strategy. Overwhelming popularity of MRF and the fact that company pioneered Tyre in India. When a customer Think of Tyre they should think about MRF. MRF values customer and therefore they have developed a product in such a manner which

differentiate itself from his competitors from his competitors on the bases of two pillar i. e. quality and High endurance. And Major portion of sales comes from Trucks and bus categories because of it stresses on the durability of its tyres on rough Indian roads. For MRF Core Competence is ' Tyres with Muscles'. Further there is a Mapping of Distribution channel of Tyre Manufacturer.

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Dealers

Mechanic (Garage)

Wholesalers of Tyre

Warehouse Agents

Retail Distributors

OEM

Mapping Of Tyre Manufacturer:

M

A

N

U

F

A

C

T

U

R

E

R

Replacement of Tyre

Small Tyre Shop

General wholesaler

Large distributor

Mechanics

Retail Shop

From the Above Distribution Channels which indicate that MRF manufacturer has B2B and B2C marketing communication. There are certain channels such as follows for B2B

Channel 1: It is a direct Channel i. e. Manufacturer to Original Equipment Maintenance to End Users. Where For MRF is a Manufacturer, OEM can be Maruti, Mahindra and Mahindra, Tata Motors, General Motors. Whereas the End users in this channel can be the Dealers, retailer and even the commercial business person. For e. g. A Government business such as Army trucks or vehicle where they will directly deal with the OEM and say them

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there requirement and then a OEM will assemble the parts and get it from Manufacturer.

Channel 2: It is an indirect Channel, where a Wholesale of Tyre can deal with directly to Manufacturer and can supply the tyre further to mechanic and then from mechanic to End users. And Wholesale can take the tyres from OEM. End Users, can be School buses, taxis, Auto rickshaw etc. which are used for Commercial bases.

Channel 3: This channel is related to a replacement sector, where if any Customer return a product or needs a replacement where manufacturer would supply to Retail Distributor and from there to a dealer such as tyre speciality stores, Car deals, service station, car repair work, Automobile parts relation and others. And then to end Users

Channel 4: Under this channel where a Warehouse Agent can directly supply the tyre to dealer and then from dealer to End users. Whereas Warehouse agent can be Carriage/forward agent, etc. and End User can be a customer who uses the vehicle for commercial purposes.

Similarly, there are certain channels for B2C market. Segmentation and target marketing are so important that they appear almost everywhere in a market planning. On the above channel where there are many customers of MRF they also have to look for proper market segmentation through which they can reach a target market.

Segmentation market of Tyres in India:

Indian Tyre Industry

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Passenger Vehicle

Other

Commercial Vehicle

Industrial Vehicle

Farm Vehicle

OTR

LCV

MHCV

HCV

Scooter

Motorcycle

Cars

This Diagram Above indicates the Indian Tyre industry where the MRF Company has very little direct interaction with the End customers. Tyre manufacturer sell mostly to dealer in the replacement market or Original Equipment manufacturer such as Maruti, General motors' etc. As a result segmentation for the tyre manufacturer ids based more on the type of Vehicle served rather than on the individual customer. And the MRF mainly focus on the Commercial Vehicle such MHCV (Medium Heavy Commercial

Vehicle), HCV (Heavy Commercial Vehicle), and LCV (Lower Commercial Vehicle).

After the market is divided into various above segmentation of Tyre used for vehicles. MRF manufacture decided the segment they are going to focus which is further explained with an diagram below:

MRF holds a diversified portfolio of products that span across the entire tyre market. It manufacturer tyres of all segment of the tyre market including passenger vehicle, commercial vehicle, farm vehicle and off the road vehicle. This Complete market coverage of its product has made MRF the undisputed leader in the overall Indian tyre market. From the above diagram it shows that Vehicle such as Cars and Trucks which are basically used for commercial propose has a manufactured on the bases of Economical, styles, mileage and according to the road etc. This Target market of indirectly indicate the decision making unit of a Buyer.

Buying an Radial tyre: A Key decision makers, for e. g.

From my personal experience of buying a radial tyre for my cars whose average price is Rs 12000. Which are not a cheap buy for the Indian middle class family from where I am from. I did some amount of research and through goes, before deciding on the radial tyre. Before buying a car tyre I took the review from different sources as Mechanic, Dealer, OEM endorsement, and also from Friend and family. The above sources held lot of influence over which brand of tyre made me decided to buy a tyre.

Mechanic, Dealer, OEM endorsement, friend and family are Key influence decision of buying a tyre for my car.

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Whereas Since Tyres are a derived-demand product (its demand is derived from the demand for automobiles) government policies such as a drop in duties and taxes on car manufacturers, also indirectly contribute to higher tyre sales.

Customer Value in Business market:

Customer value has been referred to as “ the cornerstone of business market management” (Anderson and Narus, 1999). In MRF tyre industry being a very raw material intensive industry , the input cost mainly decided on the price of tyres. In fact 90% of a tyre cost comprises of its raw material cost. Mark up pricing is the common pricing method followed across the tyre industry. This involves a standard mark up to the tyre production cost. There is a customer value in B2B market.

CUSTOMER VALUE IN BUSINESS MARKET

Customer Value

Benefits Sacrifices

Usage

Cost

Processing Cost

Acquisition cost

Add-On Benefits

Core Benefits

SOURCE: Ajay Menon, Christian Homburg, and Nikolas Beutin, 2005

In Core Benefits MRF meet their customer's consideration set. It represents here specific level of product quality and performance, as well as expected levels of pre-and post sales services. For Add-on Benefits MRF has a good relationship with their buyers-distributors, giving them a good delivery at their place. Supplier flexibility, or the willingness of business marketers to accommodate a customer's unique business needs, likewise adds customer's value.

Sacrifice, in MRF when Business customers a purchasing a product they always demanding for discounts in price, so that's affect the companies margin. In diagram organisational customer consider three different types of cost in a total cost-in-use calculation. Acquisition Cost, MRF giving a discount to their distributors and free delivery serves which could count as an Acquisition cost. Possession Cost, which is like, companies financing, storage, inspection, taxes, insurance, and other internal handling costs.

Usage Cost is for company is machine malignance, employee training, user labour, and field repair, as well as product replacement and disposal costs.

The objective of the MRF manufacturer is to create Brand awareness in mind of customers where he would demand it from the dealer and dealer from the manufacturer. MRF has mastered the art of creating lasting impressions in the mind of the consumer. It pioneered the practice of heavy advertising and promotion in the tyre industry. So much so, that today, MRF commands top-of-mind recall and top brand recognition amongst all tyre manufacturers in

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India. There is hardly any tyre customer who hasn't heard of the MRF brand. MRF achieved this remarkable feat by adopting a multi-pronged marketing strategy that involved endorsements by sports celebrities, promoting popular sports like cricket and car rally races, and even introducing its own mascot: the MRF muscleman, that reflected the tough image it projected for its tyres. Today, dealers look forward to stock MRF tyres because customers demand it.

To achieve the above objective, The MRF has made strategies such as Pull, Push and profile strategies. MRF has mastered the art of Pull strategy. They pay very little attention to channel power. They heavily advertising its products and capturing top- of-mind recall and brand recognition amongst customers. This automatically results in demand for its tyres from customers, which in turn incentivizes the dealer to stock MRF tyres. In that way, we can say that MRF influences referent power over its dealers. Dealers like to be associated with MRF because it is the most sought after brand by consumers.

While MRF has pulled out all stops in advertising and promoting its products, it gives very little attention to incentivizing its channel partners. This is clear from the very low margins it offers its dealers and the complete absence of other dealer incentives. Yet, dealers look forward to stock MRF tyres because customers demand it. But if we see the competitors of MRF such as Bridge stone who used the push strategy. Bridgestone follows reward power with its dealers. The company offers additional incentives such as discounts, free gifts, gold vouchers, holiday trips, etc and encourages them to stock, promote and sell their tyres.

Relationship with Dealers:

MRF almost exclusively concentrates on brand awareness exercises, such as advertisements and endorsements. It believes in making the customer demand its products through brand-awareness and brand-recall. Therefore, compared to other tyre manufacturers, MRF pays little attention to incentivizing the dealers. Yet, dealers are motivated to stock MRF tyres simply because they have high brand-recall and so the customer demands it.

PART C

Promotion Strategy of MRF Tyre:

Gods of Advertising:

MRF uses advertising as a primary medium to reach out to its customers. The company heavily on print, TV and outdoor media to drive its brand into the mind of Customer. MRF is credit with devising some of the most creative advertising ever made in Indian Tyre Company. It allots huge budget outlay for advertising and other promotional activities. And main share of sales comes from customer related to Light, heavy commercial vehicles which is to be promote with tyre as an reliable, tough and high endurance. Whereas Passenger and two wheeler segment, MRF promotes itself as high quality and high performance tyre manufacturer.

Spin doctors of Public Campaign: They have perfected the art of publicizing the its brand through highly visible events and celebrity endorsements.

Whereas they has consciously aligned itself with a number of sporting events in India. Its most memorable association with sports and celebrity

endorsements was the MRF label that adorned Sachin Tendulkar's bat for many years. It was its sponsorship of auto-racing projected its slogan, "Tyres with Muscle" and outlined the quality of its tyres and allied products. And also uses other celebrity such as Steve Waugh and Brian Lara.

PART D

Recommendation of Marketing Communication plans(Promotion Mix)

Personal selling