

Introduction of the bajaj the three wheeler marketing essay



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Introduction

The late 1970's saw the introduction of the 'Bajaj' the three-wheeler (tuk-tuk) to the Sri Lankan automotive market a move that was regarded with cynicism and considered an unwise business decision. The little vehicle, however, caused quite a stir due to the creation of a new dimension of mobility. It was in this backdrop that Navid Pieris Motor Company (NPMCo) was formed in 1994 with an initial staff of 193 employees, following a management buyout. Besides the 'Bajaj three-wheeler' & 'Bajaj Motorcycles' in addition the company had the sole agency of 'Ford' automobile dealerships in Sri Lanka.

NPMCo is the largest distributor of automobiles in Sri Lanka and has been the market leader in three-wheeler. Till 2008, the near monopolistic market structure, perhaps, lulled the company into being complacent and the competitors like 'Associated Motor Wheelers (AMW)' the second largest motor distributor and 'Stafford Motors (SM)' probably the third largest captured a good market share.

AMW and SM tied up with Indian majors like 'Piaggio' and 'TATA' to bring in the latest more cost effective diesel three-wheelers, over crowding of three wheelers, the second hand motorcycles from Japan, Cheap motorcycle imports from China and the emergent of low cost fuel efficient compact cars, and NPMCo failed to gauge the changing tastes of consumers have effected the bottom line in the last couple of years. NPMCo found itself at a loss here, as this was largely an uncharted territory.

Here in this, I started with the Company background, industry analysis, company analysis and then moved on to exploring the strategies adopted by NPMCo to reinvent itself and once again become a market force to reckon with in the Sri Lankan automotive industry.

The Company: Navid Pieris Motor Company

In little over a decade, NPMCo succeeded in becoming one of the most respected companies in Sri Lanka. The company's ethos from its inception the single-minded pursuit of excellence, dedication to customers, and steadfast commitment to environmentally friendly practice has enabled the company to rise from modest beginnings to become a business powerhouse that has changed the way Sri Lankans live and work. Today NPMCo is the leading automotive company in the country, whose vehicles are used by people from all walks of life. The company has succeeded in leaving an indelible mark on Sri Lanka's corporate landscape through professionalism and commitment to excellence. Pioneer in the Three-wheeler market have 54% dominance, capturing a significant market share in the two-wheeler segment with 32%, and entering the spare part industry. The company has grown to 1300 workers for its assembly line to convert knock down three-wheelers to final product, 100 management staff and a massive distribution network.

How? NPMCo is doing.

Currently outperforming the industry growth rate in two-wheeler segment with 22% growth in year 2009 against the industry growth of 15%. The three-wheeler segment had a 3% growth against where the overall growth of 5%. The company had seen the worst year in semi luxury car segment where <https://assignbuster.com/introduction-of-the-bajaj-the-three-wheeler-marketing-essay/>

they had a 1% drop were as there was a massive overall growth of 10% in the car sale market.

Market share in Motorcycles is improving with every passing year. It has also increased from 28% in 2008-09 to 32% in 2009-10. Once again NPMCo have fail to improve on the three-wheeler market share reporting a decrease of 1% of the market share.

Annual turnover for the year 2009 is Rs. 81. 06 million against Rs. 63. 23 million a year before – an increase of 28%, which is very healthy.

Why? A positive shift in the Two-Wheeler

This has partly contributed by the rising world fuel prices, resulting in change in customer preference towards more fuel-efficient alternatives. Secondly, the end of the 30 yearlong, civil war as opened up untapped market in the North & East provinces of the country. Thirdly, the current Sri Lankan Government projects in developing infrastructure in rural and urban areas have increased disposable income, have created the normally conservative rural and urban population to change there life styles and keep the next step in life also reducing the bank savings interest levels from 11% to 4% have induced people to spend and or invest than piling it in the bank for low interest income. Additionally, the ability to ride on bad roads with less danger and great stability in motorbikes has encouraged customers. Finally innovative and modern high Capacity per Cylinder (CC) motorcycles by ‘ Bajaj’ have attracts the new experimental customers.

Why? NPMCo couldn't grab a market share in the three-wheeler segment.

Once again the main cause was the rising fuel prices. The three-wheeler or more commonly known as the tuk-tuk's main consumers are young entrepreneurs as a form self-employment. A cheaper alternative by the main competitors AMW and SF, which has introduced low cost, fuel efficient diesel engine three-wheeler have made a dent on to the NPMCo's market share. Secondly, NPMCo didn't identify the requirements of the new born small and medium business owners in the country looking for business-oriented three-wheelers (Eg. Carrying cargo).

What? Happen to Ford.

Well this is the result of high level of competition with all the leading car distributors getting on to the secondhand car sales industry with low cost almost new cars, which has being fueled by new hydride car market surge in Japan and other developed markets resulting in non hydrides being pushed out to the developing markets at low cost. Also, the cost and counterfeiting of genuine 'ford' spare parts have being very unhealthy NPMCo. Besides that compact mini car concept have overhauled the Sri Lankan car market.

NPMCo. Decided to move away and cease its operation on the Ford market.

What? I am going to Analyze.

The Three Wheeler Market segment: Where NPMCo has failed to gain. Drop in the market share, which the company had a monopolistic status.

How? I am going to Analyze.

Porter's Five Forces Analysis.

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PEST Analysis.

Competitive Advantage.

SWOT Analysis.

TOWS Matrix.

The future recommendations.

External Environment

Industry: Automobiles: Three-Wheelers

Porter's Five Forces Analysis

Porter's five forces were developed as a way of assessing the attractiveness or the profit potential of different industries. This must be used at the level of strategic business units (SBU) and not at the level of the whole organization. This is because organizations are diverse in their operations and markets.

Competition Analysis

The threat of entry:

This will depend on the extent to which there are barriers to entry. These are factors that need to be overcome by new entrants if they are to compete successfully.

Possibilities of new entries to the industry are low.

Strong Customer Loyalty to the 'Bajaj' has been a household name for decades.

Economies of scale through automated assembly line to put together knock down three-wheelers.

Higher Capital investment, High stock and bigger warehouse facility maintenance,

The need for high technical and mechanical expertise,

Owning a strong island wide distribution network is important and is very costly.

Has taken the first mover advantage and gathered expertise and experience.

All these make the barrier high enough to be a deterrent for new entrants.

Competitive rivalry

This is direct competitive rivalry between NPMCo and its immediate rivals, organizations with similar products aimed at the same customer group.

The main competitors are very much balanced, with roughly in equal size.

Auto three-wheeler sector is with high exit barriers due to high investments in non-transferable fixed assets.

This instinct of the industry is primarily driven by the technical capabilities and technical collaboration with Indian manufactures.

The threat of substitutes:

Substitutes reduce the demand for the ' Bajaj' three-wheeler as customers switch to alternatives. This depends whether the substitute provides a higher perceived benefit or value.

There is no perfect substitute to this industry. Also, if there is any substitute to a three-wheeler, Bajaj has presence in it.

Mini Cars, which again are a mode of transport, have created a substitute for the medium income household. But the segment where the three-wheeler gives them self-employment haven't found mini cars that much attractive.

Supplier Analysis**The power of suppliers**

Their ability to dictate supply, price, quality, availability and the cost of switching to a new supplier

The agency contract with the ' Bajaj' India will be a long-term commitment to the company.

NPMCo will have to incur massive cost to switch from ' Bajaj' since the company is the sole distributor and agent to ' Bajaj' three-wheeler.

' Bajaj' India a global three-wheeler supplier might compete directly in the Sri Lankan market.(possibility of forward integration)

Customer Analysis

The power of buyers

This is the concern of who they are, what they need, how the three-wheelers are supplied.

Buyers in auto three-wheeler market have more choice to choose from and the increasing competition is driving the bargaining power of customer uphill. With more models to choose from in almost all categories, the market forces have empowered the buyers to a large extent.

The addition of new market in the North and East provinces has created a demand for new innovative durable three-wheelers that are conducive to rough road conditions.

Higher disposable income and lower bank interest rates have increased the customer spending.

Summarizing it is important to consider all the factors when performing an industry analysis, it can be said that the three-wheeler market is attractive as it scores well on three out of five categories. NPMCo. s managers must think systematically about how their strategic choice will be affected by five forces and the change condition in the industry.

PEST Analysis

These are the four key macro-environmental influences that might affect the organization. PEST framework categorizes: Political, Economic, Social, & Technology. Lets analysis, how these four elements affect NPMCo in the three-wheeler sector.

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Political (Legal)

Organizations are influenced by government policies.

The ending off 30 year long civil war. (Huge govt. counter attack help to overcome the LTTE army)

New passenger safety regulations that put in to place, since the three-wheeler had no passenger doors placed the govt. brought in a new legislative to install doors.

Subsidizing of diesel fuel. The ' Bajaj' uses petrol that cost more than diesel.

Loss of the GSP+ concession have job losses in the manufacturing industry reduced the disposable income amongst workers.

Development in infrastructure has eased distribution barriers.

Import duties on cars were reduced by 50%.

Economic

Organizations have to operate in conditions of boom and bust.

Central bank of Sri Lanka in the view to foster economic growth has reduced the bank interest rate.

Massive development projects in urban and rural areas have increased the money supply.

Pick up in the tourist industry is bringing in foreign currency.

Social

Organizations culture has a direct influence by the culture of the society that it operates.

Increased level of education in the country has influence NMPCo work force with higher number of mechanics and engineers joining.

Lifestyle changes due to increase income have resulted in change in consumer needs.

Change in attitudes and disappearance of the fear of war have give a positive out look.

Technological

The level and focus on technology affects the organization.

The three-wheeler industry introduced higher capacity vehicles that can be use to carry cargo.

Development of automated assembly line has increased productivity and efficiency.

Safety standards have improved.

Increase in fuel efficiency.

Durable, long lasting and skid free tyre manufacturing.

Besides the four elements there is two more factors that we can take in to consideration

Environmental and Legal, which covers the environment protection laws, energy consumption, waste disposal, health and safety laws, & employment laws. This is called the PESTEL model.

Competitive Advantage

Is created and sustained if the organization has distinctive or unique capabilities that competitors cannot imitate in a short time. These are unique resources and core competences the resources and activities that underpin competitive advantage and are difficult to imitate or obtain.

Unique resources

Intellectual capital in the form of ' Bajaj' brand name.

Exceptional Innovative leader.

Experienced high quality Management.

Core competence

Well-organized widespread distribution network.

NPMCo is in possession of tender agreement with the Sri Lankan government to sell three-wheelers to the war families of dead soldiers (military personnel).

“ If organization are to achieve competitive advantage by delivering value to the customers, it need to understand how the value is created or lost we need to look at organizations value chain. This concept was developed and used by Micheal Porter (Exploring Corporate Strategy: pg. 136)”.

In summery NPMCo, has a great competitive advantage over its competitors in achieving profitability and has the capabilities of maintaining above average profitability for number of years that results in sustained competitive advantage.

SWOT Analysis

Analyze the position of NPMCo. in the current market set-up, evaluating its strengths, weaknesses, threats and opportunities available. It is a way of monitoring the opportunities and threats externally and strengths and weakness present internally.

Strengths:

Highly experienced management and highly skilled labor force.

Widespread efficient distribution network.

Prompt, effective and efficient after sales service.

High performance brand name three-wheeler with high customer loyalty.

Great financial resources boosted by low bank borrowing rates.

High economies of scale with state of the art automated assembly line.

High economies of scope by expertise in two-wheeler and car market.

Weaknesses:

Hasn't come out with an alternative to competitor's cargo three-wheeler.

Not reacted to the compact mini car surge.

High dependence on one supplier.

Failure to identify the rural and urban market need and preferences.

Centralized decision-making, Mr. David himself has the biggest say.

Threats:

The competition catches-up any new innovation in no time.

Low cost Secondhand Semi Luxury cars

Threat of cheap imported motorcycles from China.

Margins getting squeezed from both the directions rise in global steel price increase shipping charges and competitor price hammers the sales price.

(Price as well as Cost)

‘ Piaggio’ is a serious competition for the three-wheeler cargo segment.

Opportunities:

Growth potential in three-wheeler market.

Untapped market in the North and East of the country.

Growing demand for cargo three-wheelers by the newborn small business owners.

Central Bank of Sri Lanka reduction in interest rates and encouraging entrepreneurship.

On going and future development projects.

TOWS matrix for NPMCo.

This is build directly on the information about the strategic position that is summarized in the SWOT analysis, TWOS matrix is used to identify options that address different combinations of the internal factors (strength and weakness) and the external factors (opportunities and threats) (Exploring corporate strategy pg. 347)

External Factors

Internal Factors

S W

WO Strategic Option

Bajaj India's R&D should be utilized to create alternatives and/or improve three-wheelers to cater the cargo segment.

SO Strategic Option

Growing market in the North East must be exploited by NPMCo's widespread distribution network.

O

WT Strategic Option

Form a strategic alliance with Japanese or Indian low cost mini car manufactures to import and compete in the small car market.

ST Strategic Option

Maximize capital and debt available to acquire or enter JV with logistic company in the view to reducing shipping costs.

T

“ Strategic development is about fit; that is, identifying opportunities in the environment and developing or building strategic capabilities to take advantage of such opportunities” (Johnson, Scholes and Whittington – Exploring Corporate Strategy 7th Edition)

The Future Recommendations.

NPMCo had to identify and adopt new marketing measures to attract urban and rural segment that is growing in a considerable rate.

Focus on the durability and the great after sale that NPMCo has to offer compared to its competitors by exploiting the competences.

Bajaj India has a huge, extensive and very well-equipped Research and Development wing geared develop exciting new products that anticipate and meet emerging customer needs, and development of eco-friendly automobile technologies NPMCo has to work with Bajaj – India to compete in the developing competitors.

Need to set up and improve the existing distribution network, after sales services and communication channels to cover the new market in the north and east.

Need to take advantage of the existing favorable conditions to borrow money to invest on entering the mini car market with strategic alliance with foreign car manufactures by diversifying NPMCo’s product line.

As Sri Lankan consumer lifestyle change NPMCo has to concentrate higher safety and attractiveness of the three-wheeler.

In view of threats posed SM and AMW, the company needs to review its products line-up and launch new products to cater the changed demand through market development.

NPMCo need to be proactive with its leadership and make aggressive move towards a vertical integration by acquiring or entering JV with a logistics company in the view to scale down rising shipping cost that impacts on the cost, and in turn the bottom line.

Conclusion

As I analyzed above the most general layer is the macro environment where understanding of PEST can provide all the forces that influence NPMCo. This provides the basis for the future impact of environmental forces on both industry and organization within the industry. The five forces framework helps to understanding the sources of competition within the industry that NPMCo has to negotiate and evaluate its strategic choice. NPMCo's three-wheeler segment is doing exceedingly well since they have competitor and customer advantages. NPMCo has to continuously find new bases of competing within the industry, the success or failure of NPMCo also lies on how well they understand and at what speed at which they are able to meet customer needs. So understanding markets is utmost important to NPMCo's future. NPMCo has the ability to sustain its long-term competitive advantage therefore NPMCo requires its managers to develop strategies that are appropriate to the specific circumstances of the business unit which might

change over time. It's also need to be clear on which issues are more important than the others. It is also important to understand how the experience of people and the culture of NPMCo affect the development of strategies. NPMCo has to re evaluate its planned or perspective strategy and move towards a learning organization and adopt an emergent strategy with continuously adjusting and adapting to customer preferences and change.