

Case study  
distribution and sales  
management  
marketing essay



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The Bajaj Group is amongst the top 10 business houses in India. Its footprint stretches over a wide range of industries, spanning automobiles (two-wheelers and three-wheelers), home appliances, lighting, iron and steel, insurance, travel and finance.

## **Bajaj Auto**

The group's flagship company, Bajaj Auto, is ranked as the world's fourth largest two- and three- wheeler manufacturer and the Bajaj brand is well-known across several countries in Latin America, Africa, Middle East, South and South East Asia. The present Chairman of the group, Rahul Bajaj, took charge of the business in 1965. Under his leadership, the turnover of the Bajaj Auto the flagship company has gone up from Rs. 72 million to Rs. 46.16 billion (USD 936 million), its product portfolio has expanded and the brand has found a global market. In this report, we will consider only the two wheeler division of Bajaj Auto.

## **Bajaj Auto – Product Portfolio (Two Wheeler Segment)**

### **Sub Brand**

### **Products**

Bajaj Avenger

Avenger 200 DTS-i

Bajaj Pulsar

Pulsar 150 DTS-i

Pulsar 180 DTS-i

Pulsar 220 DTS-i

Pulsar 135 LS

Baja Discover

Discover 135 DTS-i

Discover DTS-Si

Bajaj Platina

Platina 125 DTS-Si

Platina 100

Bajaj XCD

XCD 135 DTS-Si

Bajaj Kristal

Kristal DTS-i

Kawasaki Ninja

Ninja 250R

## **Bajaj Auto – Sales and Distribution Structure (2 Wheelers)**

Bajaj Auto has two sales and distribution channels for its two wheeler products (Fig. 1) –

Sales through direct company operated stores like Bajaj Probiking and a few wholly company operated dealerships existing in a few places around the country like Pune (Company dealership in Wakdevadi)

Sales through dealer franchises

Bajaj Probiking

Bajaj has identified a segment of customers ' Probikers', who are knowledgeable, appreciative of contemporary technology, they are trendsetters and very choosy

about what they ride. Hence, Probikers need to be addressed in a meaningful way that goes beyond the product. Bajaj Auto has set up a chain of retail stores across the country exclusively for high-end, performance bikes. These stores are called " Bajaj Probiking". Twenty two such stores have been opened across the India. These stores exclusively sell high performance vehicles such as Bajaj Avenger, Pulsar 220 DTS-I and the Kawasaki Ninja 250R.

Bajaj Dealer Franchises

Bajaj Auto has a network of 498 dealers and over 1, 500 authorized service centers spread across the country. Around 1, 400 rural outlets have been created in towns with population of 25, 000 and below. The current dealer network is servicing these outlets.

Bajaj Auto

Dealer

Authorized Service centre (ASC)

Customer

Customer

Customer

Probike

Figure 1: Distribution Channel for Bajaj Auto (2 Wheelers)

## **Shakthi Bajaj**

Bajaj Auto has 8 dealerships in Chennai as shown below -

### **Dealership**

#### **Area**

Jai Automobiles

Tambaram

Jai Autos

West Mambalam

Khivraj Automobiles Ltd.

Mount Road

KLN Automobiles Pvt. Ltd.

Anna Nagar East

Malinisri Motors

New Washermanpet

## **Shakthi Motors**

### **Poonamallee High Road**

Sri Jai Autos Pvt. Ltd.

Adyar

Vishaka Auto

Saligramam

In this report, we will look at the sales and distribution network of one of the largest dealerships in Chennai - Shakthi Bajaj. Shakthi Bajaj has annual sales of around 4000 motorcycles in 2009. The product sales portfolio for Shakthi Bajaj for 2009 is as shown below -

## **Product**

### **Annual sales quantity**

### **On Road Price (Rs)**

### **Dealer Margin per vehicle (Rs)**

Pulsar 150 DTS-i

1400

67967

2890

Pulsar 180 DTS-i

600

72133

3060

Discover DTS-Si

600

47831

2030

Discover 135 DTS-i

800

59145

2510

Platina 100

300

40682

1730

Platina 125 DTS-Si

75

46260

1970

XCD 135 DTS-Si

200

54629

2320

Kristal

25

42322

1800

Out of the 4000 units sold in 2009, about one third of the sales are from the showroom while the remaining is from the authorized service centers of Shakthi Bajaj.

## **Customer Profile**

Out of 100 people who visit the store, around 60% actually end up buying bikes at Shakthi Bajaj. 50% who visit the store are young people, 30% are middle aged (30-45 years) and another 20% are 40+ who normally shop for



motorcycles for their sons. The customers usually come to the stores with their family members and it is the older members of the family who make the final decision of whether to purchase the motorcycles as they are the ones who usually make the payments for their families. The customers also come to the showrooms along with a friend or a mechanic who has knowledge about the various motorcycles and who acts as the influencer for these customers. Usually 70% of the customers require the finance option while the remaining employ the cash and carry mode.

### **Shakthi Bajaj – Showroom**

Shakthi Bajaj is located on the outer parts of Chennai on Poonamallee High Road and serves customers in the nearby regions of Egmore, Purasawakkam, Kilpauk and other localities. The showroom is 3000 sq. ft in size and has an adjoining workshop (6000 sq. ft) which services motorcycles. The showroom has various departments within it such as sales, spare parts and the accounts department. In this report we will focus only on the sales division of Shakthi Bajaj.

The entire showroom is blue themed in line with the Bajaj brand symbol. There is one vehicle on display from its different sub brands. The vehicles on display are usually black in color as these are the colors which are usually preferred by the majority of customers. If the customers wish to see vehicles of other colors they are taken to the vehicle holding area which is present on the first floor of the showroom.

Showroom Sales Team

## **Function**

### **Number**

Sales Executive

3

Sales Manager

1

ASC Sales Manager

1

Financiers (Bajaj Auto Finance)

3

Pre Delivery Inspectors

3

RTO Managers

3

## **Selling Process in Showroom**

When a customer enters the showroom, the showroom sales executive meets the prospective customer, interacts with him, identifies his needs and shows him the various models of bikes. In most cases he persuades the customer to take a test ride of the bikes of his interests.

After the customer decides on the bike the sales executive queries as to whether the customer is going to pay by cash or whether he would require a financing scheme.

### Cash Payment

If the customer is to make cash payment, the sales executive discusses about the pricing and whether the customer requires additional features like a helmet. The prices are generally fixed unless there is a promotional offer for that particular period. If there is intense pressure on the sales executive with respect to the pricing he takes the customer to the sales manager who is similarly firm with the customer and gets him to understand on the concept of fixed pricing from Bajaj. Once the customer is satisfied with the prices, he pays the cash amount to the sales executive, gets a receipt, picks out his vehicle from the holding area on the first floor. The vehicle is then inspected by the pre delivery inspectors and is sent to the RTO team to get it registered with the local RTO office. The vehicle is then inspected again by the pre delivery inspectors and is then picked up by the customer from the showroom at his time of choice.

### Financing

If the customer prefers a financing option, the sales executive transfers him to one of the three financiers from Bajaj Auto Finance Ltd. The representative discusses the loan details with the customers like financing period which normally varies between 12 to 36 months and the necessary identification and income proofs which he would need to service the loan.

When a sale is made, the invoice is presented to the Bajaj Auto Finance Ltd.  
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head office, and the showroom receives the cash within 2-3 days for the sale made.

The ex showroom prices are fixed by Bajaj Auto and the on road prices are fixed to be the same across all dealerships by mutual consent of the 8 dealers in Chennai. The customers spend on an average of about 45 minutes in the showroom for a purchase.

### **Authorized Service Centers (ASC) – Sub dealers of Shakthi Bajaj**

Shakthi Bajaj also sells motorcycles through its authorized service centers which act as sub dealers of Shakthi Bajaj. At the time of this report, Shakthi Bajaj has 11 ASCs under its command as shown –

**ASC Name**

**Area**

**Shree Balaji Motors**

**Moolakadai**

**Shree Motors**

**Perambur**

**Kamakshi Bikes**

**Peravalur**

**Deepa Shakthi Motors**

**Govardanagiri**

**Raj Shakthi Motors**

**Pudupet**

**PV Motors**

**Puzhal**

**Sree Shakthi Motors**

**Avadi**

**ASV Motors**

**Madhavaram**

**Karan Bikes**

**Moolakadai**

**Ram Motors**

**Kilpauk**

## **Annai Motors**

### **Choolaimedu**

Each ASC has 2 people looking after the sales, the owner and a sales executive.

### **Relationship between ASC and Shakthi Bajaj**

**These 11 ASCc contribute to about two thirds of the sales of Shakthi Bajaj. Some of the terms which exist between Shakthi Bajaj and the ASC are as follows –**

**The ASC get to keep 70% of the dealer margin on a vehicle.**

**They hold vehicles only for display at their centres as well as a one month demand stock of vehicles at their premises**

**Their payment schemes are completely on credit. The company regulated payment schemes are 15 days of credit but in reality they take about 30 days of credit.**

**All promotions are done by Shakthi Bajaj and the ASCs do not make any promotion schemes on their own.**

**The vehicles are transported from the main dealership to the premises of the ASC using small trucks with the cost borne by the ASC.**

### **Suppliers – Bajaj Auto**

Bajaj Auto's has in all three plants, two at Waluj and Chakan in Maharashtra and one plant at Pant Nagar in Uttranchal.

### **Plant**

### **Product Manufactured**

Waluj

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Motorcycles and three wheelers

Chakan

Motorcycles

Pant Nagar

Motorcycles

### **Physical distribution to Shakthi Bajaj**

Shakthi Bajaj receives the bikes from the Manufacturing plants in trucks.

Each truck carries 50-70 bikes. It takes anywhere from 6 - 17 days for the vehicles to reach Shakthi Bajaj after the time of placing an order.

### **Promotions**

Promotion schemes from Bajaj Auto are in the form of joint publicity and are given simultaneously to all the Bajaj dealers in Chennai. It is usually in the form of full page newspaper advertisements both in English and the local Tamil newspapers. For various sales promotion schemes and melas, the dealers combine with financiers such as Bajaj Auto Finance for the promotional schemes and profit sharing is done based on sales revenues and the amount of business which the financier gets. This joint promotion clearly depicts one case of the incentive incompatibility between the dealer and the financier as the incentive scheme for the financier is based on the business which he gets which constrains the dealer to push for finance backed payments to his customers.

## **Information Flow**

The dealers are normally informed of the marketing plans of Bajaj through meetings held at the Regional Office as well as National meetings held with the top performing dealers. The local changes in the on road prices of the motorcycles due to changes in road tax and RTO rates etc. are communicated to the dealers through meetings at the Regional Offices. The information regarding the status of the dispatch of the vehicles from the manufacturing plant is conveyed to the dealers by the Regional office.

## **Relationship between Shakthi Bajaj and Bajaj Auto**

The following are some of the aspects of the relationship between Shakthi Bajaj and the suppliers (Bajaj Auto) -

There are no credit terms between Bajaj Auto and a dealer for the purchase of vehicles. All purchases are through cash payments.

The on road prices are fixed by Bajaj Auto and the dealers have no leverage in changing the prices.

Bajaj Auto expects the dealers to hold about 21 days of stock in its inventory. However, in reality Shakthi Bajaj is forced to hold 60 days of stock in its inventory.

## **Problems**

### **Dealer inventory**

The Company regulation states that every dealer must hold 21 days of stock as his inventory. This corresponds to around 330 bikes in stock for Shakthi Bajaj. However, in reality Shakthi Bajaj is forced to hold 60 days of stock in



its inventory which corresponds to around 650 vehicles. This along with the lack of credit payment schemes for purchase from Bajaj Auto results in tied up working capital in excess inventory.

### **Varying demand in colour**

Customers have specific colour preferences with black being the most preferred colour. However, there is a shortage in black motorcycles with Shakthi Bajaj even with an excess stock as the Regional Office and Bajaj Auto try to push slow moving stock to the various dealers. This is a huge problem especially during the festive season as demand is high for black motorcycles while the high transit time from the manufacturing plant means loss of sale to competition.

### **Action Plan**

While better information flow between the dealership and the Regional Office would help to reduce the inventory to a certain extent, any strong action plan to reduce the excess inventory would require the Regional Office to abate the pushing of vehicles onto the dealers to show favourable sales to the Head Office which will not occur any time soon. Any attempt to bypass the Regional Office and interact directly with the Head office could be detrimental to the dealership. Again this is an example of the principal agent issue and the incentive incompatibility in a distribution system.

For the varying demand in colour for Bajaj bikes especially during festive periods, Shakthi Bajaj could adopt the practise of buying spare black petrol tanks and black chassis spare parts and replacing those of another colour

with these black chassis. This could be a short term solution till a new stock of black vehicles arrives at the dealership.