

Marketing strategy of tvs motors



TVS Motor Company is India's third largest manufacturer and company has made success in their last ten years. TVS achieved many awards for their quality of products, customer satisfaction and for their technology. This paper analyzing the organization's various strategies models as well as describes the financial statement analysis for last five year. Analyzed how the company reached the current position and described the recommendations for TVS Motor Company.

Introduction:

An organizational study is conducted to have a clear and proper understanding of the organization's basic structure, coordination and functioning at all levels. Every organization involves in identifying and coordinating the work that being performed and delegates authority and responsibilities. Organizations are always looked as a social entity directing towards designated goals that are designed as coordinated activity and structured deliberately linking to external environment. In a country like India which has seen an industrial revolution in last couple of decades, bringing large multinational corporate and industries to the country any organization would require strong organizational functioning to compete with other industries in the market paving way to success and preferences to the organization. My organization study involves research on various departments to understand their functions within and their purposes. I have also tried to bring out the achievements of the organization so far and how it competes with its competitor's. It was also important for me to study how they progress towards their mission and vision of the organization. Before

doing a study on any organization it was important to have compassion on the concepts, principles and requisites of the organizations.

Concepts of an organization:

Every organization involves in a process of identifying and grouping the work that has to be done. It defines and delegates the authority and responsibility to every individual or sector. It establishes strong relationship with its employees to accomplish its objectives and performing work efficiently.

Principles:

Principles are tailored on theoretical basis on which the strategies of the organization is built or framed. There are several fundamental principles there are to be followed in developing an organization strong and efficiently.

Some of them are

Unity of objective

Unity of command

Specification

Span of control

Co-ordination

Exception

Flexibility

Communication

Simplicity

Efficiency

REQUISITES:

The objectives of the organization are to be candid and clear and the organizations understanding their capacity in achieving them.

All activities within the organization are implemented efficiently and easily.

Proper coordination on all activities that being executed.

Communication system inside the organization should be direct and effective.

Should be complete with all essential activities being put into action.

There should be reasonable span of control at all levels

Wherever required, provision is to be available for expansion

Defined procedures are to be followed on all functions of the organization

Organization should always aim at promoting morality of its employees

Proper diversion on authority and responsibility is required

Business strategy:

TVS motors which originates from Trichur Vengaram Sundaram Iyengar motors is one among the leading motorcycle company in India . it is the third largest two-wheeler manufacturer company in India and among the top ten in the world. It holds annual revenue of more than \$ 1 billion . It's a flagship

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company with TVS group USA with 4\$ billion. It strives and thrives in manufacturing innovative and pioneer products. TVS emphasizes on launching new products with its new product introduction (NPI) team of approximately 300 engineers who stand at forefront in executing strategic visions for the organization for its new products. Though these products are developed domestically it collaborates with globally technical renowned partners. It aims to introduce six to ten products every year to address broad-based requirements of the market.

Bike for Anyone:

TVS Motors aims at introducing wide range products that's suits the needs of all two wheeler riders. It holds products from mopeds to racing motorcycles. The prices of these motorcycles are also affordable and reasonable to suit financial status of middle and upper middle class people in India. It was also the first motorcycle company in India to launch mopeds that were easily affordable to labor and wager groups of India.

Penchant for Quality:

TVS Motor has established four manufacturing plants located at Mysore, Hosur, Himachal Pradesh and one in Indonesia. The company is more consistent on its quality of its products so far. The vehicles were long lasting and reliable.

Innovation at the Helm:

Strength of the organization lies in its design and development of its new products, the company launched seven products on the same day in 1997, making it all the first automotive company to do so. They aim at developing

superior customer satisfaction. TVS presents quality vehicles to meet ever changing need of its customer and market, the company already holds 15 million customers on road.

History:

The company was founded by Trichur Vengaram Sundarm Iyengar. He initially started on transport business holding large fleet of buses, trucks under the name of southern roadways limited. Later the company spread its wings on automobile sector, including insurance, finance, two wheelers manufacturing components, and tires. It is combined with 33 companies of its own to bring a turnover of nearly 3 billion USD. On 1978 the company started plant at Hosur to manufacture mopeds as a new division. Later the company collaborated with Suzuki on 1982 on a joint venture to obtain brand impression on its customers.

Major Milestone Year by Year:

1978: TVS Motors was started as a new division of TVS.

1982: Incorporated as Indians motors. It collaborated with Suzuki motors.

1984: 59, 400, 000 shares were issued on which 7, 00, 000 shares — Sundaram Clayton Ltd, Chennai.

70, 000 - Anusha investments

20, 00, 000-Suzuki motors

2, 20, 000 -Employees and business associates

29, 70, 000- public

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1985: incorporated " Lakshmi Auto Company⁶ for Manufacturing transmissions and critical engine parts.

1986: company name was changed from Indo Suzuki motors to TVS Suzuki motors

1990: launched 34cc Miniped

1997: set up auto ancillary estate at Mysore and Hosur

1998: RS: 1, 000 crore mark in 1997-1988 introduced first four stroke vehicle in the country

2003: Recorded share of 35% of share in motorcycle division, Recorded 31% growth on its sales. Company introduced racing bikes that were tested in Asian circuits.

2006: Appointed new president

2007: launched 7 motorcycles on the same day making a mark in history

2010: Launched India's first auto clutch motorcycle in Chandigarh.

TVS – Michael porter's competitive force model

The strategy is developed by Michael porter which describes the external factors affecting the organization. The TVS analysis is as follows:

Supplier Power:

Although TVS has been a prominent supplier for economic class customers in two wheelers market, here we take the power of the suppliers for TVS to analyze. The Supplier market for TVS is highly fragmented and the possibility

for backward integration is also high which has restrained the power of the suppliers. TVS engages with several local suppliers for their spares and parts for their automobiles manufacturing. The entry of many new small scale manufacturers has also contributed to the benefit of large automobile manufacturers like TVS to source their Spares and parts at a very optimal price. This clearly indicates the low supplier power.

Buyer Power:

Buyers' power in two wheelers industry is more as the product diversity and brands available in the market are exceptionally high. Buyers today are demanding and specific on their needs for the money they pay. They are looking for the brand that offers better pricing and technology which has shadowed the customer loyalty for any brand today which is the most faced threat by TVS.

Threat of Substitutes:

Threat from substitutes is quite low when compared to other forces since market seems only to grow and mature every day. But when looked down the line we could anticipate a threat from the dramatically escalating petrol cost which might cause customers to switch to economic diesel cars. As well growing environmental concerns has also brought in bicycles and battery two wheelers that might pose a threat in future to TVS.

Intensity of Rivalry:

Two wheelers industry is most known for the competitive market and rivalry. Two wheeler brands like Bajaj, Honda and Yamaha have come up with various product line and technology targeting the customer segment of age

group 20 to 30 years who are more fascinated to sporty two wheelers. But TVS has very less sporty models available for customers to choose that has restrained power of the brand over the most targeted customer segment by its competitors. Although TVS has a better power over the mid aged economic class customer segment, competitors now are increasing their focus on taking over it too.

Barriers to New Entrants:

New entrants face a moderate barrier in penetrating the market since it is consolidated by few and strong suppliers. As the market size of the two wheelers industry is big and requires a strong footprint with high capital investment, new entrants find it difficult to fit themselves among the market front-runners. Thus TVS is not susceptible to threats from the new entrants to the industry.

TVS Motor's market share

The market share of all Two-wheeler is affected by various inflation, rise in petrol price and interest rate. Automobile industry had unexpected growth around 15% is due supported by various external factor like urban development, developed public transportation, financial purchases and Two-wheeler penetration into various region. Hero Honda dominated in the market by 55% (2011-2012) in last five quarters.

Market Share with competitors April - Feb. 2011

Source: TVS Motor Company

Financial performance

Details/Year

2011-12

2010-11

2009-10

2008-09

2007-08

Sales & other income*

7148

6324

4485

3741

3310

Profit before interest, depreciation, amortization and tax*

520

491

304

247

219

Profit before tax

316

248

76

31

35

Profit after tax

249

195

88

31

32

Net fixed assets

1078

995

983

1036

1043

Share capital

48

48

24

24

24

Reserves and surplus

1122

952

842

786

798

Net worth

1170

999

835

735

769

Total borrowings*

831

768

1003

906

666

Earnings per share #(Rs.)

5. 24

4. 10

1. 86

0. 66

0. 67

Dividend per share (Rs.)

1. 30

1. 10

1. 20

0. 70

0. 70

Book value per share# (Rs.)

24. 38

20. 81

17. 40

15. 32

16. 02

EBITDA/turnover (%)

7. 3

7. 4

6. 8

6. 6

6. 6

Profit before tax/turnover (%)

4. 4

3. 9

1. 7

0. 8

1. 1

Return on capital employed (%)

19

16. 4

8. 0

5. 6

2. 8

Return on net worth (%)

23. 0

21. 3

11. 2

4. 1

4. 1

Source: TVS Motor Company

The company achieved the annual sales of two million as growth of 32% by selling 1.52 million units last year. The company made their growth in all three segments as Executive as 26%, Economy as 12% and Premium as 38% for the year of 2011. When compared with 2010, there is an increase in the sale of fixed assets in 2011. In the 2011 fiscal year, TVS Motors acquires assets, increasing the liquidatory assets to 1.70 crores. Due to an increase in R&D expenses, there is a decrease in sales and investment in the manufacturing sector, which increased the company's liabilities to 950.49 crores. The company's capital expenditure was 91.63 crores in the year 2011. In the year 2011, the current ratio stands at 0.17 while the debt ratio is at 0.98%. The cash ratio is 1.4 times than previous, as the number proves that the company is stable, but if the ratios are not improved over years, the company's long-term sustainability will be at jeopardy.

Operational analysis

SWOT Analysis

Strengths:

TVS is an International player with brand equity and plays an important role in Indian two-wheeler markets.

R&D department team gives them a leading edge in market technology development covering various segments like moped, motor cycle and scooter. These differences make the products attractive for people of all ages.

TVS has a wide spread of distribution network and numerous service centers covering all regions of its service areas which provide a unique service to its customers.

TVS groups have 40, 000 knowledgeable, experienced and skilled employees providing service to more than 15 million customers in India.

Advertising with brand ambassadors and attracting people with more promotional activities.

Products with low price, high fuel economy, eco friendly less emission and unique design with its competitors.

Weaknesses:

Despite exporting products to various countries worldwide, it's not a globally recognizable brand yet.

Lack of competitive premium bikes to attract the riders in the market. Most of the R&D resources used in economy and executive products shading the premium segment.

Opportunities:

One of the fastest growing automobile providers in India.

Export is limited and the international market is untouched which gives a versatile opportunity to explore and establish international market.

More movement in higher-end model and more young generation are motivated towards motorcycle.

Threats:

Heavy competition from other competitors and from other international brand i. e. importing of cheap motorcycle from china.

Gradual increase in fuel price, Decrease in car prices, policies and increase in taxes will affect margin for dealer as well as customer.

Improving public transport will have an effect on the automobile sales.

Spare parts are expensive which increases the maintenance cost.

TOWS Matrix Analysis

SWOT and TOWS are acronyms to each other, where as strength and weaknesses comes under internal environment. Opportunities and threats are comes under the external environment. But for practical study, TOWS describes internal environment and SWOT describes external environment.

Strength:

TVS is International player with brand equity and plays important role in Indian two wheeler markets.

Excellent R&D work of products and different products in various segments like moped, motor cycle and scooter. These differences make attraction to people from different age.

TVS had wide spread distribution network and numerous service centers which make easy for people.

TVS groups have more than 15 million customers and knowledgeable, experienced, skilled 40, 000 employees.

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Advertising with brand ambassadors and attracting people with more promotional activities.

Products with low price, fuel economy, less emission and excellent design when compared to other company.

Weaknesses:

Even though exporting to various countries, it is not globally recognizable brand.

Fail to cover premium segment bikes and their segments are only for middle class customers.

Opportunities:

One of the fastest growing segments in India is automobile segment.

Export is limited and untouched international market.

More movement in higher-end model and more young generation are motivated towards motorcycle.

SO

TVS had unbeatable sales in moped and scooter. (S1O1)

They had 3500 dealer for making sales and giving excellent service to customers.

TVS maintains its brand image by designing products for all customers from low income to high income people. (S4O3)

Employed more engineers in R&D to bring their designing performance and development in all categories.

TVS has ratio in debt equity is 0. 1.

WO

Even though it is not globally recognized, TVS made an excellent land mark in India. (W1O2)

TVS need more concentration in premium vehicles because sales of premium vehicles are growing in recent years. (W2O3)

Market share is reducing when compared to last few years.

Threats:

Heavy competition from other competitors and from other international brand i. e. importing of cheap motorcycle from china.

Gradual increase in fuel price, policies and increase in taxes will affect margin for dealer as well as customer.

Improving public transport will have an effect on the automobile sales.

Spare parts are costlier.

ST

Automobile is one of the growing sectors in the world, so it is golden opportunity to come forward in global market. (S1T1)

TVS need more concentration in R&D to improve the use of personal transportation. (S2T3)

WT

TVS has other competitors in two wheeler segment, which is the main drawback for them.

Cost of spare parts and their products are high when compared to other company. (W2T4)

TVS BCG Growth Share Matrix:

The BCG Growth-Share Matrix is a planning model in which business is divided into four major based on market growth and market share. The growth share in this table positions the two major things of profitability.

Star

(Scooter)

Question mark

(New motorcycle and new scooter)

Cash cow

(Moped)

Dog

(Motorcycles)

Star:

Star denotes high market growth and high market share in the industry. This position defends when the organization invest large amount in this segment. There is decrease in the growth when compared to last year, so this is the reason scooter comes under star category. It will turn into cash cow when there is gradual increase in coming years.

Cash cow:

Cash cow denotes low market growth and high market share in the industry. In moped sector it is the major contribution to the market share because mopeds have more advantages like low cost when compared to other moped manufacturing companies. Handling is very simple and this is more preferred by small traders. Teenagers are using this vehicle as an entry point for them. This dominates in the position of cash cow because of an increase in the growth of sales in every year.

Question mark:

Question mark denotes high market growth and low market share. In this category, there are two things to be considered as invest greatly in the products or to clear up these products. The company launched new TVS Flame which gets more drawbacks in the market and the company planned to launch the product with a redesign. The company had greater growth in the scooter segment, so they launched an electric scooter due to an increase in the fuel price. But the product failed due to some motor problems. So the company needs to invest in them for an increase in market growth, this is the reason that these products come under the question mark.

Dog:

Dog denotes low market growth as well as low market share in the industry. In this segment, the motorcycle is divided into three categories as economy segment which had an increase of 2% when compared to last year. In the executive segment, there was a decrease of 1% when compared to last year. But in the premium segment, there is no increment or decrement when compared to last year.

Market share came down when compared to last year, so this is the main reason that motorcycle comes under the category of dog.

Marketing, Financial and R&D Strategies

Marketing strategy:

The company volume growth increased largely from the year of 2010-2011, but the company does not have similar growth in last year of 2011-2012. The company had huge demand in moped, scooter and only in premium motor cycle; so these are volume key drivers in TVS motor company. The company is planning to build key model brand, so company had planned to have sustain success in their products like Star, Victor and Apache. These products had made brand image to maintain its success and these success made the company to introduce the new products in the market. These are key volume drivers and their focus to sustain their growth of the company.

TVS motors have decided to launch seven new vehicles at a time in the year of 2007, so this will make the company as a young multinational company. This makes work for continues three years to rollout all these seven products at a time. Within these seven vehicles, four of them are two-wheelers and three are passenger three-wheeler vehicles. These products are various technologies, design and new engine. TVS introduced CCVTi engine which reduce carbon-dioxide and reduce the monoxide by 70% which make green revolution and also introducing Fuel injection technology which consumes less fuel. TVS motors first introduce the electric scooter due to increase in fuel price in India. These are marketing strategies to cover imagination of people.

TVS continuous improvement in quality of products resulted in winning various quality awards which brings more value for the customers. TVS offers 5-year warranty for Star vehicles, which gives customers more preference. These customer satisfaction and quality are the one of major role for marketing strategy. TVS dealers are using their own individual promotion plans to the final buyers. The company advertises to the customers to provide offers to buy products where dealers provide with sale promotion to the product now. The company offering more promotional plan such as exchange offer, finance conveniences to the customers, free services, follow-up customer for their services and complaints and other festival offers. These are various marketing strategy promotions to customers for buying the products and giving excellent service to their products to have sustained growth in market place.

Financial strategy:

TVS records the sale of 154, 647 unit in August 2012 and 194, 898 units in August 2011, whereas for Two-wheeler sales records 150, 740 units in August 2012 and 190, 184 units of sales in August 2011. In domestic sector, TVS records about 135, 513 units in August 2012 against 163, 705 units in August 2011. In motorcycle sector, TVS records 53, 673 units in August 2012 against 77, 726 units in August 2011. In scooter segment, records 38, 193 units in August 2012 against 52, 253 units in August 2011. From this analysis, there is gradual decrease in the sales of all sectors including moped, motorcycle and scooters. Company exports 17, 934 units in August 2012 against 29, 984 units in August 2011. In Three-wheelers, company sold 4, 714 units in August 2011 but it decreased to 3, 907 units in August 2012.

From the total, the company fails to compete with the previous year of same month.

Research and development (R&D):

The company has a strong research and development (R&D) department, supported with state of the art aiding technologies. Their in-house world class testing facility gives them a unique environment for testing the engines noise, vibration and harshness (NVH) and life time warranty testing. To they are supported with modern computers for developing good design as well as for developing new innovation in the products. The team has been concentrating on eco-friendly products for a decade helping the fact of global climatic changes and increases of carbon dioxide release into the environment. They succeeded by out coming with a high fuel economy, reusable parts and low emissions hybrid products. Their automatic transmission technology for scooters is widely credited across the world due their very low emission and fuel economy. TVS R&D department published 81 papers placing and they developed various products with this research and they are successfully running in the road. For national and international conferences, R&D published around 81 technical papers.

Joint venture and Value chain

TVS has joint venture with Japanese's company Suzuki with whom it shares their technology, design and manufacture for two-wheeler under the banner "TVS-Suzuki". TVS-Suzuki manufactured various products including Samurai, Shogun and Fiero. Due to the rising disputes and low profit margins TVS decided to break their collaboration with Suzuki. In 2011, companies came to an agreement, as per the company was renamed as TVS Motors and Suzuki

promised not to enter Indian market for minimum period of 30 months. This decision by TVS motors allowed them to operate independently and proves to be effective as their profit increased noticeably. TVS Motors invested heavily in R&D to launch new products with new technology and succeeded making TVS a highly recognized brand. After three years Suzuki entered Indian market and became one of the top five Two-wheeler Company in India.

The value chain for the Two-wheeler company has many value chain partners including manufacturing, dealers (outlets include sales and service), financial agents, support services, advertising, contracts, transportation and more. The value chain for TVS Motors will act like one team and they aim for success. The company has appraisal agencies, call centre, collection agencies and dealer management system to get daily updates from dealers and maintain a global communication across their value chain partners. TVS has plans to implement Information Technology across the value chains, to reduce the delays and lags in communication between the value chain dealers. This IT adoption to the company will significantly increase the customer satisfaction, timely service and a well structured management.

Business performance:

The overall Two-wheeler sales is decreased to 5% due to absences of executive segment motorcycle, whereas scooter and moped segment increased by 10% in their sales growth. The company achieved all time high sales in export of 2. 70 lakh in 2011-2012. Three-wheeler sales also increased slightly from 0. 39 lakh to 0. 40 lakh in 2011-2012. Spare parts

also increased to 29% sales. TVS Wego had a huge growth of 60% in the scooter segment.

These vehicles are distributed around 3500 dealer in India; they are authorized for both sales and services. TVS is continuously seeking for opening new dealerships to increase the growth of sales. The export sales are grown 51% where as domestic sales decline by 35% in the Three-wheeler market. There is large number of competitors in exporting, so company takes advantages of providing quality products as well as providing new market line for domestic market. For reducing the material cost and input material cost, company is using value engineering and global sourcing projects. TVS is using total quality management (TQM) as a cornerstone from 1987. So that company created manually called " TVS Way" and won award for national and state level competition.

Recommendations and Implementations

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