

# **To The Victor, Go The Spoils**

## **A Case on TVS Motor Company**

### **Comstrat 2002**

*Note: All the information in the case has been garnered from sources in the public domain. This case has been developed for purely academic purposes and is not in any way the intended plan of TVS Motor Company.*

## **TVS Motor Company: To the Victor, Go The spoils**

Stylish, contemporary and economical, motorcycles have taken the Indian market by storm over the last decade and a half. Defying analyst's expectations and recessionary trends, motorcycle sales have been spiraling upwards, clocking consistent double-digit growth rates. This unprecedented boom has lured many players into the market. The Indian motorcycle landscape has witnessed a slew of launches in recent years as players trip over each other in a bid to jump on the bandwagon.

### **The Indian Motorcycle Market**

India has traditionally been a two-stroke scooter market. With the introduction of stricter Euro I and Euro II emission norms, scooter makers were forced to upgrade their technology, gradually robbing them of their substantial price advantage over motorcycles. This, coupled with aggressive pricing by motorcycle majors and the fuel efficiency advantage of a four-stroke motorcycle turned the tables of the two wheeler market in favour of motorcycles.

The recent years have seen the motorcycle market grow at scorching rates as it wrestles share from the scooter and moped market. For the period of 1993-94 to 2001-02, motorcycle sales recorded a CAGR of 25.8% compared to a CAGR of 0.6% for scooters and 0.8% for mopeds. (Refer annexure 1)

### **Creating New Segments**

The booming motorcycle market coupled with the low growth rates of the scooter and moped market, has led many erstwhile scooter and moped manufacturers to jump on the four-stroke motorcycle bandwagon. The majority of the market is still accounted for by the basic 100 cc Rs 40,000 to Rs 45,000 motorcycle. However, new launches in the last two years have created entirely new segments in the market. At the lower end, there have been successful launches in the Rs 30,000- Rs 35,000 band, which have redefined the entry-level market. At the same time the upper end performance segment has been flooded with many new launches in the 125cc+ category. These segments also look all set to be further sub segmented as market players continue to launch new products to fill in any existing gaps.

### **Positioning an Indian bike**

While the scooter appeals to the family man, a motorcycle's main target audience has always been the young male individual. Niche brands such as Hero Honda CBZ are targeted toward college kids, while most mainline brands have concentrated on the young working man in the 25- 35 year age group. Being a high involvement purchase, rational benefits derived are very important in deciding the purchase. At the same time, a motorcycle, like a car is one of the most obvious 'statements of self' leading to immense potential on the emotional benefit paradigm as well.

The brands in the market have tried every trick in the book to appeal to the Indian market- from promoting rational benefits such as performance to creating brand personalities that would appeal to the male buyer. From trying to cash in on nationalistic feelings through corporate campaigns to using celebrities such as Hrithik Roshan and Sachin Tendulkar to endorse the brand, various tactics have been used by various players to lure the motorcycle consumer.

## The Players

### **Hero Honda: Desh Ki Dhadkan**

Hero Honda, the joint venture between Honda, Japan and Munjal family's Hero cycles has been credited with creating a market for four stroke motorcycles virtually out of nothing. The country's first four-stroke motorcycle CD100 was launched by Hero Honda way back in 1985. Backed by a memorable advertising campaign 'Fill it, Shut it, Forget it' which stressed the fuel efficiency of the product, CD 100 was an outstanding success. This was followed by the Splendor launched in 1994, which again redefined the market with its attractive package of looks and fuel efficiency and was lapped up by the Indian consumer. Thanks to these successes, Hero Honda has been clocking double-digit growth rates for most of the last decade and today is the unquestionable market leader with a 48.3% share.

Facing a typical market leader's dilemma, Hero Honda finds itself today where Maruti Udyog was three years ago- guarding a dominant market share from a host of worthy competitors. And it is using a very Maruti-like tactic to ward off competition- a Hero Honda for every Indian wallet. Thus the last couple of years have seen a number of new launches by Hero Honda across price points, such as the entry level Dawn and Joy and the higher end Ambition. Sagging Splendor volumes have been arrested by introducing Passion in 2001, which is basically the same machine with more stylish looks. Hero Honda has also sent Honda a wish list of 10 new products to be launched in the Indian market in the next five years. These new launches will be used to replace the ageing CD 100 and Splendor and also to plug every possible price point in the market.

Being a pioneer, Hero Honda has always stood for fuel efficient and modern motorcycles and its superior product has been its strongest plus point. But the launch of similar modern motorcycles by competitors has seen the market leader also focus on achieving advertising salience. Recent Hero Honda launches such as Ambition, CBZ and Dawn have been backed by aggressive advertising. Ambition attempts to ride on the twin benefits of power and fuel efficiency while the high end CBZ has tried to sell style and features. Passion's positioning is simple: good looks. The company has also tried to counter Bajaj's '*Hamara Bajaj*' nationalistic appeal by the '*Desh Ki Dhadkan*' campaign featuring Saurav Ganguly and Hrithik Roshan.

Hero Honda has successfully shifted the balance of the Indian two wheeler market from scooters to motorcycles and in the process has almost single handedly created the second largest motorcycle market in the world. However, warding off competition from scavenging market share is a daunting task for any market leader. How Hero Honda rises to the challenge and continues to remain the *Desh Ki Dhadkan* is a story worth watching in the times to come.

### **Bajaj Auto Ltd: Hamara Naya Bajaj**

Although a major player in all two-wheeler segments, Bajaj Auto was popularly known as the king of scooters as it virtually dominated the scooter market for most of the last three decades. Bajaj has been present in the motorcycle market since 1986. It has a technical collaboration with Kawasaki, Japan for the production of motorcycles. However, for the earlier part of the last decade it stuck to selling two stroke motorcycles like Kawasaki Bajaj 100. Four stroke motorcycles such as Kawasaki Bajaj 4S and Caliber were

introduced only in 1998 to counter Hero Honda. The Caliber was the first successful motorcycle from the Bajaj stable which paved the way for its future thrust into the motorcycle market.

Faced with shrinking scooter sales and the huge potential of the motorcycle market, Bajaj decided to shift its focus on the motorcycle market. It has undertaken a series of launches since 2001 aimed at segments in which Hero Honda was not present. Its first success was the Boxer, launched in June 2001, priced below the Hero Honda ruled Rs 39,000- Rs 45,000 price band. The Boxer was a runaway success, accounting for around 50,000 units sold per month and 70% of Bajaj's motorcycle sales. The Bajaj onslaught has not been confined to the volume segment alone. It has also launched two high-end 150cc+ motorcycles Pulsar and Eliminator in the last two years.

Since 2000-01, Bajaj's motorcycle sales have shown impressive growth rates. For the quarter of April- June 2002-03 Bajaj's motorcycle sales grew by 65.7% over the same period last year compared to 37.4% growth rates achieved by Hero Honda. The company has shifted its full focus on motorcycles- motorcycle sales in 2002-03 were expected to account for 58% of the turnover up from 19% in 1993-94. A number of new launches have been planned- new variants of the Boxer and the Caliber as well as a new 125-135 cc motorcycle to be launched in December 2002.

### **TVS Motor Company**

TVS Suzuki was formed as a joint venture between the TVS group and Suzuki Motor Company in 1983. It launched its first motorcycle, the AX 100 in 1984. A number of two stroke motorcycle launches by the company in the last decade such as the Shaolin, Shogun and Samurai met with limited success. The absence of a four-stroke motorcycle in its portfolio during the motorcycle boom has ensured that TVS lagged at number three in the motorcycle sweepstakes. In September 2001, TVS bought out its partner Suzuki's 26% stake and the company was renamed as TVS Motor Company.

Subsequent to the break up, the company introduced its indigenously developed four-stroke motorcycle called the Victor in 2001. This motorcycle was a stylish, fuel efficient 110 cc motorcycle priced at the same price range as the popular 100 cc Hero Honda offerings, Splendor and Passion. The company also launched an aggressive campaign based on the motorcycle's strong product features and value for money positioning.

The rest, as they say, is history. The Victor shored unprecedented volumes for the company and had a waiting list of three months in January 2002. TVS clocked phenomenal growth rates of 85% in the April to June 2002-03 quarter compared to last year, well beyond growth rates of competition. The Victor has forced the company to increase its capacity from 10,600 to 15,000 units per month to meet demand. This is slated to further go up to 50,000 units per month by March 2003.

Over the years, the company has made a conscious effort to build the TVS brand name. It first separated the brand name from Suzuki in 1998 and launched a corporate identity program with a new logo for the 'TVS' brand.

In 2002, the company roped in Sachin Tendulkar to endorse the brand and broad base its appeal in the north and the west, where it is primarily known as a south based company. Through its choice of celebrity and its campaign TVS has painstakingly build values of confidence, trust, sincerity and humility around its brand.

**The Consumer (Refer Annexure 2)**

There is an equal distribution of motorcycle owners in both urban and rural India. The typical consumer belongs to a SEC A2, B or C household, earning a stated MHI of Rs 2,000 – Rs10,000, whose Chief Wage Earner(CWE) is a clerk/ skilled labourer or a land owner. While the ownership of basic durables such as TV, fridge and music systems is quite high, ownership of higher end durables such as microwaves, PCs and Air Conditioners is negligible.

**The 125 cc segment**

In India, the 125 cc segment accounts for only 5-7% of the market. The Yamaha YBX, YD 125 and the Kinetic Engineering's GF 125 are the only 125 cc motorcycles in the market today. However, this scenario is likely to change in the near future as the motorcycle buyer starts trading fuel efficiency for performance.

While the 100 cc bikes provide great fuel efficiency of between 60-65 kilometers per liter (kmpl) ; at an average of 7-8 bhp, they are considered too sluggish. At the other end is the 150 cc category of bikes which deliver between 12-13 bhp but only 35-40 kmpl in fuel efficiency.

The 125 cc has been touted as the next big story in the motorcycle market as the Indian consumer starts looking beyond the economy motorcycle. A typical 125 cc motorcycle has a substantial power advantage over the economy 100 cc motorcycle delivering a 11-12 bhp. In China the 125 cc category accounts for a little over 50% of the market. Experts believe that even in India, over the next 3-5 years, the 125 cc segment could well overtake the 100 and 110 cc segment in absolute volumes.

**The Challenge**

In view of the outlook, it is no wonder that all motorcycle manufacturers have either launched or are planning to launch motorcycles in the 125-135 cc gap. Hero Honda has already launched Ambition, its 133 cc bike while Bajaj, LML and Kinetic are planning launches in the 125cc segment. TVS Motor Company cannot be far behind. It is planning to launch its own 125 cc motorcycle in January 2003 to provide formidable competition to the market heavyweights.

The TVS offering will not only have to match up to competition in motorcycles, it will also have to counter the booming second hand car market to become the vehicle of choice for the Indian family.

**The Task**

Develop a comprehensive communication strategy for the planned 125 cc TVS motorcycle. This should include

- Branding Approach/Name
- Key Target Audience
- Positioning
- Brand Personality etc

Please support your recommendations with requisite rationale and critical assumptions. Creative concepts/ renditions are not a part of this assignment.

**Annexure**

**Annexure 1: Two Wheeler Sales over the Years**

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	CAGR (%age)
	<b>Sales in Units</b>									
Scooter	833,547	1,033,524	1,223,425	1,309,963	1,262,293	1,325,860	1,253,880	901,886	874,327	0.6%
Motorcycles	469,010	652,012	809,527	978,725	1,132,533	1,395,650	1,796,783	2,156,014	2,950,107	25.8%
Moped	461,391	523,700	627,079	674,012	648,843	679,527	724,395	687,635	494,097	0.9%
All 2 wheelers	1,763,948	2,209,236	2,660,031	2,962,700	3,043,669	3,401,037	3,775,058	3,745,535	4,318,531	11.8%

**Annexure 2: Profile of a Household Owning A Motorcycle**

<b>Base:</b>	<b>All India Households</b>	<b>Motorcycle households</b>
	(%age of base)	(%age of base)
<b>Geographic</b>		
Urban	29.3	49.9
Rural	70.7	50.1
<b>SEC</b>		
	<i>(For SEC the base taken is urban India and urban motorcycle owners)</i>	
A1+	2.7	7.8
A1	4.4	12.6
A2	6.7	16.7
B1	9.1	18.6
B2	9.7	15.8
C	22.8	22.6
D	23.0	9.8
E1	9.2	2.1
E2	15.1	1.6
<b>MHI</b>		
Upto Rs. 500-2000	53.8	12.4
Rs. 2,001-5,000	32.9	38.5
Rs. 5,001-10,000	10.1	32.9
Rs.10,001-15,000	2.0	10.2
Rs.15,001-20,000	0.7	3.7
Rs.20,001-30,000	0.2	1.4
Rs.30,001-40,000	0.1	0.4
Rs.40,000+	0.1	0.4

<b>Base:</b>	<b>All India Households</b>	<b>Motorcycle households</b>
	(%age of base)	(%age of base)
<b>Education Of CWE</b>		
Illiterate	29.4	4.9
Some School	40.7	25.4
SSC/HSC/Not Graduate	21.1	36.9
Graduate General	5.8	19.2
Post Graduate General	1.8	7.6
Grad/ Post Grad Professional	1.2	6.0
<b>Occupation of CWE</b>		
Off/Exec/Self Emp Professional	2.6	12.4
Shop Owners	7.7	17.8
Clerks/ Skilled labourers	31.6	37.9
Unskilled labourers	15.8	3.4
Student	0.2	0.2
Not working/ Housewife	4.4	6.4
Zamindar	24.5	21.1
Farmer	1.2	0.2
<b>Household Products Owned</b>		
Black and White TV	28.0	36.6
Colour TV	15.2	55.7
Any TV	42.5	89.0
Any Radio	31.1	57.6
Any Music System	23.5	58.7
Fridge: Not Frost Free	7.0	25.9
Frost Free Fridge	4.6	21.2
Any Refrigerator	11.5	46.7
Microwave	0.2	0.9
Air Conditioner	0.4	2.2
Any Washing Machine	3.1	15.0
Personal Computer	0.6	3.2

Source: NRS 2002 Household Data

### Annexure 3: The Indian Motorcycle Market

#### 3.1 Company Wise Sales of Motorcycles Over the Years

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
	<b>Sales in Units</b>								
Hero Honda Motors Ltd	150,456	183,671	230,194	268,945	407,563	530,600	761,700	1,029,591	1,425,302
Bajaj Auto Ltd	134,103	199,035	238,530	304,494	314,898	382,744	431,347	542,531	723,683
TVS Motor Co Ltd	53,120	87,212	125,286	164,083	211,667	268,099	326,357	354,497	450,169
Yamaha Motor India (P) Ltd	114,707	159,829	187,742	217,697	179,452	189,275	251,865	171,307	236,568
LML Ltd							10	36,160	44,723
Kinetic Engg Limited									45,277
Royal Enfield India Ltd	14,105	16,401	21,645	22,683	18,953	24,932	25,504	21,928	24,385
All motorcycles	469,010	652,012	809,527	978,725	1,132,533	1,395,650	1,796,783	2,156,014	2,950,107

#### 3.2 Market Share of Companies

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
	Percentage share of the Motorcycle market								
Hero Honda Motors Ltd	32.1	28.2	28.4	27.5	36.0	38.0	42.4	47.8	48.3
Bajaj Auto Ltd	28.6	30.5	29.5	31.1	27.8	27.4	24.0	25.2	24.5
TVS Motor Co Ltd	11.3	13.4	15.5	16.8	18.7	19.2	18.2	16.4	15.3
Yamaha Motor India (P)LTd	24.5	24.5	23.2	22.2	15.8	13.6	14.0	7.9	8.0
LML Ltd							0.0	1.7	1.5
Kinetic Engg Limited									1.5
Royal Enfield India Ltd	3.0	2.5	2.7	2.3	1.7	1.8	1.4	1.0	0.8

*Source: ACMA 2000-01, SIAM*

**Annexure 4: Estimated Sales Brand Wise**

Brands	Sales Per Month
Splendor	62,000
Boxer	51,000
Passion	41,000
Max 100	25,000
Victor	10,500
Caliber and Caliber Cromia	9,800
Crux and Crux R	8,000
Challenger	6,000
TVS Fiero	4,500
Energy Fx	3,000
CBZ	2,600
CD 100	2,300
Kinetic GF 125	2,000

Source: Businessworld, January 2002  
TVS Motor Company

**Annexure 5: Media Spends in 2001 (Rs Million)**

Advertiser	Brand	Total Media Spends
<b>Bajaj</b>	Bajaj Kawasaki Boxer CT	172
	Bajaj Kawasaki Caliber	111
	Bajaj Kawasaki Aspire	79
	Bajaj Range	84
	Bajaj Kawasaki Caliber Cromia	55
	Bajaj M80 Major	29
	Bajaj Eliminator	29
	<b>Bajaj Total</b>	
<b>HERO HONDA</b>	Hero Honda Passion	245
	Hero Honda CBZ	241
	Hero Honda Joy	120
	Hero Honda Range	65
	Hero Honda Splendor	56
	Hero Honda Service Center	19
	Hero Honda Corporate	2
	Hero Honda Desh Ki Dhadkan	2
<b>Hero Honda Total</b>		<b>750</b>
<b>TVS</b>	TVS Victor	186
	TVS Fiero	136
	TVS Max 100	119
	TVS Samurai	11
<b>TVS Total</b>		<b>452</b>
<b>Grand Total</b>		<b>1,766</b>

Source: ADMON, Map 2.0

### **Rules and Regulations**

1. Participating teams should contain three members.
2. A synopsis on the case should be submitted either through email to the i.d. [comstrat@fcbulka.com](mailto:comstrat@fcbulka.com) or by post to FCB Ulka Advertising, 4<sup>th</sup> floor, Nirmal, Nariman Point, Mumbai 400 021. The last date for receipt of the synopsis is 10<sup>th</sup> November, 2002
3. The synopsis should not exceed 15 pages with a minimum font size of 10 and single line spacing.
4. A shortlist of six teams shall be arrived at on the basis of synopsis received. The shortlist shall be declared on 13<sup>th</sup> November, 2002 and posted on the website [www.fcbulkacomstrat.com](http://www.fcbulkacomstrat.com) and communicated to K. J. Somaiya Institute of Management Studies and Research.
5. These six teams have to make a presentation to a panel of judges on 23<sup>rd</sup> November, 2002 in Mumbai.