

Study on Two Wheeler Market Segmentation and its Strategy in India

Saillaja .V

Research Scholar, Bharathiar University, Coimbatore, India

Abstract: Indian Two-Wheeler Industry is the largest in the world as far as the volume of production and sales are concerned. India is the biggest two-wheeler market on this planet, registering an overall growth rate of 9.5 percent between 2006 and 2014. The growth in Indian Automobile Industry owed the most to a steep upsurge witnessed in the two-wheeler segment till 2014. The volume growth recorded in the 2014-15 fiscal year stood at a commendable 14.8 percent on a year-on-year basis. The 'Make in India' campaign of the Government of India is also going to attract more foreign investment into Indian Two-Wheeler Industry creating further growth opportunities in the coming years.

Keywords: CAGR-Compounded annual growth rate, Product segmentation, Sub -segmentation, Strategies.

1. Introduction

Two-Wheeler Market in India

Indian Two-Wheeler Market is noticing a continuous upsurge in demand and thus resulting in growing production and sales volume. This owes a lot to the launching of new attractive models at affordable prices, design innovations made from youths' perspective and latest technology utilized in manufacturing of vehicles. The sale of two-wheeler products has increased substantially. The sales volumes in the two-wheeler sector shot up from 15 percent to 24 percent between 2008-09 and 2013-14.

A considerable expansion was seen in the sales volume of the scooter segment during 2014-15 as far as the two-wheelers were concerned. This positive node makes many new players enter in this density market. The domestic motorcycle sales volume moved up to 10 percent, whereas the scooter segment recorded a growth of 30.7 percent in sales volume. In the past 2-3 years, around a dozen new scooter brands have been introduced in India. But the motorcycle segment lags behind in this regard. This is due to the fact that the recently launched gearless scooters cater to the needs of both men and women, while motorbikes are a segment preferred by men only.

The growth momentum is also propelled by the fact that the two-wheeler manufacturers in India have understood the market's needs and have been able to deliver as expected. At the end of 2014, the global business involving two-wheeler designing, manufacturing, engineering and selling was at an average of US\$ 3.5 billion per manufacturer. Though, further growth in Indian Two-Wheeler Industry will depend heavily on people's personal disposable incomes that rely on India's economic growth in days to come.

2. Objective of the Study

To observe the Two wheeler market strategy and segmentation in India.

Two wheeler market players in India

- 1) BAJAJ
- 2) TVS

- 3) ROYAL ENFIELD
- 4) Mahindra & Mahindra
- 5) SUZUKI
- 6) YAMAHA
- 7) HMSI
- 8) HEROMOTOCORP

3. Indian Two Wheeler Industry

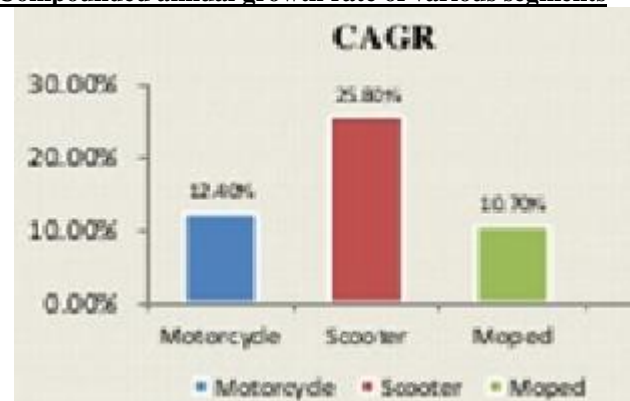
The two-wheeler segment is the only one that has clocked positive growth at 12.9 per cent YoY (year-on-year) to reach sales of nearly 13.5 million units by October. This can be attributed to the low cost of two wheelers in India.

- Largest two wheeler market globally, at a CAGR of 14.9% in sales.
- Overall growth - 12.9 % by volume YoY.
- Revenue estimated about Rs. 923 billion in 2014-2015.
- Three major segments: Motorcycles, Scooty and Mopeds.

4. Market Segmentation

Marketers provide a range of product or services choices to meet diverse consumer interests, consumers are satisfied and their overall happiness, satisfaction and quality of life are ultimately enhanced. Hence market segmentation is a positive force for both consumers and marketers alike.

Compounded annual growth rate of various segments



5. Sub-Segmentation

The Indian automotive industry has sub-segmented the motorcycle in terms of Vehicle pricing, power and mileage. The sub-segments, Vehicle pricing and power is directly proportional but mileage is inversely proportional.

Sub-Segmentation of Motor Cycles on Basis of Pricing

Economy : Priced at Rs. 40,000 – Rs. 50,000

Executive : Priced at Rs. 50,000- Rs. 65,000

Premium: Priced at Rs.65,000 and above.

Sub-Segmentation of Motor Cycles on Basis of Power

Economy: 100-110 cc

Executive: 125+cc

Premium: 150 cc

Sub-Segmentation of Motor Cycles on Basis of Mileage

Economy: 55-65 Km/l

Executive: 50-55 Km/l

Premium: 45-55Km/l

<i>Economy</i>	<i>Executive</i>	<i>Premium</i>
Hero motor corp: Splendor	Hero: Passion Pro	Tvs motors: Apache
Tvs motors: Star	Tvs motors: Phoenix	Bajaj auto ltd: Pulsar
Bajaj auto ltd: Discover	Bajaj auto ltd: Discover	HMSI: Unicorn

Sub-Segmentation of Scooter Segment

Scooter segment is again sub-segmented as Metal body and Fiber body.

Sub Segmentation	Mileage	Power
Metal body	35-45 km/l	100+cc
Fiber body	45-55km/l	Below 100 cc

MOPED Segment

TVS MOTORS enjoys monopoly market in the Moped segment with mileage of 60 km/Lit. And the power of 50 to 70 cc.

6. Productive Capacity

Hero Moto Cop - 7.6 million

- HMSI - 4.6 M
- Bajaj Auto - 5M
- TVS Motors - 2.5M
- Royal Enfield - 1,50,000

7. Current Strategies followed by the Manufacturers

- 1) **Hero Moto Corp Strategy-** Hero Moto Corp's key strategies are to build a robust product portfolio across categories, explore growth opportunities globally, continuously improve its operational efficiency, aggressively expand its reach to customers, continue to invest in brand building activities and ensure customer and shareholder delight. 50 mn+ Sales (cumulative sales since inception) world's fastest two-wheeler company to achieve this.

- 2) **HONDA** - Additional capacity of 6 lakhs units to be operational before the end of 2016. In the first half of 2016, this expansion will increase HMSI's overall annual production capacity to 6.4 million units. "Honda is strengthening its „Make in India" resolve through steady and strategic investments with a long term objective of creating 39% additional capacity within 3.5 years Future Milestones of Two Wheeler Companies.
- 3) **BAJAJ** - As a testimony to the Company's strategy – global presence, sharp brands and variable cost structure, Bajaj Auto improves its operating EBITDA margin from 20.2% in H1 / FY15 to an industry best margin of 21.1% in Q3 / FY15. Pulsar "Adventure Sports" and "Super Sports" models will be launched by end of Q4 / FY15. Focus on motor cycles without focusing in scooter segment. Dominant" global share in bikes from 10% today to 30% or even 40%,.
- 4) **TVS Motors**-10 percent share in the fast growing scooter market in India, From five percent, 2015 with their new launches and innovative customers connect programs.
- 5) **ROYAL ENFIELD-** with the competition getting intense, India's oldest motor cycle manufacturing motor cycle company. exploring newer segments with the idea of bigger engines and diesel variants. The company is adding more orders each month than dispatches, leading target is 450,000 bikes next year, a big jump from the 78,000 it sold in 2012, to delivery time of 6-12 months.
- 6) **Mahindra & Mahindra:** Mahindra Two wheelers, Paytm tie up to sell bike, scooters online. Mahindra Two wheeler Eyes-500 dealership by FY16 end. Mahindra 2 Wheelers to Launch 150 CC Motorcycle By 2015.
- 7) **SUZUKI** Suzuki Motorcycle India Pvt Ltd (SMIPL) is planning to increase its market presence in India to sell around 1. million (10 lakh) two wheelers by next three years from the last years' sales of four lakh units.

8. SWOT- Analysis of Two Wheeler Industry

<u>STRENGTH</u>	<u>WEAKNESS</u>
<ol style="list-style-type: none"> 1. Significant contribution to Indian economy. 2. Two wheeler market are expanding from 12% to 14% growth. 3. A favorable industry to Asian economic condition. 4. Most helpful for a developing country like India in terms of transport feasibility. 	<ol style="list-style-type: none"> 1. Rise in raw material cost. 2. Due to competition, pricing reduces and affects to low quality of products and services.
<u>OPPORTUNITIES</u>	<u>THREATS</u>
<ol style="list-style-type: none"> 1. Reduced excise duty 2. Steep fall in fuel prices 3. "Make in India" campaign invites FDI 4. Rural market which possess potential has been untapped by higher segment vehicles. 5. KTM plans to open its plant in India. 	<ol style="list-style-type: none"> 1. Due to heavy competition of four wheeler, low priced cars have emerged in market which causes threat to two wheeler on the basis of price.

9. Conclusion

Competition is very high in the market and hence change of strategy is undertaken like expansion with new tie ups to explore in rural as well as in the premium segments. For the future, in this stiff competition period, the players eye on customer satisfaction and after sales service. Technology plays a very crucial and elixir role for innovation product differentiation, quality improvement, new product development, add value creation to customers and key players in the market thus increasing the growth of the industry and relative market shares of the key players in the industry.

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Author Profile



Saillaja. V. is a research scholar of management studies in bharathiar university and I am keenly interested in the study of marketing management. I had received M.B.A. degree from Srimathi Indra Gandhi college, Bharathidasan University, Trichirapalli, Tamilnadu, India. Previously worked as assistant professor for Oxford engineering college,(Affiliated to Anna University) Trichirapalli, India.