

**Market Survey and Critical Analysis of
Bajaj Auto (Three-wheeler)
In the Out-City Region of Udupi**

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Comments by the Faculty

Bajaj Auto is taking a planned and tactical set of initiatives in this year (2012-2013) to increase its three-wheeler sales. Bajaj Auto is trying to improve financing to three-wheeler buyers as well as expand its reach through marketing initiatives.

While three-wheeler sales in the industry dropped by 2.43 per cent, Bajaj's three-wheeler sales also fell by 1.2 per cent to 2.02 lakh units in the last fiscal year (2010-2011). There are several factors which have contributed to this decline. First was the slowdown in the issue of new three-wheeler permits in states such as Karnataka, Maharashtra and Andhra Pradesh; second, high fuel prices and third, the interest rates that impact the cost of operations and purchase. Bajaj Auto intends to revive three-wheeler sales by 1) Tying up with public sector banks and co-operative banks to provide easier access to credit to three-wheeler buyers. 2) Expanding its three-wheeler sales network in this year to help the company improve sales of its diesel passenger three-wheelers as they are becoming a popular mode of transport. 3) Increase its diesel three-wheeler passenger vehicle sales. Though Bajaj Auto has over 90 per cent market share in petrol/CNG three-wheelers, in the diesel three-wheeler passenger vehicles it has a market share of 32 per cent while rival Piaggio is the market leader in the segment with a market share of over 50%. 4) Launching product upgrades with better technology and ergonomics. (Saxena, 2012)

While the above describes the overall scenario for Bajaj Auto (three-wheeler) segment, this study / project adds a smaller dimension of its own to contribute towards meeting the above said objectives of Bajaj Auto.

This study analyses the Bajaj three-wheeler market in the out-city region of Udipi district in the state of Karnataka. The main objective was to conduct in-depth interviews with the customers and probe issues related to Bajaj products, Service support and Spares. A questionnaire was designed and a field survey was subsequently undertaken. After completing the survey a detailed analysis was undertaken to identify the areas in which Bajaj Auto Ltd could improve. The result of the analysis is an attempt to improve the sales and service, thus increasing Bajaj Auto's market share.

Malathi Sriram

Market Survey and Critical Analysis of Bajaj Auto (Three-wheeler) In the Out-City Region of Udipi

Introduction

“Distinctly Ahead” is the tag line of India’s automobile giant Bajaj Auto Ltd. Bajaj Auto Ltd is one of the leading two & three-wheeler manufacturers in India. The company is well known for their R&D, product development, process engineering and low-cost manufacturing skills.

In the environment of massive competition, stiffening norms and policies, diversion of customers towards the four wheelers, Bajaj need to be proactively involved in attracting the prospective customers and improving the customer satisfaction level. Retaining the market share is possible with the support, cooperation and effective backing of Dealers and Sub dealers. This research analyses the present system of sales and service, customer expectation form the company, competitor’s products and possible ways to improve the market share.

Indian Three-wheeler Industry

Three-wheeler industry has a 4% share in Indian auto industry, in terms of sales volume. It consists of passenger carrier and goods carrier. In financial year 2011-12 so far, at the time of writing this article the three-wheeler industry reported 12% growth to 8.13 lakh vehicles in period April 2011- February 2012 from 7.29 lakh vehicles in April 2010- February 2011. This is primarily on account of robust export demand for passenger carrier. (<http://www.siamindia.com/>, 2012)

Diesel Product Line of Bajaj

RE Diesel:

The vehicle has higher torque at lower rpm with large engine and better cooling facility. It has better clutch plates with safe systems. The vehicle has good suspension system and highest speed in segment. The fuel cost is low and have better mileage, it also have large tank facility.

RE GDI:

The vehicle has the 2 stroke Gasoline Direct Injection engine with double head lights and fork suspension in front. It has better clutch system and self-start system and low emissions.

Mega max:

The vehicle has highest torque and power with better engine cooling systems. The clutch plates have longer life and it has better suspension system with fork suspension in front. The vehicle has halogen head lights and better breaking system. The vehicle has more space. (<http://www.bajajauto.com>, 2012)

Competitors

The major competitors of Bajaj in the passenger segment of three-wheeler markets are Piaggio, Mahindra & Mahindra and TVS.

Piaggio Vehicles Private Limited (PVPL)

Piaggio Vehicles Private Limited (PVPL) in India is a 100% subsidiary of Piaggio & C. Spa of Italy, a world major in two, three and four wheeled motorized vehicles. Piaggio has about 33% of the share in Indian three-wheeler market. The company claims it is currently the market leader in the state-of-the-art three-wheeler diesel category in India, with a market share of 55%.

Mahindra & Mahindra

M&M entered automotive manufacturing in 1947 to bring the iconic Willys Jeep onto Indian roads. They have grown into a US \$15.4 billion multinational group with more than 1,44,000 employees in over 100 countries across the globe. M&M says it is the only three-wheeler with 24 months warranty. M&M has about 8% of the market share in the diesel segment of passenger vehicles.

TVS

TVS Motor Company is the third largest two-wheeler manufacturer in India and one among the top ten in the world, with annual turnover of more than USD 1 billion in 2007-2008. TVS has about 10% share in the three-wheeler market, and its growing rapidly. (<http://www.capitaline.com/>, 2012)

Problem Definition

The three-wheeler market in the Udupi district can be divided into a) In-city market b) Out-city market. The In-city market is the region with-in the city of Udupi. In the city limits where LPG bunks are available the petrol and diesel vehicles are banned, Bajaj has about 70% of the market share and TVS has the remaining 30% market.

The Out-city market is the region outside the city limits of the Udupi. Here the main purpose of the vehicle is to carry the passengers and the goods. The market is dominated by the diesel vehicles. The major players of the Out-city market are Bajaj with multiple diesel vehicles, Piaggio with Ape, Mahindra& Mahindra with Alfa and Atul. The market is shared by the rivals as follows, Bajaj have about 30% of the market, Piaggio have about 60% of the market, and M&M have about 10% of the market, remaining have negligible share in the market.

Following chart shows the sales trend of Bajaj in Udupi district.

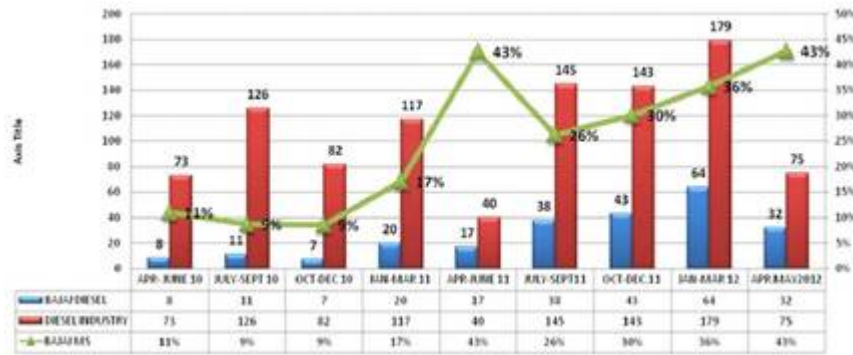


Figure 1: Sales trend in Udupi 2010-12

The network of the three-wheeler rivals in Udupi is as follows,

Table 1: Network in Three-wheeler industry

	Dealer	Branch	ASC	CST
Bajaj	1	0	1	4
TVS	1	0	1	0
Piaggio	1	1	0	2
Mahindra	0	1	0	0

The BAL has the strongest network in the market with 1 dealer, 1 ASC and 4 CST, followed by Piaggio and TVS.

The problem surfaces here, even with the best network and the strong base of R&D, Bajaj is struggling to capture the major share of the market from its rivals in the out-city market of Udupi. So Udupi becomes the best field to do the survey and to understand the customer requirements. (Motors, 2011)

Research Methodology

A survey was conducted to understand the customers perception in out-city market regarding the different parameters like Product features, Service and Spare support, Sales team performance, Financial supports, Future expectation of the customer etc. The survey gives an insight to the Bajaj to know more about itself.

Objectives

1. To know the reasons of why the sales trend is going down in the three-wheeler industry in Udupi district.
2. To understand the customer requirements in the out-city market of Udupi.
3. To suggest the possible improvements in the diesel products of BAL.
4. To understand the customer perception about the Diesel three-wheeler vehicle.

Scope of the Project

The scope and applicability of the study is limited to the out-city region of Udupi district. The study is conducted in the Out-city market of Udupi district which comes under Pavan Motors, the dealers of Udupi district. The duration of the project was 2 months which includes 4 weeks of survey in the Udupi district.

Sample Design

Population: The population is the customers (Auto drivers) in the out-city market of the Udupi region. There are nearly 6000 customers in this market.

Sample Units: The samples include petrol vehicle, diesel vehicle, and LPG vehicle.

Sample Size: The number of samples collected for the research is 120 including all types of customers. (William.G.Zikmund, 2011)

Facts, Findings and Inferences

1. Age of customers

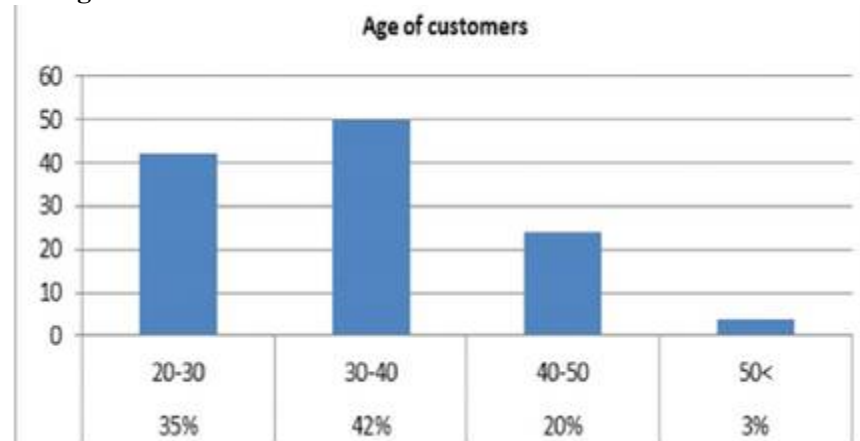


Figure 2

Facts:

The average age of customer is 35.5 years

Inference:

The maximum number of customers are in age of 20 to 40 years. These are the people who have the potential to increase the earning, Bajaj and dealer should focus on these customers in promotion activities.

2. Experience of the customers

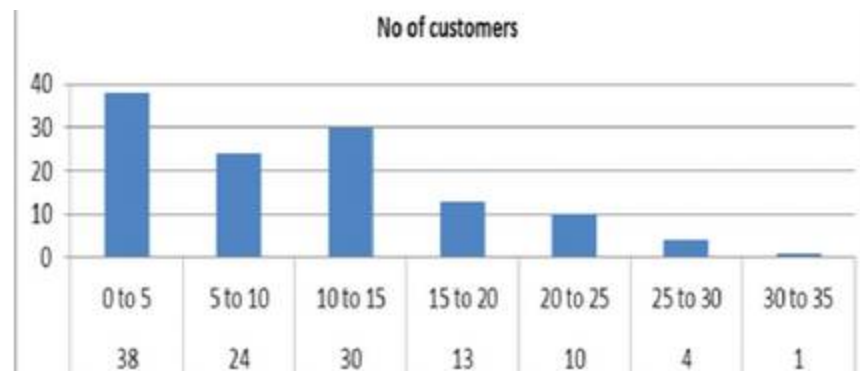


Figure 3

Facts:

The average experience of customer is 11.5 yrs.

Inference:

45% of the customers are having the experience of 10 or more years. They will be technically well informed; the product should be fault free and the best available option to the customer. 31 % of the customers are having experience of 0 to 5 years and most of them are youth, they are experimental in their buying approach.

3. Qualification of the customers

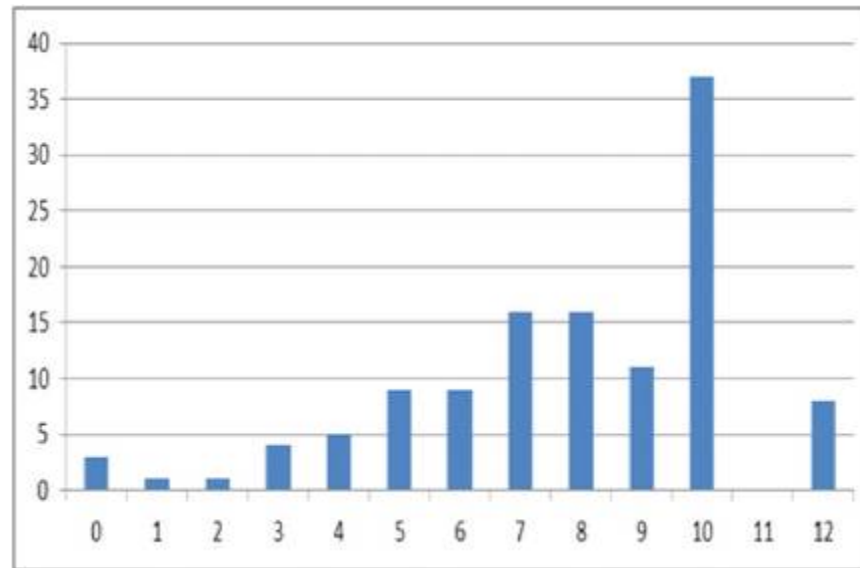


Figure 4

Facts:

30% of the customers have the qualification of 10th standard. And about 37% of the customers have 10th or more than that.

Inference:

From the analysis it can be seen that the customers are well educated and have ability to gather information and take rational judgements while buying products. Bajaj have to be honest in their approach while making and selling their products.

4. Market share in Out-City Region

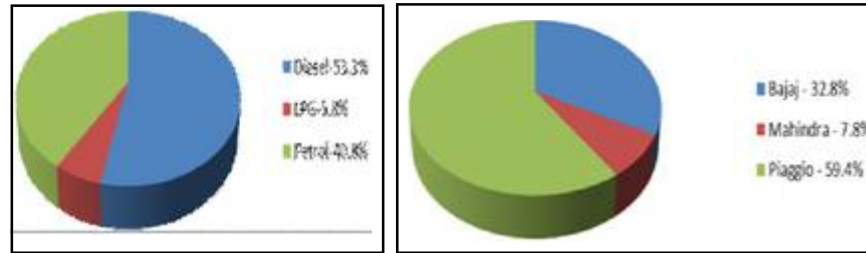


Figure 5

Facts:

The out city market is dominated by the diesel variant of the Auto rickshaw with, 53.3% of Diesel rickshaw. The market is dominated by the Piaggio with 59.4% of the share, followed by Bajaj having around 32.8%

Inference:

From the data it is inferred that the Piaggio is the market leader and the Bajaj being the second in the market is the market challenger. So Bajaj should adopt the Challengers strategy for its sales in the out city market.

5. Share of Bajaj Models

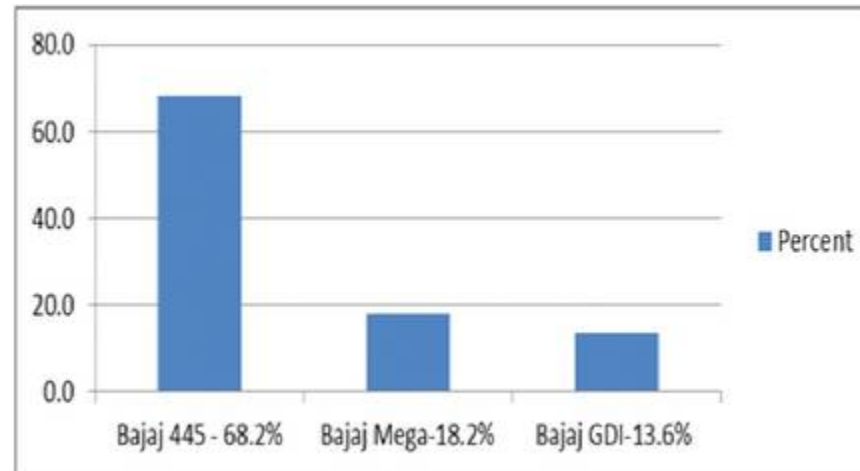


Figure 6

Facts:

Bajaj 445 have 68.2% share among the Diesel models of Bajaj.

Inference:

Bajaj should try to improve the market share of Bajaj 445 in the passenger centric areas, where as it should promote the Bajaj Mega and GDI in the Good centric areas.

6. Performance of the Vehicles

Performance of the vehicle

	Satisfied %	Happy%
Diesel	64.1	35.9
Bajaj	66.7	33.3
Piaggio	65.8	34.2

Figure 7

Facts:

Performance of Bajaj :

66.7% of the customers are “Satisfied”. 33.3% of the customers are “Happy” with the performance.

Performance of Piaggio:

65.8% of the customers are “Satisfied”. 34.2% of the customers are “Happy” with the performance.

Inference:

None of customers are very happy with the present product; It implies that there is lot of scope to give the customer delight. The customer’s expectation should be studied, and there should be improvement in the product. The customer delight can be achieved by improving the non-product services also.

7. Mileage and Profitability

Mileage of the vehicle

Company	Bajaj	Mahindra	Piaggio
Average km/ lt	34.05	31.8	31.9

Profitability by the vehicle

Company	Bajaj	Mahindra	Piaggio
Avg Profit/day	364.3	240	301.3

Figure 8

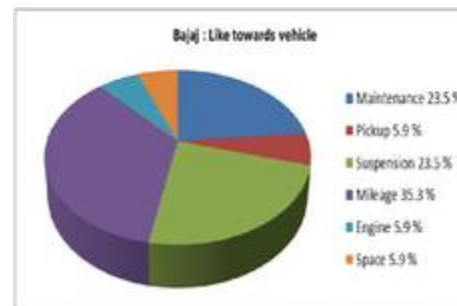
Facts:

- ♦ The average mileage of Diesel vehicle is 34 km / litre.
- ♦ The average profitability of Diesel vehicle is Rs. 364/day.

Inference:

From the data it can be inferred that Bajaj's vehicle is having the best mileage and the profitability in the market. The Company and the dealers should focus on this point while giving publicity for the vehicle.

8. Like and Dislike towards vehicles



Reason for Like towards vehicle

	Maintenance	Pickup	Suspension	Mileage	Engine	Space
Bajaj	23.5%	5.9%	23.5%	35.3%	5.9%	5.9%
Piaggio	23.3%	26.7%	0.0%	10.0%	6.7%	33.3%

Figure 9

Facts:

- ♦ 35.3% of the customers like the higher Mileage.
- ♦ 23.5% of the customers like for its less maintenance.

Inference:

Customers like Bajaj for its Mileage, suspension, less maintenance cost. Bajaj should focus on these factors while promotion activities. The Piaggio customers like it for its space and pickup. Bajaj customers have lesser complaints compare to the Piaggio customers. Bajaj should focus on its problem areas like weak chassis, tyre mileage, and self-starter.

9. Sales Satisfaction level

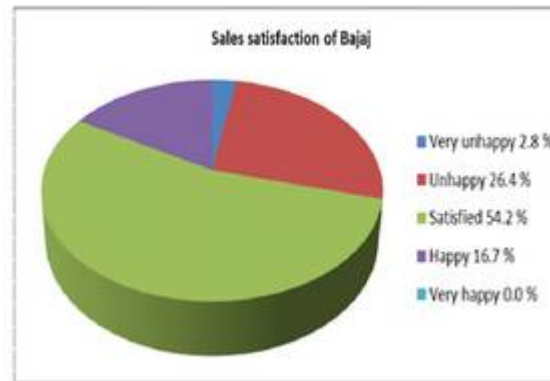


Figure 10

Facts:

68.1% of the Bajaj customers said they were approached by the sales teams, Among them 54% of the Bajaj customers are *Satisfied*, 26% of the customers are *Unhappy* and 16.7% of the customers are *Happy*.

But 68.4% of Piaggio customers are *Satisfied* and only 18.4% of them are *Unhappy*.

Inference:

Bajaj’s sales teams are not visiting the sites as frequently as Piaggio sales teams. Bajaj should plan for the regular field visits and promotional activities, Bajaj can also plan for the Test drives, free service camps, training camps etc, to improve the goodwill of the Bajaj brand among the customers.

10. Financial Aid

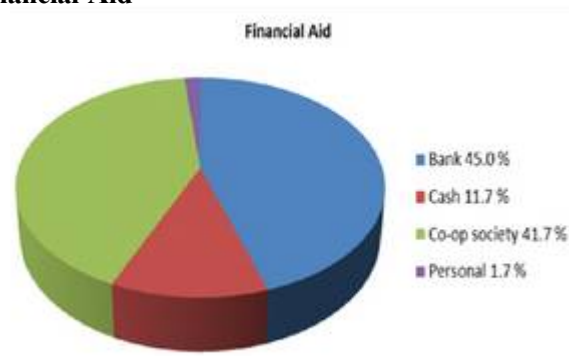


Figure 11

Facts:

45% of the customers obtained financial assistance from the Recognised Banks

41.7% of the customers got the assistance from Co-operative societies

Inference:

From analysis it is evident that nearly 90% of the customers are in need of financial assistance

If Bajaj can tie up with Banks and Co-operative societies it will be very beneficial for the customers as well as it will help to increase the sales of the Bajaj, three wheeler vehicles.

11. Service and Spares

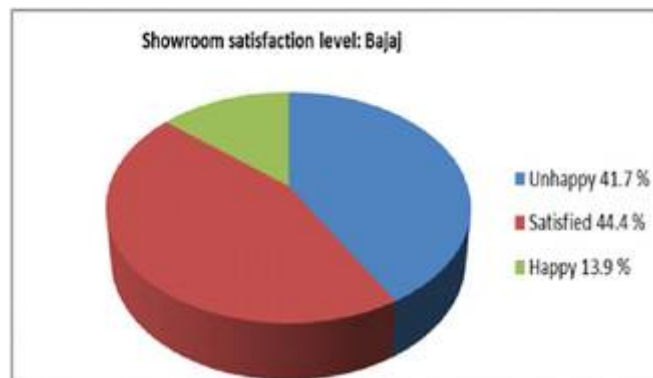


Figure 12

Facts:

69.4% of the Bajaj customers want to give their vehicle to the Local mechanic; the reasons for it are *Long distance, Higher cost, More time, performance of mechanic.*

But 42.1% of the Piaggio customers are *Unhappy* 36.8% are satisfied, and 21.1% are *Happy*

Inference:

- ◆ Bajaj can open new service centres in the major markets.
- ◆ Provide discounts and offers.
- ◆ Minimise the time taken to do the Service, also popularise ‘Express Bay’ service. Try to retain the talented and experienced mechanics. The mechanics should be trained to take the proactive steps towards the Job

12. Future expectation

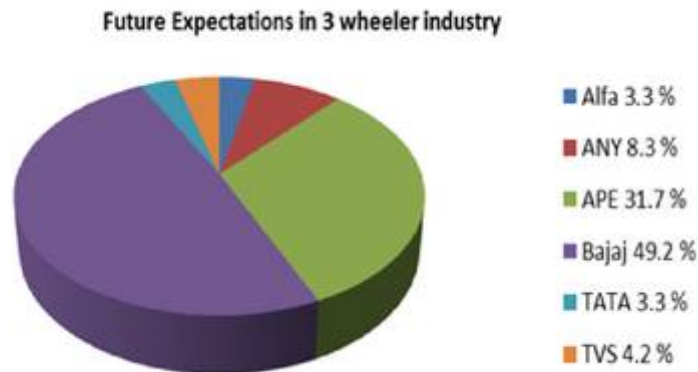


Figure 13

Facts:

- ◆ 49% of the customers want to buy the Diesel vehicle as their next purchase.
- ◆ 49.2% of the people wants to buy Bajaj’s product as their next vehicle,
- ◆ 31.7% of the people want to buy the Piaggio’s Ape as their next vehicle.
- ◆ 3.3% of the people are willing to shift from 3-wheeler to 4-wheeler

Inference:

Customers wish for the following features in their future purchase. More spacious vehicle, Good mileage, Good suspension, Double headlight, Less maintenance, Good body line, Good self-starter, Four wheeler. Bajaj should be cautious about the strategies of Piaggio, TVS and 4 wheeler SCV.

Recommendations

The BAL must care for the customers, the survey showed that majority of the customers are in the age group of 20-40 years, nearly 45% of the customers have more than 10 years of experience and 37% of them have the qualification of more than 10thstd, So the customers are young, educated, experienced and technically well informed. Bajaj is the market leader of overall three-wheeler industry, but when it comes to the diesel market Bajaj must accept that market is dominated by the Piaggio with 59.4% of market share, while Bajaj is the market challenger with 32.8% of share. Bajaj must adopt the different strategies in different variant vehicle's market. In Diesel market Bajaj has a wide portfolio of products catering to the specific needs of customer, here Bajaj must adopt challenger strategy with the product line strength.

Customer delight will play key role in the intense competitive market, Bajaj should utilize the available opportunity. From the survey it is clear that about 66% of the customers are satisfied with the performance of their vehicle which means there is lot of chance for customer delight. (The customers of heavy vehicle like Mega max demanded Screw-jack with the tool kit). From the survey it can be seen that about 35% of the customers like Bajaj product for its better mileage, Bajaj should rely on its stronger points such as the Best Mileage, High Profitability, Low Maintenance and Good Suspension during their promotional activities. And it is also seen that 33% customers like the Piaggio vehicle because of its space. Bajaj should improve upon its vehicle features such as Space, Pickup and Engine; in short, Bajaj should focus on its R&D.

From the survey it was found that the 54% of the Bajaj customers are satisfied with sales team performance and 26% of the customers are

unhappy, the same percentage is less in competitor's product. Bajaj in Udupi must focus on the frequent field visits for sales and services.

Survey also revealed that about 90% of the customers are in need of the financial assistance. Bajaj can plan for the tie-up with the financial institutions to retain the existing customer base and to attract new customers.

Bajaj should focus on the promotional activities, not only in the sales but also in services and talent retention.

The future of Bajaj Auto Limited in three-wheeler industry can be bright if focus is given to R&D. The survey shows that slowly the four wheeler segment is capturing the three wheeler market. The future will be competitive with the TATA and M&M's four wheeler snatching the market share. The traditional three-wheeler manufacturers like Bajaj should focus on the diversifying into four wheeler carriers.

Conclusion

Indian three-wheeler industry is becoming the tough ground for the existing manufacturers and the new entrants, with the increasing competitors, regulatory norms by government, and entering of the substitutes to the market.

Bajaj being the leader of the three-wheeler industry has the advantage of being the pioneer in the market. The competitors like Piaggio and TVS with their strong R&D and knowledge about the market and customer preference, are increasing their share of the market.

But the diesel segment of three-wheeler industry is lucrative with the growing market; Bajaj should focus on the customer requirement and the R&D to regain the position of market leader.

The deep knowledge about the industry, market and the customer, with the proper investment in R&D and diversification is the key to the success of the three-wheeler industry players.

This report with the survey results serves as a strategic tool is an effort towards understanding the Udupi out-city market that will be beneficial to BAL and its dealer Pavan Motors.

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List of abbreviations

BAL – Bajaj Auto Limited

ASC — Authorised Service Centre

CST – Certified Service Terminal

