

PGDM Marketing – 2018 – 20 Batch – IV Trim End Term Exam

K.J. Somaiya Institute of Management Studies & Research
Course: PGDM Marketing – IV Trim End Term Exam
Sub: Rural & Social Marketing

Date of Exam: 24/9/2019

Time: 3 Hours

Marks: 50

- Note:**
- 1. Both Sections are Compulsory**
 - 2. Section – I is Case Study has NO Choice**
 - 3. Section – II has choice of ANY 2 out of 4**
 - 4. Quality and Not Quantity will assure more marks**

Section – I

I. Attempt the following Case Study (Compulsory)

30 Marks

Introduction

Stefan Pierer, the Indian CEO for KTM which has a strategic partnership with Bajaj Auto Limited for distribution is gung-ho to venture into rural markets with its newly launched 790 ADVENTURE 2019, priced at rupees eight lakhs and the launch in April 2020. The German perfection of planning things well in advance is the norm and KTM is not left behind, the company along with its partner Bajaj Auto is planning the rural launch of this motor bike to target the R1 segment of rural India, will it succeed or won't and what can be the possible marketing strategies is the thought in Stefan's mind.

Amidst low consumer sentiment throughout the industry, two-wheeler segment could muster a single digit growth in the financial year ended March 31, 2019. According to the data released by the Society of Indian Automobile Manufacturers (SIAM) two-wheeler domestic wholesales grew by 4.86 per cent in the financial year 2018-19 at 21,181,390 units compared to 20,200,117 units dispatched in the previous fiscal.

In terms of market share, the top two of the pack, Hero MotoCorp and Honda Motorcycles & Scooters shed some muscles to help Bajaj Auto fatten its share in the pie size. Bajaj Auto's market share expanded to 12 per cent in FY19 compared to 9.8 per cent in the previous years.

Bajaj Auto, the maker of Pulsar was the only manufacturer to enhance its market share to 12 per cent in last fiscal from 9.8 per cent in FY18. The company also recorded a strong double digit growth of around 28.7 per cent to 2,541,320 units sold last year. The year before it, domestic sales for Bajaj Auto was recorded at 1,974,577 units.

India's largest two-wheeler manufacturer, Hero MotoCorp maintained its pole position with a market share 35.9 per cent - a loss of over one percentage point from 36.6 per cent market share a year ago. In FY19, Hero MotoCorp sold 7,612,775 units with an increase of 3.12 per cent as compared to 7,382,718 units dispatched in the preceding year.

PGDM Marketing – 2018 – 20 Batch – IV Trim End Term Exam

Following the trend, the second largest two-wheeler maker Honda Motorcycle & Scooter India (HMSI) also saw a decline of 2 per cent in market share over last year at 26.1 per cent. HMSI's market share in Indian two-wheeler space stood at 28.6 per cent in FY17-18 as its sales contracted by 4.41 per cent to 5,520,617 units in FY18-19.

Rank	Domestic Sales	FY19	FY18	% change
1	Hero MotoCorp	7,612,775	7,382,718	3.12
2	HMSI	5,520,617	5,775,287	-4.41
3	TVS Motor Company	3,136,532	2,875,466	9.08
4	Bajaj Auto - KTM	2,541,320	1,974,577	28.7
5	Royal Enfield	805,273	801,229	0.5
6	India Yamaha Motor	804,682	792,812	1.5
7	Suzuki Motorcycle	668,787	501,203	33.44
8	Piaggio Vehicles	77,775	68,169	14.09
9	Mahindra Two Wheelers	4,004	14,752	-72.86
10	India Kawasaki Motor	3,115	1,799	74.51
	Others	6,510	12,105	-46.2
	Total	21,181,390	20,200,117	4.86

The sector survived various hurdles such as Kerala floods in August and IRDA's orders to increase insurance premium of two-wheeler to five years at the time of buying. With the commencement of second quarter, volumes declined partly due to the high base of FY18, capacity constraints and inventory correction by OEMs.

Two Wheeler Market in Rural India

Ravi works at a factory set up in the outskirts of his village which is 15 km away from his home. Earlier he waited for the public transport to help him reach at his work place, which too is not regular in its service. Things got better for him when he applied for a loan to get his new 110 cc bike. Now he drops his daughter at the school before going for work. This new assistance of his, also helps him in carrying the fodder for his 2 dairy animals. This 2 wheeler made his life easier. There are numerous Ravi(s) in the country who are relying upon the automobiles for making their life easier.

In rural India, An automobile is not limited to bring two spots closer but becomes a partner in one's economic emancipation. Agriculture being a seasonal occupation, farmers can rely on other segments to work if they have a mode to make things easier for them. Other than agricultural equipment and machinery there are other factors too which affect this sector. Transportation and ease of movement is one of them.

PGDM Marketing – 2018 – 20 Batch – IV Trim End Term Exam

Rs 1.21 lakh crore (US\$ 18.69 billion) is the Union Budget 2018-19 for the road sector. Rs 71,000 crore (US\$ 10.97 billion) have been allocated specifically for the development for the national highways in the country. With this huge investment in the infrastructure, it is pushing other sectors to develop, one of such sector is the automobile, which literally runs on this infra.

Where on one hand, the entry segment bikes under 150/180 cc has reached a threshold in urban areas, they are catching pace in terms of sale in rural and semi-rural areas. States like, Uttar Pradesh, Bihar, West Bengal, Rajasthan, Chattisgarh etc. who are yet to see huge numbers in the economic output have significant potential for such bikes. Brands like Hero and Bajaj still rule the rural areas. Hondo is doing better with its scooter segment, which is highly popular equally in rural and urban areas.

With Government of India permitting 100 per cent foreign direct investment (FDI) in the road sector, several foreign companies have formed partnerships with Indian players to capitalize on the sector's growth. In April 2018, the Government of India signed a US\$ 210 million deal with World Bank to improve rural roads at a stretch of 10,510 km in Madhya Pradesh under the Gram Sadak Yojana programme. Better road conditions also push the sale of automobiles in an area, since better connectivity gives better options to connect with the urban areas which are the highest profit making market for the rural products, which eventually increases the purchasing power of the rural population. The Ministry of Road Transport and Highways, has fixed a target of 20,000 kms for 2018-19 which is 25 per cent more than 17,055 kms awarded in 2017-18.

Though the contribution of deluxe and premium bikes is still less in northern, central and eastern rural areas. West and south witnesses a good ratio of such bikes due to higher literacy levels in the areas. Yamaha is one such name, which is doing comparatively better with its higher cc and heavy duty cycle motorcycles.

With the increasing number of women riders, The scooter segment has found a new market in the rural India. All the 2-wheeler companies are focusing deeply on this sector. Since, Scooter provide easy ride and hence is an attractive option for the rural families. TVS Jupiter has got itself much appreciation. Honda with its Aviator and Activa, Hero with its Pleasure, Maestro and Duet is competing in this segment.

The Super Bikes

From a pure marketing perspective, there is Big India, and then there is Little India. Big India is really rural India that lives in 6, 50,667 villages. The top end of this classification starts somewhere at the top of 'rurban' and rural India. These are the Tier 2, 3 and 4 towns. Out here, prosperity is a reality that has often been overlooked. The money is definitely out here, but the way this money is spent is what is different. Tier 2 and 3 India loves to value its money outflow with that much greater care. If the offering is something that tickles their fancy, they part with money for the best of brands and services

In many ways, Big India is really bike country. The terrain is different, road conditions

PGDM Marketing – 2018 – 20 Batch – IV Trim End Term Exam

are different and the zeal is to own something small, nifty, and yet imposing. The accent is in showing off the offering. Premium bikes fit in well here. The superbike is a super-statement made by the owner. The ₹10 lakh bikes have read the market right, and upgrading from the regular bike to the irregular bike is a fetish with the rich in these towns. The idea of ownership is clear. There is the middle-class tier II guy who owns the regular brands, and then there is the rich Tier II town guy who will not be seen with the common bike. For him, the premium offering is the right fit. The superbike is big, noisy, colourful and that's exactly what the Tier II town guy wants. If he has the money, he will pick it up. And that's exactly what he has done with the premium bike.

The purchasing power has always been there. It is estimated that for every one rich person in urban India with a monthly take – home of ₹3 lakh and more, there are 2.6 people of similar take – home in rural India. And this is before adjusting for taxes. If you adjust for taxes, this number goes up, as the bulk of those in rural India in this bracket are those that earn agricultural income which is tax-free. This means that the rural rich has 30 per cent more money than the urban person of similar income bracket.

KTM is India Ready

KTM AG (the former KTM Sportmotorcycle AG) is an Austrian motorcycle and sports car manufacturer owned by KTM Industries AG and Indian manufacturer Bajaj Auto. It was formed in 1992 but traces its foundation to as early as 1934. Today, KTM AG is the parent company of the KTM Group. KTM is known for its off-road motorcycles (enduro, motocross and supermoto). Since the late 1990s, it has expanded into street motorcycle production and developing sports cars – namely the X-Bow. In 2015, KTM sold almost as many street as off-road bikes. Production of the KTM X-Bow started in 2007. Since 2012, KTM has been the largest motorcycle manufacturer in Europe for four consecutive years. Globally, the company is among the leading off-road motorcycle manufacturers. In 2016, KTM sold 203,423 motor vehicles worldwide.

In 1934, an Austrian engineer Johann (Hans) Trunkenpolz set up a fitter's and car repair shop in Mattighofen. In 1937, he started selling DKW motorcycles, and Opel cars the following year. His shop was known as Kraftfahrzeug Trunkenpolz Mattighofen, but the name was unregistered. During the Second World War, his wife took care of the business which was thriving mainly on account of diesel engine repairs.

After the war, demand for repair works fell sharply and Trunkenpolz started thinking about producing his own motorcycles. The prototype of his first motorcycle, the R100, was built in 1951. The components of the motorcycle were produced in house, except for the Rotax engines which were made by Fichtel & Sachs. Serial production of the R100 started in 1953. With just 20 employees, motorcycles were built at the rate of three per day. As the final result of the restructuring process, KTM Motorradholding GmbH had become KTM AG in 2012. In 2015, KTM generated a turnover of over 1 billion Euro and employed 2515 people by the end of that year. Of the four separate companies left after the 1992 split, three were now again part of the KTM Group: KTM Sportmotorcycle GmbH, KTM Werkzeugbau GmbH and KTM Kühler GmbH (today WP

PGDM Marketing – 2018 – 20 Batch – IV Trim End Term Exam

Radiators). KTM Fahrrad GmbH (KTM Bike Industries) remained an independent company and is owned by Chinese investors. KTM-Group today contains the brands KTM and Husqvarna Motorcycles. KTM is operating in the Indian Market since a decade and is known for its dirt bikes in the Indian Market. The famous model being the Duke. However, the urban customer finds it difficult to run this cross over bikes in the cities as they are crowded and infrastructure poses a huge challenge.

With a slump in the urban demand, KTM is banking a lot on the rural markets where there is an increase in purchasing power, Mr. Stefan appointed Rural Connect Consultants for this job

Questions

- 1. If you are a part of Rural Connect Consultants, illustrate and explain the launch strategy (Go To Market Strategy) for KTM Adventurer 799cc 2019 to be launched in as a pilot in 3 states i.e. Rajasthan, Maharashtra and Kerala ?*
- 2. Illustrate and explain which distribution model would suit for the launch of KTM Adventurer 799cc 2019 in India's Rural Markets ?*
- 3. Select any 2 media tools to launch the Brand KTM Adventurer in rural India, justify how these media tools can create an impact ?*

Section – II

Attempt any 2 out of 4 Short Answer Questions

2 X 10 = 20 Marks

1. Green Marketing
2. Cause Related Marketing
3. Role of Social Media for Social Marketing
4. Social Marketing Plan
