**TRANSFORMATION OF INDIAN TWO WHEELER MARKET**

In 1980s, the two wheeler market in India was a seller’s market characterized by long waiting periods for popular brands. The Chetak brand of scooter introduced in 1972 by Bajaj Auto Ltd., the flagship company of the Bajaj group founded in 1926, ruled the Indian two wheeler market as the unchallenged leader for about one and a half decades. The demand for Chektak in the highly protected Indian market, which also had a few other firms producing scooters/ Motorcycles, was so high that the waiting period for getting delivery of it after booking averaged about 10 years. The main components of policy liberalization in respect of two wheelers, initially, were broad-banding and permission for foreign collaboration. Broad-banding meant defining the product in broad generic terms (two wheeler) in the industrial license instead of very narrowly as earlier (scooter of 150 cc, motor cycle of 250 cc etc.). When the product was defined in narrow terms, it was necessary to obtain specific license to manufacture every product item and broad-banding meant that with the license for two wheeler the licensee could manufacture any type of two wheeler. The result of broad-banding was freedom for the manufacturers to decide the product mix as per the market demands and their strategy, increase in competition and better choice for consumers. The seller's market attracted new players. Lohia Machines which entered the scene with technical collaboration with Piaggio of Italy garnered good advance booking for its scooters even before it commenced production because of the high pent up demand for scooters in India. The amount of money which LML moped up by advance booking before it had put up the production facilities for its yet to be introduced scooter was said to be more than the capital investment requirement for plant and machinery. Since 1986 it introduced different models of scooter (LML Vespa brands).

It is, however, the advent of the new generation fuel-efficient motorcycles with Japanese collaborations that posed real challenge to Bajaj. The new competition started with the launch of the 100cc TVS-Suzuki in 1984. Since 1996, TVS-Suzuki introduced several technologically well-improved motorcycle models. A much greater challenge to Bajaj came from Hero Honda which entered the market in 1985 with the highly fuel efficient CD100 with its block buster ad punch line "fill it, shut it, forget it." It soon penetrated the market well and the Indian two wheeler landscape was for a spectacular change in favour of the new generation products, with the excitement of the youth increasing with the competitive introduction of newer and newer models by different players.

The shift in the demand pattern for two wheelers was caused by socio-economic and demographic changes that the nation was undergoing. The new generation motor cycles excited the youth market, the size of which was growing fast. The growing disposable income fostered the demand growth. The increase in the number of women employees and the attitudinal change (as in the case of ladies' riding two wheelers) and the advent of two wheelers like Kinetic Honda and sub 100cc scooterette, like TVS’s Scooty, which could be started by turning the key as against kick-starting the old generation two wheelers attracted women employees and girl students to these products. Kinetic, with several foreign collaborations, introduced a slew of models targeting, particularly, the female segment. Factors like convenience of carrying gas cylinder also made Kinetic Honda an attractive two wheeler and it came to be regarded as a product that fit well the ladies and gents.

The delicensing and further liberalization of foreign investment policy (allowing even 100 percent foreign equity) added further momentum to the transformation, of the two wheeler market. Honda now has a wholly owned subsidiary in India to manufacture and market two wheelers. TVS and Suzuki amicably parted ways long back. After severing the technical ties with Suzuki, TVS's performance has only improved, thanks to the emphasis on process improvement and R&D and astute marketing strategies, with added thrust on globalization. The technological improvements which made the products user friendly and improved operational efficiency helped to increase the demand for two wheelers. The inadequacies and poor state of the public transport system have also been contributing to the increase in demand for the two wheelers. The introduction of technologically improved and better designed newer and newer models, a corollary of the heightened competition, has kept the demand growing. When the growth trend in the cities and large towns began to become discouraging, semi-urban and rural areas began to gain important place in the marketing strategy of companies. The easy availability of finance and fall in the interest rates also significantly contributed to the demand boom in the two wheeler market. The increase in disposable income, easy and cheap credit and changing consumer attitude also encouraged the migration of two wheeler owners to cars, in many cases first to a second hand car and later to new/higher segment cars.

The sweeping changes in the competitive environment triggered by changes in the government policy and fostered by socio-economic and demographic transformation have brought about a profound structural change in the Indian two wheeler industry. The market for the traditional type of scooters (like the Bajaj's old models) shrunk substantially and they have been phased out.

Some popular two wheeler firms like Jawa Motor Cycle (which manufactured the popular motorcycle brands Yezdi, Road King and the export brand Oil King) and popular models like Bajai Chetak and Rajdoot disappeared from the scene.

Hero Honda not only unseated Bajaj Auto from No.1 position in the Indian market but also has been world's No.1 since 2001. It’s Splendor emerged as the largest selling motorcycle during three years since 2000. Bajaj Auto, however, is now doing well in the domestic market, although the legendary scooter Chetak is no more on the scene, and is increasing its global presence, because of attaining global competitiveness by a series of measures which substantially improved innovativeness and efficiency to compete assiduously to entice consumers with better fuel efficiency, technological features, styling, after sales service and financing arrangements. Serious attempts are on to expand the overseas markets. How has Bajaj faced this challenge of technological sophistication and customer delight oriented transformation of the Indian two wheeler market?

Bajaj sought to counter the new competition from other scooters by emphasising the low maintenance cost and fuel efficiency of Bajaj scooters. But it became very obvious that the real threat was from the motorcycles in a bid to check the erosion of the scooter's share of the two- wheeler market, Bajaj unleashed a new promotion, positioning scooter as a family vehicle with ads showing a whole family happily on a scooter. Further, the well-known Hamara Bajaj campaign bliz sought to bank on the swadeshi sentiment so as to make the Bajaj scooter appealing to the consumers. However, the decline of the traditional scooter segment was sure to be steep. In 1986. Bajaj introduced a 100 cc bike in collaboration with Kawasaki of Japan strategizing that “if the motorcycle is eating into the market of scooter, let our own bike take a share of it.”

The critical elements of Bajai Auto's growth are indicated below.

* Internationally competitive R&D capabilities Proven technological know-how
* Cost and quality balance Unique designs
* Products in sync with market needs Warranty and trained service support
* Distribution network covers 50 countries Dominant presence in several countries
* All products customized as per market needs Products in sync with market needs
* Warranty and trained service support

The message of the above factors is that those domestic firms which can measure up to global standards can survive well in the domestic market and also expand its business to foreign markets while those firms which fail to attain global competitiveness will become insignificant or vanish.

The transformation of the two wheeler industry has been caused by changes in the:

* Political/government/regulatory environment Technological environment
* Competitive environment Economic environment
* Socio-cultural and demographic environment

Political/government/regulatory environment can seriously impact the business. The industrial policy changes (broad banding and later delicensing and policy changes in respect of foreign technology and capital) Liberalization of policy in respect of foreign technology/capital enabled Indian firms to launch new business/ products. This increased competition benefited consumers.

As 100 per cent FDI was not allowed initially, foreign firms had to enter the Indian market via joint ventures; later when 100 per cent FDI became possible foreign firms could establish wholly owned subsidiaries. This has tended to encourage foreign firms to reconsider their collaborations with Indian firms and go it alone. This has changed the competitive dimensions of the two wheeler industry. It also made Indian firms to give added thrust to R&D. Further, it also indicates that changes in Government policy can also influence the market entry strategy of foreign firms (for example joint venture versus wholly owned subsidiary). The new generation two wheelers and the rising disposable income and socio-demographic changes significantly increased the demand for two wheelers. Changes in the Government policy increased competition, to the benefit of the consumers and the two wheeler industry itself. Changes in the financial sector environment – competition between banks and other financiers, ease of obtaining finance and relatively low interest rates helped boost the demand for two wheelers and cars.

Changes in the consumer attitude, economic position and financial sector environment cause consumer migration from one product category to another serving the same basic need (here transportation) but according more convenience/utility and social status Socio-economic, and demographic changes often cause changes in demand pattern or bring in new patterns demand (for example, demand for products like Kinetic Honda and Scooterette), Such Changes open new opportunities that could be seized by companies. Such changes can also cause threat to existing products/firms calling for changes in their product/over all business strategies. Firms which fail to respond to the changing business environment by improving Operational efficiency, modifying Product mix, becoming innovative and, in general, be very competitive would vanish.

**Question: “Firms which systematically analyze and diagnose the environment are more effective than those which don’t”. Comment in the light of the above case.**