

MARKET RESEARCH ON HERO BICYCLES IN INDIA

Author: - Mohnish Das

Student, Center for Management Studies, Jain University [133, Lal Bagh Main Rd, Vinobha Nagar, Sampangi Rama Nagar, Bengaluru, Karnataka 56002]

Date of Submission: 01-11-2020

Date of Acceptance: 05-11-2020

INTRODUCTION

The purpose of this research is to analyze the market of the company Hero Cycles. For this research, a sample size of 60 people was taken and a market analysis was done based on the responses. Furthermore, the company challenges were analyzed through SWOT, PESTLE and Porters five forces analysis.

TOTAL DOMESTIC MARKET


Size 10 million units
Growth 2-3%
Major Players Hero, TI Cycles, Atlas, Avon

Medium Segment
₹4,000 to ₹15,000
Size About 20% of the market
Growth 15%
Major Players Hero, TI, Firefox

Top End
₹15,000 onward
Size About 30% of the market
Growth Less than 1%
Major Players Giant, Trek, Meridi, Cannondale, Bianchi, Montra, Firefox

Source: (All India Cycling Manufacturing Association, Hero Cycles)

The basic segment is called 'Mass Standard'. The medium segment is called 'Fancy' and the third segment is 'Premium'. The fancy segment which is again divided between 'mass fancy' (₹3,000-6,000) and 'mass premium' (₹6,000-20,000) has a market share of almost 34%.



Revenue



LATEST HAPPENINGS

"The company expects to increase its market share in India to 45% - 50% in the current financial year, despite being the slowdown caused by the coronavirus pandemic and the nationwide lockdown."

-Pankaj M Munjal
 (Chairman and Managing Director)

E-cycles market penetration increased to 200 cities and is expected to grow more by 70- 100 cities, leaving the overall market penetration to 300 cities across the country

Hero Cycles acquires Firefox bikes in all cash transactions. In a major expansion into the premium cycles segment in the country.

Hero Cycles is preparing to launch the Electro e-cycles series in India. The company partnered with Japan's Yamaha Motor Co. Ltd to bring out a high-performance e-cycle pricing 1 Lakh INR

METHODOLOGY

SAMPLE SIZE

The research was conducted by reaching out to a sample size of 60 people.

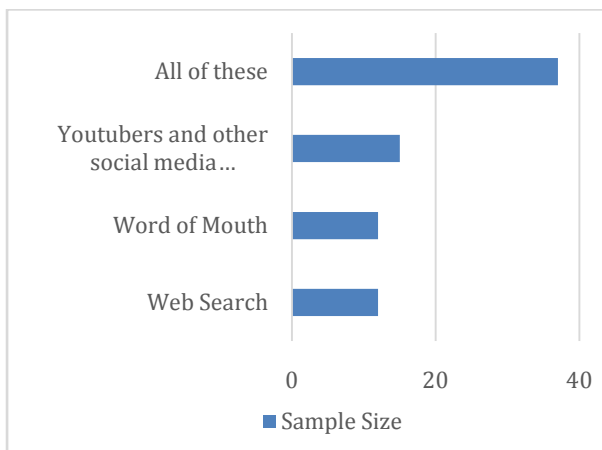
COMPETITORS

We have taken our top 3 competitors of the Indian market as Avon, Atlas and FROG.

PROCEDURE

The sample population was given to fill out an online questionnaire and their response was recorded for further analysis. The response data was converted into a Microsoft excel file and was pre-processed. The file was further altered using MySQL and was sent to Tableau for data visualization. People usually web search and use various other platforms like YouTube and social media sites. Word of mouth is equally preferred by the consumer for gathering information for the product.

People usually web search and use various other platforms like YouTube and social media sites. Word of mouth is equally preferred by the consumer for gathering information for the product

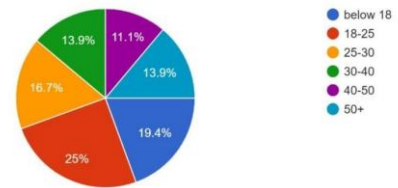


MARKET DEMOGRAPHICS

The findings have been taken as per the response from the questionnaire provided by the population.

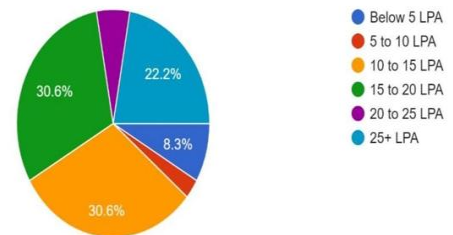
66% of the consumers are people less the age of 40.

Age Group



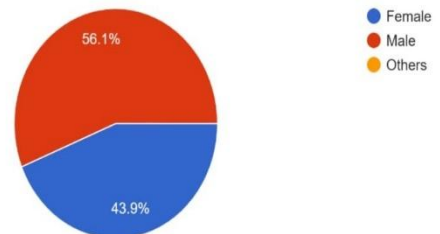
The Annual Household Income of the population comprises the following: -

Annual Household Income



56% of the population are male and the rest 44% are Female.

Gender



FINDINGS

The findings have been categorized under 4P's of marketing i.e.Product, Price, Place and Promotion.

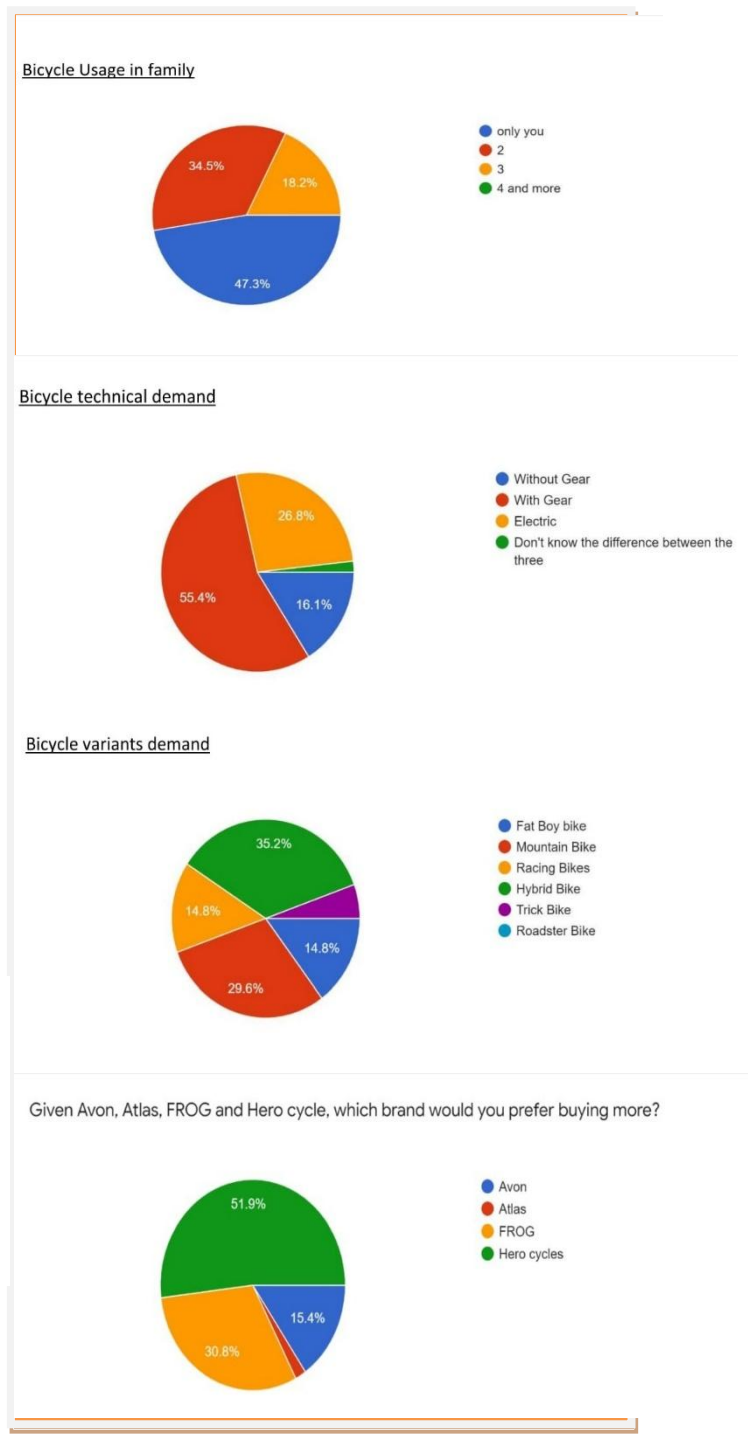
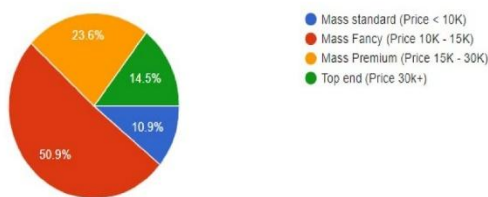
I. PRODUCT

1. The bicycle is used by one or a total of two people.
2. There is new market for Electric bicycle line, anexisting cum growing market for Geared bicycle line and a saturated market for non-geared bicycle line.
3. Majority of the populationprefers Hybrid and Mountain Bikes, therefore, are in high demand.
4. Trick and racing bikes have a niche market demandand roadster bicycles have the least market demand.
5. Comparedto its competitors, the company has more marketshare.

II. PRICE

1. Half the population prefers bicycle within the price of 10,000 - 15,000.
2. There is a good demand for Mass Premiumprice segment of products. (Rs=15,000 - 30,000)
3. There is a niche market for Top End price segment of products. (Rs= 30,000+)

Consumer Purchasing power as per bike segment



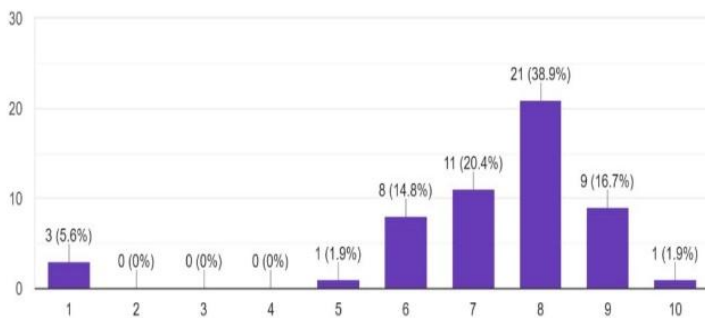
III. PROMOTION

1. Majority of the population use the cycle as an alternative to gym and find it a better option for short distance travelling.
2. 80% of the population agrees that cycling to markets help reduce traffic congestion.
3. Majority of the people care of the company origin.
4. Majority of the population is highly brand loyal.
5. Many people agree that the increasing oil prices are a reason for them shifting to bicycles.

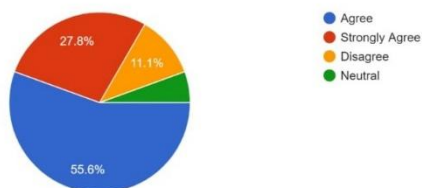
IV. PLACE

1. Majority of the people prefer buying from multi-brand dealerships.
2. Some people, who are highly brand loyal, prefer to purchase the bicycle from company retail stores.
3. Few people prefer buying the bicycle through online stores

How much does a brand familiarity affect your buying ? 10 being the most and 1 being the least

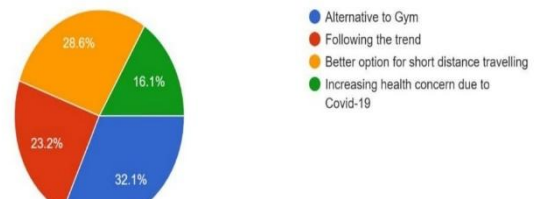


Do you agree that increasing oil prices are a reason for you switching to bicycles for short distances?

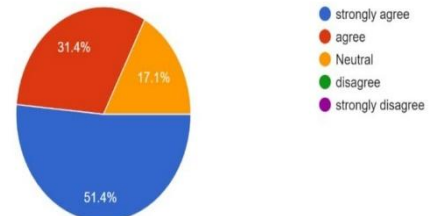


Market Trends

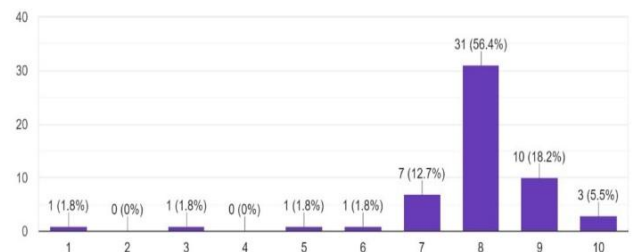
Reason for Purchase



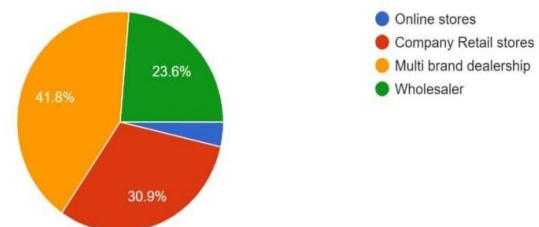
Do you feel cycling to markets helps in avoiding traffic congestion and is an environment friendly approach?



On a scale of 1 to 10, 10 being the most, how much do you care of the company origin?



Distribution Channels preferred by the consumers



ANALYTICS

1) PRODUCT ANALYTICS

1. Since the product is being consumed by two people, the company should focus more on the bike size of 26 and 27.5 such that the product is comfortable and easily accessible by both the users.
2. The company should now focus more on geared bicycles and start using selling and sales promotion tools to ensure maximum clearance of their non-geared bicycle inventory.
3. Hybrid and Mountain Bikes are the cash cows for the company as they generate the maximum revenue for the company, are in high demand and have low market growth. The money generated from them should be utilized on manufacturing and promotion of Electric bicycles as they have a new market and a potential market growth.
4. Roadsters are a dog for the company as they showed the least sales, no market growth and therefore, should be stopped manufacturing. The inventory should be cleared with the help of sales promotion tools like discount and rebates or can be donated to the poor people in rural areas as a part of a Public Relations and CSR activity.
5. Fat boy, trick and racing bikes are a question mark for the company as they have a niche market. Therefore, the company should try increasing the consumers by promotion of the racing, trick stunts and bike adventure sports. The best audience to target would be the college and the school going students. The bicycle can be promoted in college and school fests in the form of audience engaging activities like cycle race, bicycle trips and trick shows.

2) PRICE ANALYTICS

1. As per the products technical demand in the market and from findings, it can be concluded that consumers purchasing power on the Mass Premium bike segment is high and the company enjoys its brand advantage over the market share among its competitors. The company can thus opt for skimming pricing strategy for geared bikes. This would help the company to label itself a premium brand from the eyes of the consumer and high demand of the geared bicycles would help gaining revenue from sales. This would also benefit the company to have a good brand image and a better positioning over the top end bike segments as well as would be a good decision made before the launching of Hero Electro.
2. Due to the high consumer purchasing power for Mass Fancy segment bikes, the company should opt for the competitor pricing strategy for both the geared and non-geared bicycles of the mass fancy price segment.
3. The company should keep the product prices similar to its competitor FROG. This would help the company devote less time as well as stay in competition with its competitors.
4. Since roadeo bikes are turning out to be the dog and range among the Mass Standard bike segment which has the least purchasing power.
5. Therefore, the company should opt for cost plus pricing strategy.

6. The company should minimize the manufacturing of the Rodeo bikes and
7. focus more on bulk order selling of the inventory to nearby villages and cost-plus distribution pricing would help not incur any loss.

3) PIACE ANALYTICS

1. Since the online store is the least preferred way of buying the product and as per the market demography findings, it can be concluded that people usually use the online store platform for browsing and final sales are realized on hand. Therefore, the company can advertise its retail stores through online sites.
2. The company can use the push sale strategy, for the sale of Mass Standard and Mass Fancy segment bikes, on multi brand dealership i.e. 2 channel distribution. This strategy would help the company gain advantage over its competitors as it would be promoted by the wholesalers and retailers through personalized selling. The company will benefit more sales and will also help build a premium bicycle company status. The retailers would be given a price discount or certain free bikes of each segment as per the trade amount. This small investment will benefit the company with greater returns in future.
3. The company can focus on company retail store i.e. 1 channel distribution for the Top end segment of products like the racing cycles and electric cycles as well as for the mass standard segment products like the trick bikes. Since the racing cycles and trick bikes are a question mark for the company, the company has to take a strategic decision for the continuation of the two product lines and applying this strategy will help the company attract the niche audience who are highly brand loyal and prefer a familiar brand over the others. Also the company can tie up with sport academies in order to

cater the requirements of the market and benefit the word of mouth influence.

4. The company can use the 4 channels of distribution for the bulk supply of the roadsters as per the market demand. This way, the inventory for roadsters would be cleared which would minimize storage cost and would add up space for other bikes that are in demand. The agent would help keep a track of the market demand and supply, and will also act as a middleman for supply of roadsters to the retailers in rural areas.

4) PROMOTION ANALYTICS

1. Looking at the market demography and the final consumers of the product, it would be better option for the company to keep the following points as a base while marketing the product:-
 2. End consumers are two.
 3. Ideal product for people with spending power of 10,000 to 30,000.
 4. People gather market information through web search, checking online stores, asking opinion from friends & family and watching review videos from YouTube. Therefore, endorse the product from travel and lifestyle bloggers. and other social media influencers, sponsor a video of famous Youtubers and get them endorse the product in return.
5. People love following the trend and the company should therefore tweet out trending hashtags for the bicycle and position the product as per the trend.
6. The company should promote some bike stunt and racing events. This diversification would in product development by attract new customers and will also help reposition the question mark products into a cash cow.
7. Position the product line to be for people who live up for a good and

- healthy lifestyle, people who love working out and the trend setters.
8. A new habit where in people opt for eco-friendly ways for travelling can be built in the society.
 9. Since people prefer made in India brands more, the company can take the advantage from it by creating a tagline of Made in India.

PORTER'S FIVE FORCES ANALYSIS

- 1) Rivalry among existing competitors – HIGH
 - a. High exit barriers.
 - b. High fixed cost.
 - c. Difficult for the company to show product differentiation.
- 2) Threat of new entrants – LOW
 - a. Capital intensive industry requires huge capital to enter in the market.
 - b. Cost of existing player is lower therefore a threat from new entrants is quite low.
 - c. Chinese bicycle manufacturers are entering into the domestic market therefore it is difficult for the new entrant to earn profit.
- 3) Threat of substitute –LOW
 - a. Consumers are highly aware about environmental problems; therefore, they don't want to substitute other mode of transportation completely with bicycle.
 - b. Price of other modes of transportation is higher than a bicycle.
 - c. Nowadays consumers are health conscious and cycling is good for health therefore they are not trying to

substitute it with another mode of transportation.

- 4) Bargaining power of consumers- HIGH
 - a. Consumers are price sensitive and cost to them in switching from one product to other is less therefore their bargaining power is high.
- 5) Bargaining power of supplier –LOW
 - a. India is developing country therefore labour and raw materials are abundant.
 - b. No product differentiation.

SWOT ANALYSIS

Strengths

- Huge brand equity of Hero Cycles and one of the biggest players in the Indian Bicycle Market.
- Excellent distribution with over 3000+ dealerships.
- High production capacity.
- Own R&D center
- High quality standards

Weakness

- Absence in the top end bike segment.
- Most of its product have similar features and design.
- Non-Up gradation of Foreign Technology.
- Many existing players in the market.

Opportunity

- High growth potential on the export of cycles from India,
- Since, the R&D Centre is recognized by the government, therefore the government is also helping in promoting the business.
- Hero Cycles Ltd. has good opportunities of expanding its business in international markets.
- Increasing fuel prices have led people shift to bicycle.
- Growing health concern and increasing environmental concern.

Threats

- Smaller players in the market are using Hero's prices as a shield to push their products at a lower price.
- Steel prices are rapidly increasing.
- Growing competition in the unorganized sector which are able to price their products cheaper due to low overhead cost.

Source: SCRIBD

PEST ANALYSIS

POLITICAL AND LEGAL FACTORS

- Government has a stringent quality control standard for bicycle manufactures.
- High excise duty may have an adverse effect on bicycle manufactures.

ECONOMIC FACTORS

- Hero cycle is among those companies which boast up scale of operation globally.
- Raw material and labor are cheaper in India

SOCIAL FACTORS

- Due to environment problem and health issues scope for urban consumers are higher. Due to improper roads in rural area scope for rural consumers is higher.

TECHNOLOGICAL FACTORS

- Consumer friendly and large range of product. Innovative product line.

Source: INTERNATIONALJOURNALS.CO.IN

FUTURE SCOPE FOR THE COMPANY

- Based on the market demographics, having the mass target audience within the age of 18-40 years who are well equipped with technology, keeping the 4P'S Analysis and company analysis based on SWOT, PORTERS FIVE FORCES and PEST in mind, it can be said that the company should focus on starting a new business line of rental bike service.
- Being in the era of technology. It is the need of the hour for the company to start investing in technology.
- The product would be our hero bikes. It would cater to the audience who don't want to buy a bicycle but find it a better option for short distance travelling.
- Due to the increased oil prices, cab charges have increased and with increased congestion near markets, people have started preferring bicycles more as they are an eco-friendly as well as an economical way for travelling.

that OTP, the person can unlock the bicycle and travel to his/her destination.

6. After reaching the destination, the person would park the bicycle in parking zone and would click a picture which would be reviewed.
7. After getting the approval, the person would end trip from his phone.
8. Based on the time and following a suitable costing technique, the person would be charged an amount.

This business would broaden customers mindset towards bicycle. Being a new market having only a handful of competitors, the company can easily create a monopoly over this market.

The business model would be as follows: -

1. The person who wants to use the bike for his/her purpose would first book the bicycle from our app/web.
2. Based on the persons location, the app would tell him the nearby bicycles available to travel. The person would select a preferred bicycle and put the destination.
3. a new market having only a handful of suitable costing technique, the person would be This business would broaden customers mindset towards bicycle.
4. The GPS in the phone would guide the person towards the bicycle.
5. An OTP would come to the person as soon as he books the bicycle and with