

# Marketing Strategy of commercial Vehicle industry- A study on SML Isuzu Ltd.

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**Abstract**— Early mans need for mobility to distant lands, in search for sustenance, forms the bedrock for the evolution of the “Global Automobile Industry”. The invention of the wheel – “a Homo Sapiens innovation”, ushered in greater possibilities to transform the mobility style. However, it was the “revolving wheel” (1893) that steered the host of opportunities that evolved to transform mobility. The initial phases of this evolution were quite dramatic. Mass production in the early 1910 changed the whole landscape. Henry Ford gave the world its first steam engine powered carriage, from where there was no looking back. Today the industry has taken strides by leaps and bounds in terms of style, comfort, safety and technology. Apart from improving passenger mobility, there has been progressive improvement in goods mobility as well. The Commercial vehicle industry has taken on its shoulders this giant responsibility of improving this mobility. The global Commercial vehicle market is an intense battleground for market share. Global players like Scania, Daimler, and Volvo are a few successful contestants in the global CV market. In India, Tata Motors is the king in the CV market with more than half the market in its folio. Post the 1991 liberalization, and the subsequent “100% FDI through the automatic route” all lot of foreign collaboration in the form of joint ventures (JVs) have taken place. SML Isuzu is a JV between Punjab's, Swaraj Mazda and Isuzu of Japan. By leveraging on Japanese engine technology, SMLI has earned a large toehold in the northern part of India. Despite the taut competition, a large span of opportunities has been left untapped. This study aims to comprehend the effective marketing strategy in terms of segmenting, targeting and positioning for SML-Isuzu Ltd. India and understand the multiple prospects of using various positioning tools for SML Isuzu. The close examination of the current strategies of SML Isuzu and the contribution of these strategies to the overall profitability in the context of the light commercial vehicle industry facilitates one to understand and comprehend the significant contribution of the marketing strategy towards its successful positioning as an effective Commercial Vehicle manufacturer.

**Index Terms**— Commercial Vehicle (CV), Marketing strategy, Positioning tools, Word of mouth (WOM) promotion.

## 1 1 INTRODUCTION

**B**old choices and calculated thoughts have been the source of strategy. In a market, it is necessary to read the market thoroughly and satisfy the customer. The commercial automobile industry is a B2B market segment which makes understanding the needs complex. The target audience is greater than just an individual. Expectations of businesses have increased and it is critical to maintain customer centricity even in that space.

India is a diverse market and an attractive hub for businesses. The same was spotted by Isuzu when it entered the Indian Markets. It found the large fertile lands and the inflating pockets of the Indian population. They invested in 3000 crores and planted themselves as a competitor to the reigning TATA motors to capture both the rural and the middle- income segments. This did not complete the manufacturing and target cycle. Isuzu has also entered the passenger car segment of the automobile industry and giving competition directly to Ford Endeavour, Toyota Fortuner and many other cars in the MUV segment. This study captures the current market of SML Isuzu and finally provides recommendations to be more than profitable, to be more than a commercial segment company, to tar-

get the right segment, to overcome market risks and increase the brand positioning and its economic value.

## 1.1 INDUSTRY BACKGROUND

The invention of the wheel led to expansions, connections, travel, and economic growth. The automobile industry a major development and break-through is that provides employment and finales the country to economic growth. Since LPG IN 1991 (Liberalization, Privatization and Globalization) and the policy of “100% FDI through automatic route”. Indian automobile sector has seen a tangential growth as, “every international auto major has established its facilities in the country”. With an increase of nine and a half percent each and every year it wasn't long until “Indian Automobile industry” become the fourth in the world and the seventh for commercial vehicle manufacturing. This led to originated employment for 18.5 million people by 2017 and can be seen as a double to 37 million by 2020.

With foreign varieties fitting together positions or grades with the domestic manufacturers, a swamp in choices have been provided to the customers/ buyers of India, Volvo, Isuzu, Man force are the major global players in the Indian CV marketplace.

A boon for Indian automobile market is the improvement in the export sector. With the exports rising at a percentage that is greater than a quarter the CAGR of nearly 4% can be achieved by 2026. This growing demand for Indian vehicles in overseas markets has facilitated the country's “automobile industry” in two significant ways.

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- Contribution to the economic growth of the industry.
- Improvement of the doppelgänger of the Indian manufacturing substructure at an international level.

This augmented self-assurance has caused many more multinational brands inaugural in India, directly donating to the economy and employment.

The smooth, running growth of the automobile industry during the year 2016-17 has seen downturn due to high inflation, rising interest rates, low buyer sentiment, and growing fuel prices.

## 2 AIM OF THIS STUDY

To study the effective marketing strategy in terms of segmenting, targeting and positioning for SML-Isuzu Ltd. India The study aims at understanding the multiple prospects of using various positioning tools for SML Isuzu. The close examination of the current strategies of SML Isuzu and the contribution of these strategies to the overall profitability in the context of the light commercial vehicle industry facilitates one to understand and comprehend the significant contribution of the marketing strategy towards its successful positioning as an effective LCV manufacturer

## 3 SCOPE OF THIS STUDY

Presently in India, the commercial vehicle players are gaining momentum and companies are keenly viewing ways to counter stiff competition and snatch larger market share. It becomes essential to delineate the scope of the current study since the area of studies on strategies used within this industry is huge and interdisciplinary. The precise bounds on the current study are:

To understand the present marketing strategy that leads to the profitability of SML Isuzu in the Indian Commercial vehicle industry.

- To identify product-based positioning strategies for SML Isuzu in its target segments.
- To suggest cost-effective marketing tools that can be used by SML Isuzu to build a strong corporate brand position in the minds of its customers.

### GENERAL OBJECTIVES

- To study the target segments of SML Isuzu in comparison to its competitors in those segments,
- To study the current positioning of SML Isuzu Ltd.

### SPECIFIC OBJECTIVES

- To identify cost effective positioning tools for SML Isuzu Ltd.
- To develop a house of brand for the company based on these tools identified.

## 4 REVIEW OF LITERATURE

Strategy has been coherently defined by various authors. According to Tony Proctor, "A strategy is a plan that integrates organizations major goals, policies, decisions, and sequences

of action into a cohesive whole". Strategy guides all levels of the management. "It is concerned with effectiveness rather than efficiency as it designs a fit between the organisation, its resources and objectives, and the environment as a whole". (Amanze & B.K.A, February 2008)

Rama Bijapurkar tells how the Indian market is actually a huge opportunity for the marketers in her book "We are Like That only" (Bijapurkar, 2013). The book explains that when it comes to the Indian market, the marketers need to be cautious as it's strangely different from the other markets worldwide across the globe. So, if the organisations want to be successful they will have reworked their strategies in order to remain in the Indian market. Today the Indian market is a growth apple in the eyes of various companies worldwide. Currently, it's the fourth largest GDP in the world in purchasing power parity, the population is young and energetic (450 million people below age 21) and because of the young population and size, the consumption demand is ever increasing.

But the emerging markets are not same as that of the developed markets which the marketers have seen i.e. the markets in India are different from the others. For example India's per capita income is small even though it has an overwhelmingly large population. This necessitates to ponder over the appropriate 'made for India's proposition' and this must replace the conventional wisdom of 'global standard' benefits at 'global equivalent' prices. Next, the Indian market is not new. There are already players who have established themselves to providing various products and services. These players provide a stiff competition to the new entrants. Robust brands were built in India to compensate for the products which they represent. Finally, the emerging markets aren't the same as to what the developed markets were during their upbringing.

The authors say to win in India the marketers need to understand the Indian consumer. But understanding this Indian consumer is itself a very big task because they consist of various age groups, ethnicities, regions and taste and preferences. Further, the authors give the characteristics of a company. "India has five consumer classes - benefit maximizers, cost-benefit optimizers, benefit point constrained cash minimizers, cash contained benefit maximizers and the destitute class". Again, in the Indian subcontinent the rural and the urban move at different speeds. Thus, the diversity comes by having 29 states with four age groups and two different consumption ideologies and lastly two shades that is, pre and post-independence people as well as pre and post liberalisation generation. Further Indian is divided into five economies i.e. agriculture, manufacturing, government, services and IT. Therefore, the Indian market in sum and substance is very difficult to predict and understand.

The business environment in India is witnessing a dramatic turbulence owing to both macroeconomic factors ("growing competition due to the globalization of the world economy and the consequent globalization of markets, , rapid advancement in technology, and changing government policies and laws") and microeconomic factors such as more demanding and assertive customers,

(Ferrell & Hartline, 2007) assert the need for firms man-

agement to understand the constantly changing external environment and act accordingly. Being oligopolistic in nature, Indian markets are most vulnerable to these factors. It is thus important for firms to develop behaviour, skills and strategies which are in tandem with competition and changes in the "post-liberalized Indian automobile business scenario".

C.K. Prahalad and Kenneth Liebert Hal, in the article "**The End of Corporate Imperialism**", (Prahalad & Lieberthal, 1998) put forward their views, ideas and explained how the big companies of the west ventured into countries like India China with a very narrow and arrogant approach. They approached the markets just by targets of vast agglomerates which consisted of would be hungry consumers for the modern goods and services. They called this "corporate Imperialism". "Based on this concept they have shown how these big companies of the west have distorted the operating, marketing and distribution decisions which were made to serve the developing countries. But on the way to this approach, they have missed the very real nature and opportunity to reach a greater market i.e. further down the socioeconomic pyramid.

large MNCs look for growth and for this to be achieved they have no other option but to compete in the developing markets of China, India, Indonesia, Brazil and Africa. For them to enter these markets involves a change, and for this to happen at a quick pace is still a question which has been on the surface. But the authors assert that the multinationals will transform by their experience in these markets.

**Tynan and Drayton** in their article "**Market Segmentation**" (Tynan & Drayton, 1987) give the marketers the significant importance of market segmentation. The Article puts forth the aim of segmentation. It says that "segmentation is to identify and delineate market segments or "sets of buyers" which would later become targets for the organisations marketing plans". Thus, by segmenting a market, a firm divides the total demand it intends to satiate, into "relatively small homogenous segments which contain some common characteristics". However, the firm must not end the segmenting exercise there itself. It must gather the common characteristics of the segment to which there are predictable responses of the customer to the market stimuli. The can be further split by Geographic, Demographic, Psychological, psychographic or behavioural variables. Thus after a market is identified, the product can be shaped to meet the unfulfilled needs of the clients in this segment. Once this part of the strategy is fixated, a host of economic and efficient marketing mix strategies may be to reach the segment identified. "The strategy of market segmentation looks to regain some benefits with the close association of the customers which earlier was the strength of traditional business operations".

**AI Ries and Jack Trout**, (Ries & Trout, 2003) in the book "**Positioning the battle of the Mind**", tells that today we live in a world which is over communicated i.e. an over communicated society. So, is it necessary to communicate then? He says to have an effective communication in the over-communicated society marketers need to adopt the latest approaches of communications which are positioning. Therefore, to be in the minds of the customer it is necessary to be first. Here he gives umpteen examples to put forth the point of de-

ploying and developing effective positioning strategies. Later in the book he gives different position strategies which can be adopted by leaders, followers. He also puts in the idea of what is called as repositioning strategies. The author also alerts on the dangers of doing mistakes like not choosing a correct name or going for unwanted line extensions. He concludes by giving important case lets on various companies on the positioning of their products services and even institutions.

**Greg Metz Thomas, Jr** says in "**Building the Buzz in the Hive Mind**" (Thomas, 2004) has given a concept on the framework as to how to build a buzz. In this article, he provides the important factors which go into determining the success of creating buzz. The model starts with identifying the innovators. They are those who use and feel the product first and also, they are one who speaks first, give an opinion about the product. Thus, for companies, they become very important and try to induce product trial into these people. As the product and service are used by the innovators, they communicate their opinion and experience to others. Now this as per the Greg is called as uncoded buzz. The marketer ability to convert this uncoded buzz into coded buzz which can be insulated and taken by vehicle companies.

Through the understanding of the literature review done, this study aims to examine the marketing strategy of commercial vehicle industry. Several investigations have been done so far w.r.t marketing strategy on various industries, in particular are FMCG, Passenger vehicle industry, Pharmaceutical industry etc. The commercial vehicle industry being so much of a B2B business model, with customers being such as logistics Fleet operators, Schools, Company Distribution Network operators and the like, is a less studied area w.r.t its market strategy and business operations in the field of education. As direct application of what has been reviewed in this chapter has been attempted in the subsequent chapter titled "Analysis.

## 5 RESEARCH METHODOLOGY

For the course of my research, I have used case study methodology, i.e. research that is intrinsic and descriptive in nature based on multiple sources of information that has been framed into a case for the purpose of this study. A descriptive bend to the case is established through STP theories related to the purpose of this research. Qualitative data was gathered from published interviews of SML Isuzu managers, interviews of their employees, SIAM reports, Consulting firm reports, SML Isuzu website and their commercials. Quantitative data was gathered from the annual reports and publications and the records of various SML Isuzu dealers. This methodology adopted for the research was helpful in the validation of the objectives set forth for the purpose of this study. Findings from qualitative and quantitative data were found to be in congruence with each other. Findings from primary data was analysed using established strategy theories which were entirely substantiated by secondary data that was analysed using the same theories.

Interviews were used for collection of data. Primary data was collected through interviews. Published interviews of SML Isuzu management and their various distributors served



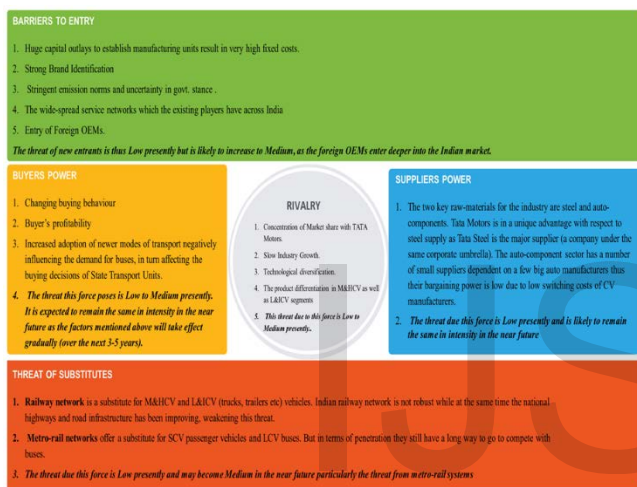
as secondary data. MS Excel was used to analyse the secondary financial data to gather various findings applicable to the Directional Policy Matrix (DPM). The data gathered from Primary Interviews was interpreted using Jason Davies WCG and a macros developed excel simulation was carried out to test the effectiveness of suggested promotion strategies.

## 6 ANALYSIS AND INTERPRETATIONS

### 6.1 PORTERS 5 FORCE ANALYSIS

As discussed earlier, identifying industry structure and analysing it is an imperative for designing a marketing strategy. One of the tools which is widely used for identifying forces that drive industry competition is the Porter's Five-Force Model.

Figure – 6.1 SML Isuzu 5 Force Analysis



#### 1. BARRIERS TO ENTRY

- Attaining "economies of scales" is an overwhelming test for potential market contestants. Tremendous capital expenses for setting up assembling plants result in high expenses. The cyclicity and unpredictability of interest in specific sections and in spite of having the sufficient aptitude and ability, it comes as a test to accomplish economies of scale, "Hindrances to exit for the current players are additionally high inferable from their current interests in settled resources and innovation".
- Strong Brand Identification - of the current brands and their separated product groups take into account client needs of "security, comfort, add up to cost of possession and so on, which make it troublesome for the new contestants to set up brands and in addition to separate their contributions from the current players".
- R&D capacities or JVs with worldwide OEMs give players front line innovation to remain in rivalry. Without both of these abilities, another player will think that its exceptionally difficult
- Strict emission norms and the government uncer-

tain help over them, places the new players in a new ambit of risk which the incumbent players are able to handle by way of their "in place reputation" and experience in dealing in such an environment.

- The **wide-spread service networks** is what the incumbent players have as a plus point. This "enables them to offer a product-service bundle which a new entrant cannot offer immediately at the time of market entry".
- Entry of Foreign OEMs: The outside OEMs having a universally rumoured brands, forefront innovation, capacity to contribute, and consistence to strict standards. They can conquer the risk because of (circulation organize) by at first going into JV/union with remaining players till they increase adequate market information and experience.

The risk of new participants is therefore Low by and by however is probably going to increment to Medium, as the outside OEMs enter further into the Indian market.

#### 2. THREAT OF EXISTING RIVALRY

- **Concentration: Tata Motors is the market leader in all the 3 segments, has an overall market share of 59%.** "The remaining share is intensely competed for by Mahindra & Mahindra, Eicher, Ashok Leyland. Thus, there is one dominant competitor in favourable position whereas others are competing for the remaining share as well as trying to encroach upon leader's share".
- **Slow Industry Growth:** The CV segment which includes heavy trucks, trailers etc have a "strong demand correlation with industrial productivity. Thus, due to the prevalent slowdown, this segment is experiences de-growth (~30% decline in 2015-16 to 2016-17) increasing rivalry".
- **Technological diversification:** The Indian players have been getting technology from their overseas associates by establishing joint ventures allowing them to "gain a competitive advantage over indigenous players such as Tata Motors. Some of the examples BharatBenz, VolvoEicher, Ashok Leyland-Nissan".
- "The **product differentiation in M&HCV as well as L&ICV segments is relatively low** and all competitors are competing on the same product attributes, hence the challenge of holding onto existing market shares".

**This threat due to this force is Low to Medium presently. Rivalry is projected to deepen and the threat will become Medium.**

#### 3. BARGAINING POWER OF BUYERS

- **"Changing buying behaviour:** The customer preferences have been evolving from "being extremely price sensitive, willing to trade-off performance" to "willing to pay premium for perform-

**ance" owing to rising disposable incomes.** The existing players with access to technology from global OEMs (through JVs or otherwise) are adapting international products to serve Indian customers. These products score highly on the performance, safety and comfort parameters, **increasing the bargaining power of the customers against Tata Motors"**

- **"Buyer's profitability:** With rising fuel and service costs, customer is more focused on the **total cost of ownership** instead of just the acquisition cost. Thus, the customer is increasingly basing the buying decision on the quality of service bundle (after sales). **Tata Motors is well placed owing to its strong and wide-spread service network"**.
- **"Customers have shown an increased adoption of newer modes of transport negatively influencing the demand for buses, in turn affecting the buying decisions of State Transport Units"**.

The threat this force stances is **Low to Medium** presently. It is likely to remain the same in power in the near future as the factors stated above will take consequence progressively (over the next 3-5 years).

#### 4. BARGAINING POWER OF SUPPLIERS

- **"The two-key raw-materials for the industry are steel and auto-components.** Tata Motors is in a unique advantage with respect to steel supply as **Tata Steel is the major supplier (a company under the same corporate umbrella).** The auto-component sector has a number of small supplier's dependent on a few big auto manufacturers thus their bargaining power is **low due to low switching costs of CV manufacturers"**.

The here is thus **Low** presently while it is possible to continue the same in force in the near future.

#### 5. THREAT OF SUBSTITUTES

- **Railway network** is a substitute for M&HCV and L&ICV (trucks, trailers etc) vehicles. "Indian railway network is not robust while at the same time the national highways and road infrastructure has been improving, weakening this threat".
- **"Metro-rail networks** offer a substitute for SCV passenger vehicles and LCV buses. But in terms of penetration they still have a long way to go to compete with buses".

The threat due this force is **Low presently and may become Medium in the near future particularly the threat from metro-rail systems.**

COMPLEMENTOR: ROLE OF GOVERNMENT:

- **"Unpredictable policies on emis-**

**sion norms.** With Global Warming being an issue which is debated fiercely at the global level, international treaties and resolutions may bring about sudden and sweeping revision in the present norms, requiring steep technology up gradation (and investments). May provide edge to foreign new entrants who already possess technology for this".

- **"The delay in environmental clearances and land acquisitions for new projects** has been a major source of delay and disruption of expansion plans (*Tata Motors – Singur*). Thus, governments at the centre (playing critical role in environmental clearance) and states (land acquisition) are the critical factors influencing the capital expansion decisions. **Recent development: In order to make environmental clearances speedier, the Union Govt. changed the minister in-charge"**. *Influences(reduces) barriers to entry.*

- Purchasing power is significantly inclined with the availability of financing options and simplification of interest rates. "Moreover govt. economic policies also influence the index of industrial productivity to which M&HCV (heavy trucks, trailers) demand is strongly correlated". Thus, *Influences bargaining power of customers.*

The strength of this force is **Medium to Strong** and is likely to remain the same in the future.

#### 6.2 SWOT ANALYSIS

SWOT analysis is an important environment analysis tool which encompasses monitoring the "external and internal

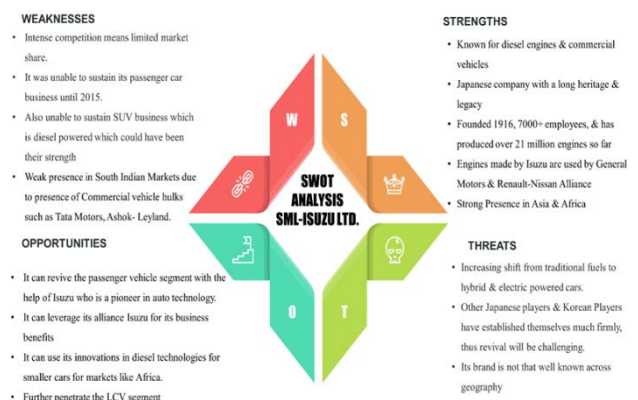


Figure-6.2 SML Isuzu Swot

marketing environment” of any firm. Through this analysis a firm will be able to evaluate its overall market position in terms of its strengths, weaknesses, opportunities and threats

### 6.3 COMPETITOR ANALYSIS

Every market segment is chock-full with competitors. The mistakes of one firm are learnings for another. In competition analysis, a study on the currently active competitors is done for every segment in which the firm operates, in order to identify any potential vacant segments. However, in intricate market structures, charting the competitive ring necessitates a comprehensive examination. The strengths and weakness of rival firms are described and evaluated. “The obtained information includes business scope, objectives, market position, market targets, and customer base. Other important factors to be considered for competitive analysis value could include- financial, technical and operating strengths, positioning strategy, management experience, and special competitive advantage”.



Figure-6.3 Total domestic sales for the year 2017

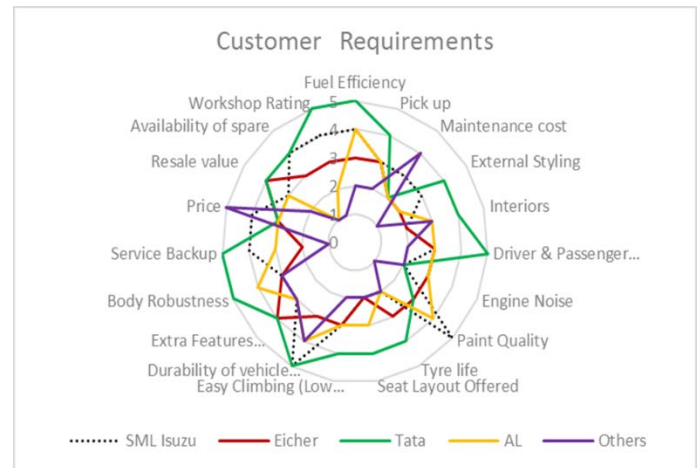


Figure-6.4 Customer Requirements

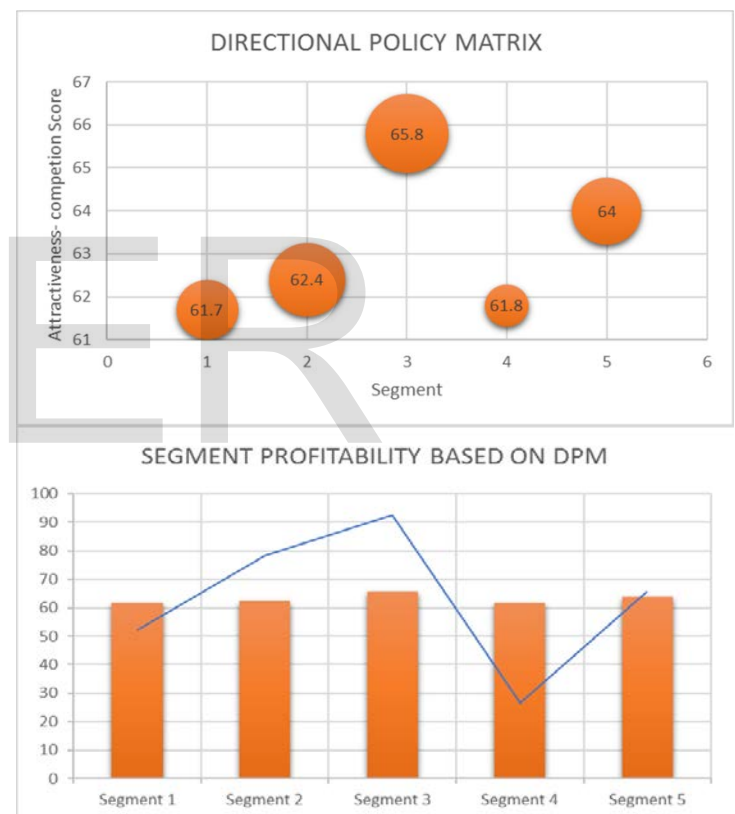


Figure-6.5 DPM findings

YOY growth trends for SMLI show an upward trend, indicative of opportunistic markets. The trend could be influenced by both macro-economic factors as well as micro economic trends of Fuel efficient hybrid engine technology, GOI support through JNURM schemes etc.

### 6.4 SEGMENTING AND TARGETING

Profitable segments have been identified using DPM, a theoretically rich tool which appears to be rarely used in the groundwork of marketing plans. Directional Policy Matrix (DPM) has been used for identifying suitable target segments for SML Isuzu. In Sir McDonalds own words “DPM-based portfolio analysis offers a detailed framework which can be

used to classify possible competitive environments and their strategy requirements” (McDonald, 1989). DPM is based on numerous pointers to quantify the parameters of “segment attractiveness” and “firm competitiveness”. Management has the liberty to alter these pointers to match the operational conditions of market, the firms choose to operate in.

According to these scores



Segment with GVW of 8.72 Tonnes		
Cost of Ownership –Truck		
Truck Type	LCV	LCV
Truck Brand	SML ISUZU	EICHER
Truck Series	SUPER	1090
Truck Model	2015	2015
FIXED COST		
Truck Price	1050000	1070000
Down Payment (%)	14.3	15.9
Down Payment	149993	169916
Loan Amount	900008	900084
Interest Rate (%)	13	13
Repayment Period (year)	5	5
Repayment Period (month)	60	60
Interest	585005	585055
Repayable Amount	1485012	1485139
EMI	24750	24752
Insurance Cost Yearly	25000	27000
Insurance Cost (per month)	2083	2250
Registration & Permit	20000	22000
Driver wages	12000	12000
Fixed Cost	40500	40836
RUNNING COST		
Load Carried (in tons)	6	6
Round Trip Distance (km)	500	500
No. Of Trips per Day	1	1
No. of Trips per Month	10	10
Distance Per Month	5000	5000
Diesel Mileage (km)	10	10
Fuel Quantity per Month	500	500
Fuel Price	48	48
Fuel Cost Per Month	24000	24000
Road Toll per Trip	2000	2000
Road Toll Per Month	20000	20000
RTO Fine for Overloading Per Month	2000	2000
Tyre Price (each tyre)	9000	9000
No. Of Tyres	6	6
Tyre Cost	54000	54000
Tyre Life (in kms)	70000	50000
Tyre Cost (per Month)	3857	5400
Maintenance Cost for 90000km in Rs.	35000	30000
Maintenance Cost per Km in Rs.	0.39	0.33
Maintenance Cost	1944	1667
Running Cost	51802	53067

Figure-6.6 Most profitable Target segment Cost of ownership details

- Segment 3 is highly attractive (6.58) i.e.; vehicles with GVA 8.72 tonne  
(Product: Super) is a highly profitable product in SMLs product portfolio based on the segment attractiveness parameter chosen.
- The next attractive segment is segment 5 having GVA 7.2 tonne  
(product: Sartaj Samrat) with a segment score of 6.4.
- Segment 2 comes next in the attractiveness score i.e.; 6.24, i.e.; GVA 10-11tonnes (Product: Samrat HD19).

This segment was chosen as the target segment because of high score on both attractiveness and competitiveness.

## 6.5 POSITIONING FOR SML Isuzu

Over the years TATA has thus established a strong emotional bond with its target audience. In retrospect, even Mahindra probably realised that it lacked the emotional bond which TATA enjoyed with Indians. Consequently, Mahindra embarked upon developing this bonding, and put the “Taqdeer Badal” De campaign to effective use which is based on Mahindra's positive direction called Rise. (Ajinkya, 2014) The campaign did not focus on any product brand, but was more focused on the company as such, involving all classes and age groups of people in the country. The central theme was, that the company has all that it takes to make it the country's chosen brand. Compared to these two brands, SML has been unable to establish this bond with Indians. The company is largely viewed as a north company, and not as a National brand. This is one of the main brand positioning challenges faced by SML.

Addressing these challenges, a market positioning simulator using MS Excell Macros was developed by creating imaginary demand for products and a positioning map was developed for the various competitors of SML.

Based on this created data, four rounds of simulation were run to generate the positioning costs SMLI would incur by using the unconventional tools, and the demand status of their products post the adoptions of these techniques.

### OBSERVATIONS AT THE END OF THE 1<sup>ST</sup> ROUND:

SIMULATION 1	SMLI 1	EICHER 2	TATA 3	ASHLEY 4	Total Market	Average Industry
Total sales	225	625	925	625	2400	600.0
Market share	9.4%	26.0%	38.5%	26.0%	100%	25.0%
Sales of best product	75	300	300	300		
Cost of moves (positioning)	3200	3800	4600	6800	18400	4600
NET Profit for Round	-2975	-3175	-3675	-6175	-16000	-4000
Rank for Round	1	2	3	4		
Accumulated Profits (and Budget)	7025	1825	1325	-1175	9000	2250

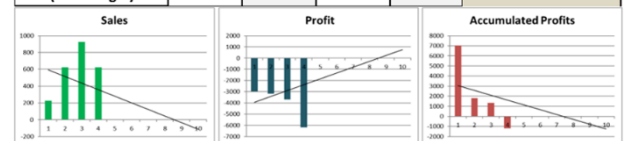


Figure-6.7 Simulation 1

SMLI total sales Total sales (225) and market share (9.4%) are less compared to competitors

- The cost of positioning (3200) is the least however for SMLI compared to competitors
- Accumulated profits for SMLI (7025) is greater than competitors since profit from operations is not spent much on advertisement promotions, like other competitors.

## DECISION:

- SMLI must consider the repositioning using the promotional strategy of buzz in order to be in the league of “companies in the sight of customers”.
- The figures are indicative of SMLI making a loss in the first round.
- However, the accumulated profit reserves can nullify the impact of dwindling profit from the cost of positioning.
- It must be observed that the cost of such positioning is the least for SMLI, compared to the cost incurred by its competitors.

## OBSERVATIONS MADE AT THE END OF ROUND 2:

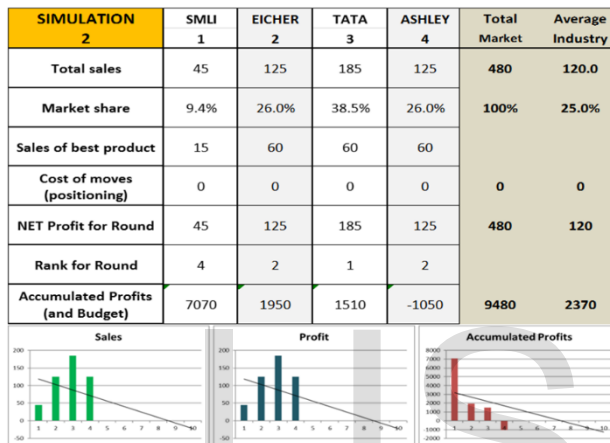


Figure-6.8 Simulation round 2

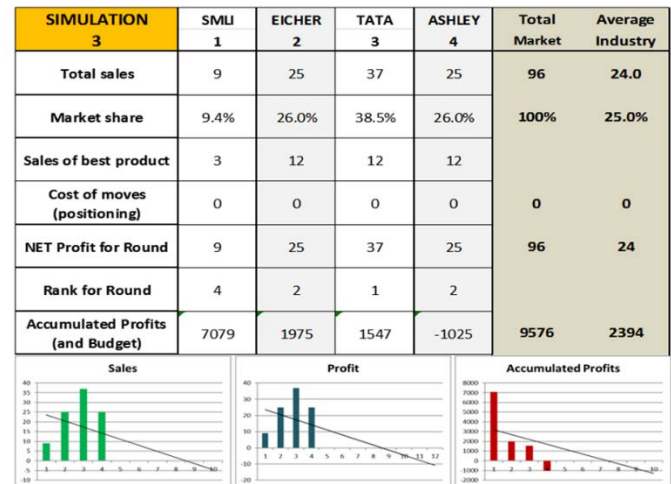
- Total sales (45) & market share (9.4%) are less than competitors
- Cost of positioning is nil for all competitors as the products have not been repositioned, however, using the buzz promotion strategy, SMLI has made decent profit of 45
- Compared to Ashley SMLI has in reserve an accumulated profit of 7070

## DECISION:

- Holding ground at this position generates a sale of 45 for SMLI, while its accumulated reserves increase to 7070.
- This would mean that the consistent generation of buzz will keep the customers engaged with the company while sales increase steadily due to increased curiosity for SMLI products.
- The sales of best products are 15, lesser than the previous round of the simulation, which indicates that the customer inquisitiveness to gather more information on new products/new technologies in products has improved.

## OBSERVATIONS MADE AT THE END OF ROUND 3:

- The total sales (9) has reduced while the company still



maintains its market share (9.4%).

Figure-6.9 Simulation round 3

- The accumulated reserve displays a profit of 7079, higher than competitors.
- Despite generating a quarter of the sales, Ashleys accumulated profit balance which was negative, is slowly being recovered – consistent performance

## DECISION:

- The reduction in sales has been due to the re-vamped position the company is seeking
- The effort of buzz is so minimal or rather effortless that , SMLI can leverage enormously from this promotional tool.
- Steady accumulation of profits will definitely secure the companies further positioning efforts.
- Though the SMLI ranks the least among its competitors, the company is able to reap from its consistency and stability of operations and promotions.

## OBSERVATIONS MADE AT THE END OF ROUND 4:

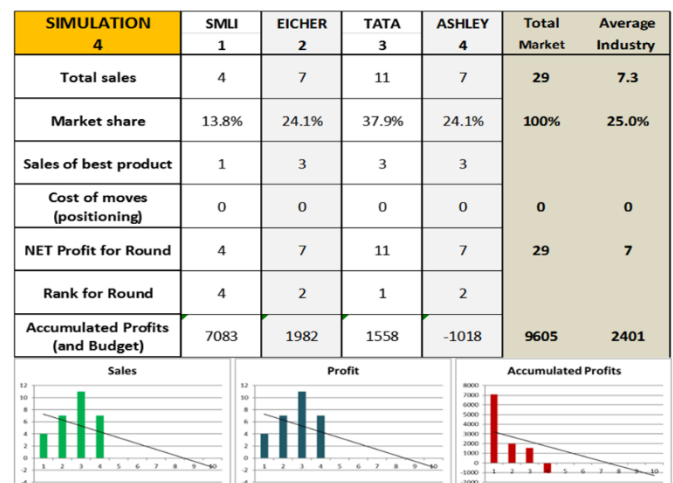


Figure-6.10 Simulation round 4

- The sales for existing products are 4.



The market share has improved however from the stable 9.4% in the previous two rounds to 13.8% now.

- Accumulated profits of the company have risen to 7083, securing it a rank of 4.

## DECISION

- SMLI has been able to improve its market share from 9.4% to 13.8% owing to repositioning of its products to the customers
- The brand promise as the company recalls has been justified, with increase in the number of new products, indicative of newer segments available to SMLI to establish its toe in there.
- Slow growth and turning sales exhibited in the graph also throw light on the rising opportunities for SMLI to venture into.

## 7 DISCUSSIONS

The aim of SML is to establish itself as a joint venture brand. In addition, the company will have to supplement this position with other attributes that the company owns such as;

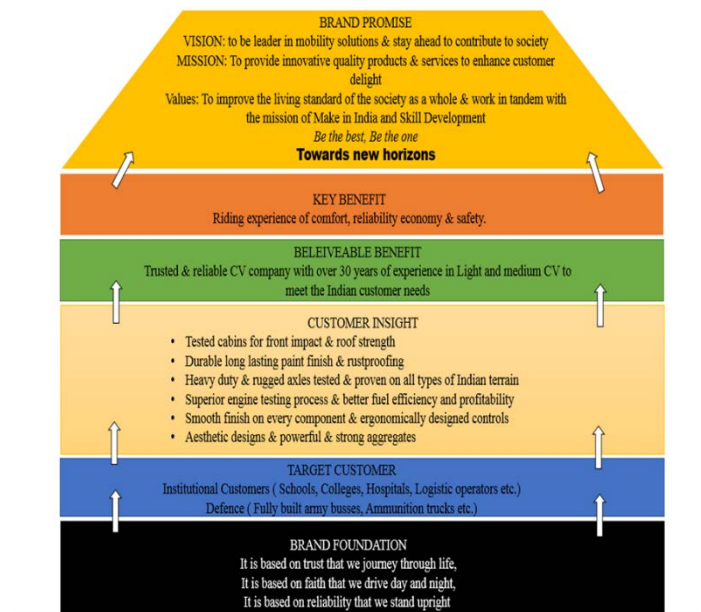
- Trust, value, and service
- Leading 'quality' company
- Leader in innovation, technology, and product development (highlighting its first-mover track record)
- Dynamic and lively (which will augur well for the products in the premium segment)

### PROPOSED PRODUCT POSITIONING FOR SML

To illustrate how SML can position its products in its target segments, the house of brand promise architecture has been used. This is a tool that is commonly used by companies to formulate, in a structured way, its brand positioning.

#### House of Brand Promise

- 1 The architecture is in the form of a house, with seven floors. The base is the 'Brand Foundation' and comprises three sub-sections; 'Assets are the attributes of the product, both tangible and intangible; 'Delivers' is what marketers want their customers to believe what the brand delivers; and 'It's Always' represents what the brand stands for.
- 2 The first floor of the house is 'Target Consumer'. This is where marketers feed in the characteristics of the target segment.
- 3 The next level is 'Consumer Insight' which takes the targeting exercise one step ahead. Here marketers elucidate various insights about the target segment, drawn from the strategic segmentation exercise, such as consumers' lifestyles, habits, etc.
- 4 The fourth floor is 'Why the benefit is believable'. This section mainly includes the attributes of the products that support the differentiation.
- 5 The fifth section is 'Key Benefit'. This is a summation all the benefits, encapsulated in a short sentence. The top floor is the 'Products' section which deals with the



6 product that will be associated with the exercise.

7 Finally, the roof is the Brand Promise', which is terse and pithy kind of tagline that the company promises the brand will deliver. SML ISUZU, for instance, had brand promise of "Towards new horizons"

Once we clear about the brand promise that SML wants to deliver, it can be coalesced with its corporate positioning strategy, using the same tools

1. Stories, for instance, can be used to position SML products in addition to the corporate brand. SML LCVs, for example, is targeted towards institutional customers, positioned as "towards new Horizons" Now the company can build stories on how the users of their vehicles have defied the social norms, and taken charge of issues and causes, which then come to be associated with the brand. Similarly, Stories of how buyers of have fulfilled their dreams by making use of the CV to grow their business, and have saved significantly owing to the economy the truck lends, and how the money saved has been put to better use, can certainly create substantial credibility for the truck.
2. Similarly, SML can use its trucks in events, and as prizes offered to winners of competitions it sponsors. SML can start an entrepreneurship award programme for its Tier II and TIER III cities, where successful innovating entrepreneurs are given the SML Winner as prizes.

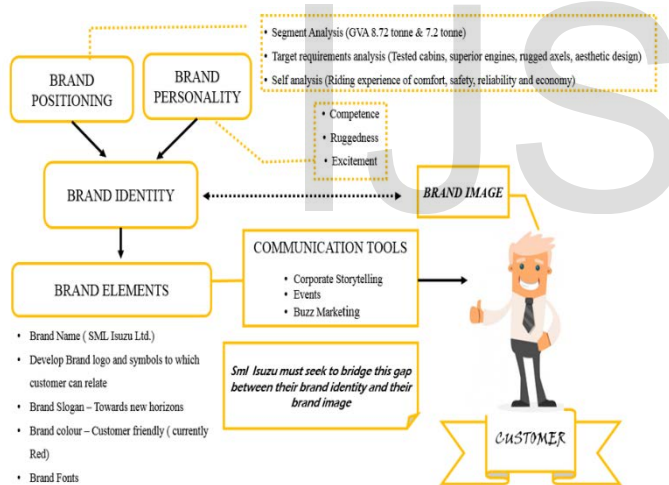
These trucks can then become a symbol of success for the target segment. In such a way SML can use these tools in addition to advertising and mass media to position its products.

3. The commercial vehicle magazine announced the introduction of the "International Truck of the Year (IToY) organisation". The new annual 'Truck Innovation Award' has been instituted to recognise the

“trucks of tomorrow”. “Focusing on advanced technology vehicles with alternative drivelines above 3.5-tonnes GVW, the award will be presented and judged in parallel to the existing International Truck of the Year award”. The award echoes the current energy-transition taking place within the automotive industry towards new, alternative, low-environmental imprint trucks

The criteria to be satisfied are:

- I. contribute to increasing the efficiency of transport of goods by road in the foreseeable future,
- II. An advanced technology vehicle, with an alternative driveline (hybrid, hybrid range-extender, all-electric) or have an alternative fuel-system such as LNG, CNG, hydrogen, etc.
- III. potential to reduce its environmental footprint within the countries involved in the International Truck of the Year,
- IV. Truck **must** have specific ‘hi-tech’ solutions like remote diagnostics, in terms of ‘vehicle connectivity’.
- V. The truck could be in prototype, in early-development phase or in ‘small series’ production. It should be drivable, and not a one-off concept.



## 8 CONCLUSIONS

According to the McKinsey report, “Fast-paced change, continuous price pressure, a strong technology orientation, and the near insatiable demand for transporting goods around the globe are the drivers of the commercial vehicle industry. Through an all-embracing knowledge effort that has sized the truck industry’s current revenue and profit pools and explored the impact of several market and technology trends moving forward, an outlook for the industry until 2030 has been in the agenda of mainstream competitors”. Here are a distilled set of features that are essential to achievement in the evolving truck industry:

- Increased operational efficiency. OE is the Key to enduring competition. This enables OEMs to be more

robust to the ups and downs of tenacious market instability. It is also central to the OEMs’ capability to finance new prospects.

- Invest in autonomous driving. “Autonomous driving is likely the most complex of the major technology trends and thus presents many barriers. OEMs need to stay on their feet and invest in autonomous driving today. Establishing themselves at specific control points in the technology stack will be key to participating in the profit pools, and this will require early and significant investment”.
- Understand the competition. Cognizance of the changing competitive environment can help OEMs make strategic decisions in the future. For instance, while several players are already contending in BEVs, the hydrogen/fuel cell space is significantly less crowded. Regionally speaking, monitoring where competition is coming, is also important.
- Leverage partnerships. “Fundamental shifts to the truck ecosystem mean that the competitors of today might be the partners of tomorrow and vice versa. OEMs should be open to new alliances and cooperative arrangements that reach beyond the traditional borders of the truck industry. Making developments in and capturing value from autonomous driving and connectivity, for example, will require strong partnerships not only with suppliers but with technology and software players as well”.
- Solutions. Devising Solutions represent a “significant opportunity for OEMs to extend their current, vehicle-focused customer offer”. With a rising CV connectivity, the “potential market size for applying solutions will increase and offers the potential to deepen the relationship between OEMs and their customers along the value chain”

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