

A CASESTUDY ON HERO CYCLE: HOW IT IS EMERGING A PATHWAY OF SUCCESS (SUCCESS STORY OF A MARKET LEADER)

Uppuluri Srinivasa Venu

Research Scholar
SGT University, Gurgaon, New Delhi,

Dr Tara Shankar

Dean, Faculty of Commerce and Management
SGT University, Budhera Gurugram , Haryana 122505

Dr A.Ramachandra Aryasri

Former Director, School of Management Studies
Jawaharlal Nehru Technological University Hyderabad,
Hyderabad 500 072.

ABSTRACT

Hero Cycles started with manufacturing cycle components slowly paving its way onto becoming the one of the 'Best Cycle Brand' in India. Today, Hero Cycles is undoubtedly the largest manufacturer of bicycles in India producing 5.2 million cycles per annum. Starting from a small unit to creating a huge global footprint, Hero Cycles production unit in Ludhiana is fully equipped with an in-house R&D facility producing major bicycle components within its premise under stringent quality parameters complying with all global standards.

The company focuses on innovation, user friendly & quality products. In this case we tried to analyze the strong areas, weak points, threats and opportunities of the company with the help of SWOT Analysis. A holistic approach is being adopted to understand the environment in which company's operating therefore; PEST Analysis Core competency and Marketing Strategies are studied. This study shows how it succeeded and stood as a market leader.

KEYWORDS: Hero cycles, pest, swot, strategies, success etc.

INTRODUCTION:

Hero Cycles Ltd was established in the year 1956 and has its headquarters in Ludhiana, Punjab. It is a manufacturer of bicycles and bicycle related products. It initially started with manufacturing cycle components. At present, the company is one of the world's largest manufacturer of bicycles and producing 19,000 cycles per day. The company based in Ludhiana, is fully equipped with in house research and

development facilities. Their most modern and sprawling unit in Ludhiana produces all major components that include frame, fork, rims, handle and mudguards and many such things within their premises under strict quality parameters that match the global standards. They were also the first to introduce aluminum frame bicycles in India.

The company has over 250 suppliers network, approx. 2800 dealerships & over 4,300 employees and moreover ISO 9001 & ISO 14001 certification from BVC of UK and recognized R&D department by the Govt. of India. Hero Cycles has also entered into Mid Premium, Premium & Super Premium segment under the brand names Hero Sprint, Hero Sprint Pro & UT. As part of its strategy to further cement its position in the fast-growing premium cycling segment in India.

THE VISION AND MISSION:

The Hero Group are continuously striving for synergy between technology, systems and human resources to provide products and services that meet the quality, performance, and price aspirations of the customers. While doing so, the company maintain the highest standards of ethics and societal responsibilities, constantly innovate products and processes, and develop teams that keep the momentum going to take the group to excellence in everything we do."

Hero Honda's mission is to strive for synergy between technology, systems and human resources, to produce products and services that meet the quality, performance and price aspirations of customers. While doing so, company maintains the highest standards of ethics and societal responsibilities." This mission is what drives us to new heights in excellence and helps us forge a unique and mutually beneficial relationship with all our stakeholders.

COMPANY PROFILE

"Hero", the brand name symbolizing the steely ambition of the Munjal brothers, came into being in the year 1956. From a modest manufacturer of bicycle components in the early 1940's to the world's largest bicycle manufacturer today, the odyssey was fueled by one vision - to build long-lasting relationships with everyone, including workers, dealers and vendors. This philosophy has paid rich dividends through the years.

Hero, a name synonymous with two wheelers in India is today a multi-unit, multi-product, geographically diversified Group of companies. Through fully integrated operations, the Munjals roll their own steel, make critical components such as free wheels for their bicycles, and have the foresight to simultaneously diversify into myriad ventures, like product designing, IT enabled services, finance and insurance, just to name a few. Like every success story, Hero's saga contains an element of spirit and enterprise; of achievement through grit and determination, coupled with vision and meticulous planning. Throughout its success trail, the Hero

Group and its members have displayed unwavering passion of setting higher standards for themselves and delivering simply the best to their customers.

The Hero Group philosophy is :“To provide excellent transportation to the common man at easily affordable prices and to provide total satisfaction in all its spheres of activity.” Thus apart from being customer-centric, the Hero Group also provides its employees with a fine quality of life and its business associates with a total sense of belonging.“Engineering Satisfaction” is the prime motive of the Hero Group and it has become a way of life and a part of the work culture of the Group. This is what drives the Group to seek newer vistas, adopt faster technology and create quality driven products to the utmost satisfaction of customers, partners, dealers and vendors.

Industry Overview

Bicycle Industry has its existence since decades when it was major means of personal transportation. With the advancement of technology, the trend of the bicycle was reduced in India among the middle and high-income population, but its popularity is returning on account of the health priorities and adventure cycling sports. The increasing congestion, urbanization, and sustainability are majorly driving the growing demand for bicycles all over India. Punjab state accounted for the largest share in the manufacturing of bicycles which produced around 10.5 million units in 2017. China bicycle manufacturer are expected to enter Punjab state and boost the industry by introducing lightweight technology.

Moreover, the distribution channel has fuelled the growth of India bicycle market, where sales through online distribution channel is rising at a steep rate and are expected to take over large market share over the forecast period. Sales through the bicycle specialty offline stores are still preferred option by the 80% of the population which belongs to middle and lower income group and have a higher preference for physical shopping.

Further, the trend of e-bikes is setting up ground for the growth of new and existing entrants. Globally e-bikes are expected to contribute 50% value share by 2022 to the total bicycle industry. Brands such as Atlas, Hero Cycles, Avon cycles have huge market penetration offering low to medium price bicycles and accounted for around 60% market share in 2017. Brands such as Firefox and B'Twin from Decathlon are penetrating into high price segment. Goldstein Market Intelligence analyst forecast that the India bicycle industry is set to grow at a CAGR of 8.6% over the forecast period of 2017-2030.

INDUSTRY STRUCTURE:

- India is the 2nd largest player, after china, India produces approximately 10% of the world annual bicycle production, which estimated at 125 million Units.
- Competition-Oligopoly

- The annual demand of bicycles in India approximately 10 million Units out of which around 2.5 million units is a government demand for various welfare schemes.
- CAGR-14% Per yr (2008-2021)
- The Indian bicycle market comprises of two segments:

Standards – Rural Economy, Cheap, same models

Specials –Fancy Segment, New generation Bicycles, Premium price

Major Players

- Hero
- TI(Tube Investment of India Ltd)
- Atlas

HERO GROUP: SUCCESS STORY:

Hero Group has been one of India's most trusted brands for several decades now. Hero Cycles has been a market leader in the standard bicycle category for three decades. It was in 1986 when Hero Cycles was first named as the largest producer of bicycles by the Guinness Book of world records. Since then, the company has not only maintained its lead in the market but has constantly endeavored to improve its products through persistent research and innovation. Hero Cycles currently rolls out one bicycle every nine seconds and has been setting new sales records each year.

Keeping pace with the changing needs of the time, Hero Cycles has entered the premium bicycle segment in recent years. In 2012, launched UT Edge lifestyle brand; in 2015 we acquired 'Firefox Bikes' further cementing the company's position in the premium bicycle segment. In 2016, the launch of premium Hero Sprint Pro series augmented Hero's position in the lifestyle biking segment. With these strategic moves, the company now commands dominance in the double-digit growing premium segment while continuing to maintain its leadership in the mass segment with over 45% share. In March 2016, Hero Cycles acquired a majority stake in Sri Lankan bicycle maker BSH Ventures. This acquisition has given a plant that will manufacture for most of overseas brands. Earlier in 2015, Hero Cycles had acquired a majority stake in UK-based Avocet Sports to enter the high-end bicycle market of Europe.

Hero Cycles Showcases the latest in Bicycle Technology and a host of new launches at India's Largest Cycle & Fitness Expo

World's largest bicycle manufacturer Hero Cycles is showcasing a series of its latest brands, from premium to mass products, at the largest exhibition of India's bicycle, fitness and sports industry that opened in Ludhiana.

This is the 4th edition of the annual India International Cycle, Fitness & Outdoor Sports Expo that brings together the best in bicycles, fitness and outdoor sports equipment industry.

A unique platform for establishing business ties, the annual exhibition brings together dealers, distributors, importers, entrepreneurs and manufacturers from across the country to Ludhiana every year to scout for business opportunities.

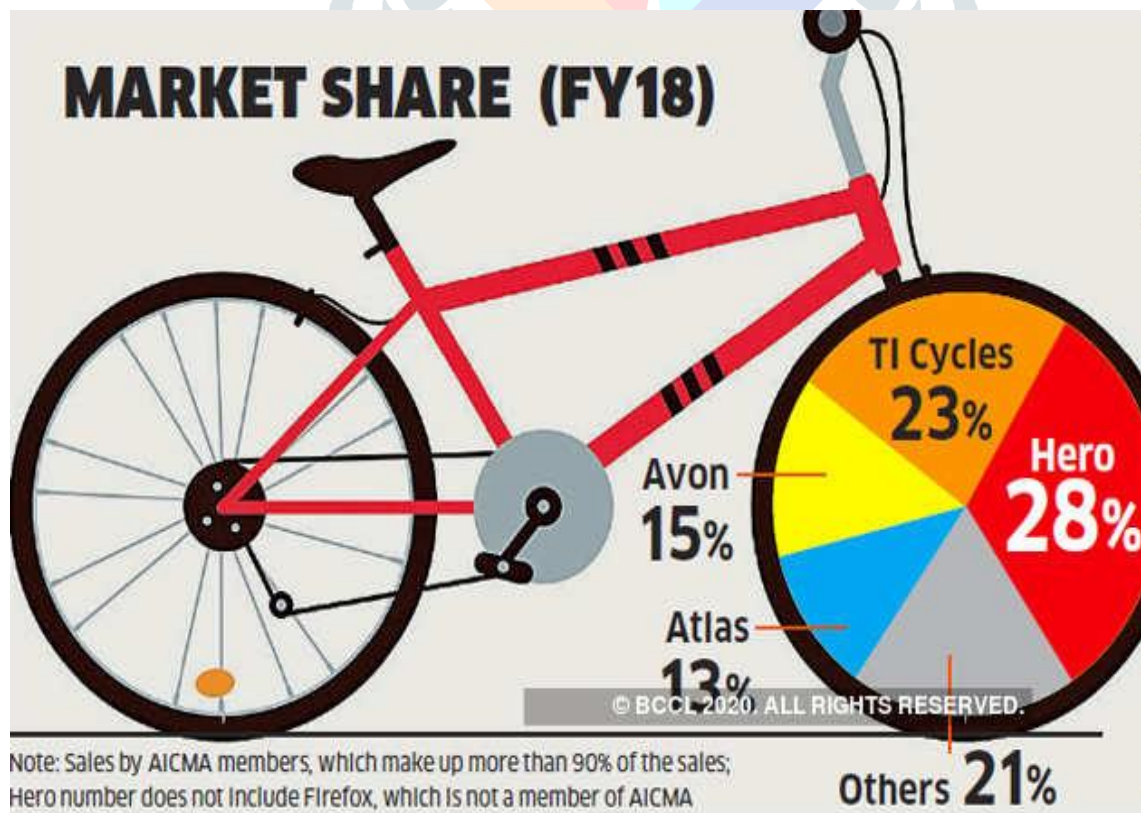
A haven for fitness enthusiasts, the exhibition showcases the latest innovation and technology in the field of bicycles, fitness equipment and outdoor sports equipment.

Hero Cycles, the leader in India's bicycle industry, is showcasing one of the largest cycle stalls at the exhibition, dedicated to its wide gamut of products and brands, most of which have a separate catchment zone.

From high-end **technology-driven** fitness bikes that dominate the premium segment to mass consumption products that are part of everyday Indian's lives, Hero Cycles has an enviably large portfolio of products. The twin objectives of Hero's participation at the expo are to display its new models, as also showcase the grandness of the portfolio of products that Hero has on board to offer.

Among major attractions that Hero Cycles is exhibiting at the expo is the latest range of 15 new active sports products in the premium UT/ UT Edge brands. Specially dedicated to fitness enthusiasts and people who prefer cycling as a workout and leisure activity, the products in the UT and UT EDGE range are performance savvy and **technology driven**. With feature driven components that enhance the cycling experience and a design finish in fashionable colors, the UT products are sure to catch the attention of fitness enthusiasts.

PRODUCT DIFFERENTIATION AND MARKET SEGMENTATION



In the Indian market, Hero's leadership position, with 28% (does not include Firefox) share, is followed by TI Cycles (23%), Avon (15%) and Atlas (13%). Because of stagnation, there are internecine battles.

Hero cycles enjoys a 40% share of the Indian market, It is faced with stagnating growth. The market is growing at just 2%. The mainstay Roadster, the sturdy bicycle used by millions of Indians to commute, has saturated as a segment. In pricier urban segments that are rapidly growing, Indian bicycle makers are facing stiff competition from Chinese and other foreign companies.

Achievements and Impact

Hero has been taking steady steps to establish itself as a major global player and as part of this strategy, it acquired Firefox Bikes, India's largest premium bicycle brand, in 2015. In 2016, it made its' first overseas acquisition of Avocet Sports Ltd. and took a majority stake in it. Avocet has been one of the top three distributors of bicycles, e-bikes, bicycle parts and accessories in the UK. The company added to its portfolio, Sri Lanka's leading bicycle manufacturer BSH Ventures, further boosting its manufacturing capacity.

Hero has also recently launched its new brand Insync in the UK which has been designed specifically for the consumers of UK and Europe. The Company's electric bike brand in India, "Lectro", has been extremely well received by Indian consumers. It plans to launch its E-Bike in the European and USA markets very soon. The Company's growth aspirations also took it to launch a premium components brand called "SPUR", which will be expanding its product portfolio soon. In order to keep pace with the global aspirations, Hero is setting up a world class manufacturing plant at Ludhiana, Punjab in India, which is being called as "Hero Cycle Valley" and will take the installed capacity of Hero Cycles to 10 million bicycles per year.

In addition to the bicycles business, the Group also has an automotive components manufacturing wing, which supplies complete gear assemblies, gearboxes, brake discs, drums, steering knuckles, complete chassis modules for passenger cars and a number of other components to global giants such as BMW, Hero MotoCorp, Ducati, Harley Davidson, Nissan, GM, Suzuki, Toyota, Honda and Bosch. The group has very successful joint ventures with the renowned global companies such ZF group and Kiriu.

They position their brand as a provider of an environment and health friendly transport facility. As part of their initiatives to promote cycling as a clean and healthy activity, They have also partnered IIFA in recent times where leading Bollywood personalities endorsed the need for clean transport alternatives.

Hero's Marketing Strategy and Interesting Reasons behind Its Success

Product Strategy

The market for this brand is strong as it owns the big part of bicycle industry which includes 40% of the market. Because of its manufacturing division and exports across the world, it won the hearts of million bikers. About 10 percent of the world annual bicycle production is contributed by India, which is the major part of the bicycle industry. In India, the annual domestic demand of bicycle is approximately 10 million units and in this, around 2.5 million units are produced in government demand for various welfare schemes.

Pricing Strategy

The company produces their products in the various range includes gents, kids, ladies, Mountain Bikes, Road Bikes, Hybrids, Tourers and BMX. The turnover of this company was Rs. 2080 crores in 2012, which includes 51% of market share.

On 2012, it crossed the figure of producing 13 crores Cycles. They produce bicycles of high quality, which is also affordable. The technologies they use are their largest profit generator and it is still developing.

Positioning Strategy

At present, the company is exporting their cycles to more than 70 countries, which includes Poland, Finland, Africa, UK, Europe, etc. It has employed 4800 workers who produce 18, 500 bicycles per day on 3 states of their art plants.

3000 dealers work to connect it to its final customer. No-organized labor union and family members of employees can be found ready employment within Hero and it is the remarkable feature of Hero Group.

GRAND STRATEGY

- In the year 2002, they made a tie up with National Bicycle Industries, a part of Matsushita Group, Japan, for manufacturing high end bicycles.
- In September 2006, the company signed a technical collaboration-cum-joint marketing agreement with Ultra Motor for producing a new range of low-speed electric two-wheelers in India.
- During the year 2008-09, the company launched 14 new models and new set of product for export market.
- Pantaloon Retail India Limited (PRIL) and Hero cycles have come together to promote the premium segment of Hero bicycles in India. PRIL, s “Planet Sports” will be the major promoter of Hero cycles.
- The tie up has been done mainly for the high end bicycles which are being launched in India by Hero Cycles. These high end bicycles will be sold in Planet sports as well as other shop in shop format including Future groups Pantaloon, Brand Factory and Sports warehouses.

Grand Strategy for Competitors

The competitors of the company are Tube Investments of India Limited and Atlas Cycles Limited. These players account more than 50% in the country's total bicycle sales. In 2002, the company has made a tie-up with National Bicycle Industries, which is a part of Matsushita Group in Japan.

They did this for manufacturing high-end bicycles. The company signed in an agreement of technical collaboration cum joint marketing with Ultra Motor to produce a new range of electrical low-speed two-

wheelers in India. In between 2008-09, they launched 14 new models for an export market. They introduced their new sets of product in the same year.

GENERIC STRATEGY

Cost Leadership-This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers.

Differentiation-Differentiate the products in some way in order to compete successfully

Focus-The company ideally focuses on a few Target Market (also called a segmentation strategy or niche strategy)

CORE COMPETENCY

Speed in development of new product: Company can design a simple model in just 2-3 days; more complex model can be done in 10 days.

Manufacturing Capability: Bicycle manufactures in 1956 is 639 and bicycle manufactured in 2002-03 is 6.1 million. Bicycle manufactured per day is 16000 approx. and market share of Hero Cycle in India is 50% plus,

Availability: Due to easy reach to vendors deliver of the products become easy, so products are easily available for there customers.

PEST ANALYSIS

POLITICAL FACTOR

The bicycle manufacturing industry includes a political/legal aspect. From a global standpoint, there have been political disagreements and legislative measures regarding the monopoly of bicycle products and technologies.

ECONOMIC FACTOR

On the microeconomic perspective companies have utilized information technology to support the progress of their business

SOCIAL FACTOR

Bicycles and its technologies are having an important role in social relationships.

TECHNOLOGICAL FACTOR

High quality yet affordable bicycles and technologies are still Hero Bicycles' largest profit generator, but due to the developments in the bicycle manufacturing industry, this is now developing. Bicycles are not about all basic traveling machines anymore but now more about being creative.

SWOT ANALYSIS:

STRENGTH

- Good customer base
- Strong Brand image
- Quality
- Innovation

OPPORTUNITIES

Righttimeforexpanding andexisting capacities

WEAKNESS

Unable to fulfill some regions demand

THREATS

- Dumping of materials by china in different parts of the world
- More players entering into these segment.

On the company's plans in the electric cycles' segment, he said that although the "electronic revolution" in India has been slow, over the past one year there has been growth in the segment and Hero Cycles expects to double the sales of its e-bikes this fiscal.

In just two years, the company has sold nearly 25,000 units, he said.

"E-cycles' penetration today increased to 200 cities and expected to grow to 250 to 300 within this financial year as well. We are also hoping to double the sales of our e-bikes by FY 2020."

The bicycle industry leader also hoped that with the growing trend of environmental consciousness amongst consumers, e-bikes or e-cycles will be looked as a more eco-friendly, economical, non-motorized, personalized alternate mode of travel.

As the lockdown gets lifted in phases, Munjal was of the view that the cycle industry and the demand scenario in the market will pick up faster compared to other sectors.

Future Direction

Hero remains poised to grow internationally by establishing itself as a global player in the developed markets such as the US, Europe and UK. It also aims to change the way cycling is perceived in the Indian market and move its business to target more choice users as against the captive users. The group entity is led at the helm by Mr. Pankaj Munjal, Chairman and Managing Director, and is looking for aggressive expansion of the group businesses on a global scale. The group is on a hunt for potential business acquisitions in Europe and the US, which can create significant business synergies and help them achieve their goals.

Mr. Rohit Gothi, CEO of Hero Cycles has been supporting the vision of the Company by aggressively promoting cycling and positioning Hero as a premium cycle brand in India and other markets, while focusing on improving the service, quality and supply chain of the products. With the addition of innovative products like the electric bike, Lectro and the performance bike Octane, which comes with patented designs and geometry, Hero has been making a statement of being an innovation led Company.

CONCLUSION:

Hero Bicycles changes the definition of Bicycles is that now bicycles are not about the basic traveling machine, it is now more about being creative. It is the world's largest manufacturing company of bicycle, which has registered a phenomenal sale in December by selling more than 6 lakhs units.

This makes the highest one-month selling company in the history of the bicycle. In comparison to the other cycle companies in India, it has all the qualities which make it exceptional from others. Hero cycles with its strategies and innovative ideas it is satisfying the growing needs of customers with improvised technology and stood as a market leader.

REFERENCES:

- <https://www.thebetterindia.com/189054/hero-cycles-partition-punjab-munjal-history-iconic-brand-india/>
<https://apea.asia/india/hall-of-fame-in-2019/hero-cycles-ltd/>
<https://www.goldsteinresearch.com/report/india-bicycle-industry-analysis>
<https://www.supplychaintribe.com/magazine/march-april-2017/peddalling-to-new-markets.html>
<https://auto.hindustantimes.com/>
<https://www.corecommunique.com/hero-cycles-showcases-latest-bicycle-technology-host-new-launches-indias-largest-cycle-fitness-expo/>
<https://economictimes.indiatimes.com/industry/auto/two-wheelers-three-wheelers/can-hero-cycles-new-electric-cycle-help-it-power-ahead/articleshow/65084660.cms?from=mdr>