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Seijing Motor Corporation: Reposition or extend the pickup brand

Ashita Aggarwal, Shriram Iyer, and Projesh Kar wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Shailesh Mehragan, country head for Seijing Motor Corporation (SMC) in India, was looking at the company’s commercial vehicle sales report for the financial year (FY) 2015–16. Mehragan was worried about the stagnant sales of the Supreme pickup. Despite sustained branding and communication efforts, the Supreme brand had gained only a single-digit market share. In FY2015–16, SMC had sold approximately 8,000 units of the Supreme and approximately 1,000 units of its older offering, the 115 pickup and delivery vehicle (115PD), whereas the competition had sold 78,890 units of its lead model. Although the large-pickup segment was growing at a 6 per cent compound annual growth rate (CAGR), SMC’s market share in the segment had steadily fallen, from 40 per cent in 2005 to 10 per cent in 2015. After over a decade of sustained effort and product innovation, the brand had not been able to find its feet in the market. SMC’s Supreme was competing with Equis’s Pluto, the market-leading pickup. Consumers in this segment sought to minimize the total cost of ownership, and they felt that the Pluto suited their requirements better than the Supreme.

It was January of 2016 and, worried about the falling sales numbers, Mehragan called on his marketing head, Vijaay Seth, to discuss the Supreme’s declining share and how they could pave the way for the brand’s future growth. The team had been speaking with stakeholders over the past month to understand what was going wrong and to consider how they could turn around the pickup business. A primary analysis indicated that the company did not see a desire for the Supreme. The pickup needed to be repositioned immediately so that it appealed to customers; otherwise, its market share would erode even further.

THE Pickup market in India

A pickup was a light-duty truck with an enclosed cab and an open cargo area with low sides and tailgate. Commercial vehicles were classified based on gross vehicle weight (GVW). Pickup trucks, commercial vehicles with GVW of 2.0–3.5 tons, were sandwiched between small commercial vehicles (SCV) with GVW of < 2.0 tons, which were priced at less than ₹500,000,[[1]](#footnote-1) and light commercial vehicles (LCV) with GVW of > 3.5 tons, which were priced at more than ₹800,000. Pickups had a payload range of 1.0–1.5 tons, but market applications in India overloaded the vehicle by another ton or more (see Exhibit 1).

The pickup truck segment was one of the largest and fastest growing commercial vehicle segments, accounting for 35 per cent of the total commercial vehicle market. The small and large pickup market was a duopoly, with the Equis Pluto pickup leading the market share, and it had been growing at a CAGR of 13 per cent year over year between 2008 and 2016. The pickup market had a total industry volume of approximately 180,000 units, overtaking SCVs, which had a total industry volume of approximately 167,000 units in FY2015–16.[[2]](#footnote-2) SCVs, also called mini-trucks, were used for last mile connectivity, and their buyers were upgrading to pickups that were more powerful, steadily replacing the once popular low-tonnage mini-trucks with premium versions. Industry experts expected the pickup market to have a fourfold increase by FY2022–23.

Pickup share in India had increased from 12 per cent in FY2008–09 to 26 per cent in FY 2016–17. With increased urbanization and improving road conditions, consumer demand grew for pickups, which had a higher payload than SCVs and offered similar fuel economy and price. A changing market and consumer need fuelled the need for more powerful vehicles. SMC saw the opportunity to grow in this segment and extended its strong, established brands like the SMC Eco, which was the market leader and accounted for almost 98 per cent of sales in the price-sensitive consumer segment.

The pickup market was further subdivided into two categories: small pickups and large pickups (see Exhibit 2). Small pickups, with their optimum payload and higher mileage, offered a value proposition of the lowest total cost of ownership. Their narrow body width and low turning radius facilitated navigation through narrow lanes. Large pickups promised higher earnings through higher overloading and faster turnaround time. They were known for superior performance due to their powerful engines, traction, and good loading space. Although the primary criteria for purchasing these vehicles were features relating to commercial use, consumers were starting to look at pickups as a lifestyle product. SCVs and pickups, in particular, were being bought for personal use, and the type and brand of pickup signalled the social status of the owners.

Competition

In the mini-truck segment, which was seeing a lack of financing and overcapacity in the market, SMC remained the market leader. Its popular brands like Eco and Eco Plus captured a market share of 75 per cent. Equis’s competing Reco brand trailed the SMC Eco.

Equis remained the leader by far in the pickup segment, which had higher sales than mini-trucks (< 2 tons) during the April–November 2015 period. In the pickup category, Equis had an overwhelming 70 per cent market share as its Duo truck gained popularity. Mehan Motor Group’s Sakha, designed for a payload of 1.25 tons, secured second position in this category with a market share of 14.7 per cent. The company sold 17,050 units in 2015, up from 15,235 units in April–November 2014—a year-over-year growth of 11.91 per cent.[[3]](#footnote-3) SMC, which was in third spot in this category with a market share of 13.7 per cent, had consistently ceded market share to rivals. SMC had a range of products in this category, including the Eco Plus, the 115PD, and the Supreme. It registered total sales of 15,738 units in April–November 2015, down from 14,325 units in April–November 2014—a year-over-year dip of 9.8 per cent.

While SMC was leading the market in the mini-truck segment, it managed to improve its position in the pickup segment with the SMC Eco Plus, and it regained the second position it had lost to Mohan Motors in FY2015–16. The Eco Plus was priced at ₹430,000 and sold 6,000 units, surpassing more established products. Isuzu Motors Ltd., a new entrant in the segment, sold 885 units of the D-Max in April–November 2015, up 85 per cent over the 476 units it sold in April–November 2014.[[4]](#footnote-4) The company was expanding its dealership network across the country and had taken aggressive action in building a foothold in the Indian pickup market, further intensifying the competition.

Pickup ApplicationS and Consumer Behaviour

Pickup trucks were used by small business owners who did not require heavy transport vehicles and worked close to their homes. Small business owners were mostly price sensitive and demanded powerful and durable yet efficient vehicles at the lowest possible cost. This acquisition cost sensitive consumer segment preferred a crude yet powerful vehicle with a flat bed at the rear. As consumers’ buying power increased, they became sensitive to returns on investments and identified pickup trucks as a good alternative. The crude yet powerful and efficient vehicle allowed other consumers to experiment with the design, add features, and make it more personal. This second group of consumers turned the pickup truck, originally a livelihood product for commercial applications, into a lifestyle product. Pickups were also used commercially in the agriculture, fast-moving consumer goods, white goods, poultry, dairy, and bottle-carrying industries. Original equipment manufacturers provided customized applications for pickups so that they could be used as courier vans, delivery vans, cash vans, and refrigerator vans.

Consumer Research and Market Segments

Mehragan and Seth had been working with their team to understand the customers and their buying patterns. The team started with understanding the reasons for the poor performance of the Supreme pickup compared to its competitors. The market research team conducted a market survey to understand various customer needs and how they differed across customer segments. Surveyors interviewed captive users, market loaders, and contractual loaders from Tier 1, 2, and 3 cities across India. The technical specification comparison had already indicated that the Supreme had a lower payload, lower overloading capacity, and lower mileage than the Equis Pluto pickup; this led to a high total cost of ownership. However, it had one of the highest engine powers in the category. Consumers were asked to compare the Supreme with the Pluto on certain parameters (see Exhibit 3). Customers rated the Supreme low on mileage, maintenance, and overloading capacity but strong on factors such as safety, driver comfort, loading space, durability, and breakdown-free operation.

Although the competitive benchmarking identified problem areas, it was still not clear how the SMC Supreme pickup could be made competitive. The consumer research showed that high payload, fuel efficiency, vehicle pick-up, and low maintenance and price were the most important vehicle attributes for mass-market customers in India (see Exhibit 4), whereas consumers in the international market preferred safety and comfort over other attributes. Payload and fuel efficiency affected the customer’s operating economics, or total cost of ownership, which was the main purchase driver in the Indian market. A higher payload, similar fuel economy, and lower price gap between the SCV and the pickup had resulted in a shift in consumer demand toward pickups. However, experts believed that the under-one-ton segment would stay relevant for first-time users who needed better financing options.

The market data also revealed differential behaviour. The analysis of customer needs, applications, and usage patterns for pickups helped SMC identify four discrete segments: overload (load king), price sensitive (investment optimizer), value (mileage optimizer), and performance (reliable workmate), each with primary needs (see Exhibit 5). Although total cost of ownership was the most important parameter for commercial vehicle owners, factors that ensured satisfaction were different for other customers. The value segment and the price-sensitive segment witnessed higher growth than other segments in the overall pickup category. This indicated that customers running on city routes preferred vehicles with an optimum combination of rated load and mileage, and that price was the deciding factor for these customers. Brands like the Equis Duo truck and Mohan Motors’s Sakha fell into this category. The performance segment and the price-sensitive segment represented around 4 per cent and 12 per cent, respectively, of the total pickup market in FY2016–17, indicating that these segments made up a small customer base (see Exhibit 6).

The market data showed that the Equis Pluto pickup and the Equis Duo truck were the segment leaders in the overload and value segments, respectively, and that they commanded the highest market share. An in-depth study of various brands in the pickup segment uncovered customer perceptions of SMC’s Supreme pickup as the preferred vehicle in the performance segment, whereas the Equis Pluto pickup was preferred in the overload segment. The study also revealed that the overload and value segments were growing areas in which Equis was the leader; SMC was not even present in these segments. SMC had positioned the Supreme pickup in the overload segment to garner sales in the large-pickup segment. However, customers indicated that the Equis Pluto pickup performed better than the competitors did on attributes like overloading, fuel efficiency, engine pick-up, and maintenance cost. Customers perceived the SMC Supreme to be a performance pickup with a focus on comfort and style, and it was a preferred vehicle in the reliable workmate segment. These positive consumer perceptions were further enhanced with the communication strategy for the Supreme, which focused on four features: “feels smart, looks smart, works smart, and functions smart.”

The Decision

Mehragan and Seth knew the problem, but the path ahead was not clear. They knew that the Supreme was not perceived appropriately in the market. They needed to have a product that was clearly differentiated from the Duo and the Pluto pickups and that focused on the needs of a particular segment. SMC had to carefully craft this difference by providing the necessary attributes and continuing to ensure value to consumers. They already had two other offerings, so they needed to differentiate clearly among their products to avoid cannibalization.

Mehragan created a two-pronged approach for the Supreme:

(1) Enhance the product to improve overloading capability in the overload segment, to compete head on with the Equis Pluto. SMC could do this by improving the vehicle’s traction through the following improvements: a higher rear-axle ratio; increased tire-ply rating, for greater load-carrying capacity; and increased tire width, for better road grip and overloading. The company would also need to increase loading space by increasing the vehicle’s load body length. This would involve durability and reliability testing of the frame, load body, and the rear axle. The vehicle would also have to be tested on different terrains. This required around 12–15 months of development time and an estimated investment of ₹30–50 million.

(2) Improve mileage to appeal to the value-seeking mileage optimizer segment. The company could compete with the Equis Duo pickup and position the Supreme in the mileage optimizer segment by reducing the vehicle’s curb weight and developing a suitable drive train (to achieve greater mileage and reduce the total cost of ownership). This was a huge task, as every vehicle component—frame, load body, axles, suspension, and cab body—would have to be redesigned to suit the lighter application requirement. Tuning the drive train to suit this application would require changes to the engine, transmission, and axles. This complete redevelopment of the vehicle could take 18–24 months and an estimated investment of ₹200–250 million.

SMC also had to differentiate its products to compete against the established market leader. This would require the company to focus not only on the key drivers that influenced purchase decisions but also on some of the un-met needs that could attract customers to SMC’s offerings.

Mehragan went back to the drawing board and thought over the options. How could SMC correct the positioning and hence the perceptions of the Supreme? Should it reposition the Supreme in the overload segment or the mileage optimizer value segment—or should the brand be moved to the performance (reliable workmate) segment, where consumers felt it belonged? Alternatively, should SMC kill or extend the Supreme brand and launch a new brand in the load king and mileage optimizer segments? Although the Supreme was not positioned strongly, it had managed to gather huge brand awareness from customers and was perceived as a premium offering in the pickup segment. If the company decided to continue with the Supreme, should it have a different brand for each of the growing segments to ensure the brand’s presence across all of them, or should it extend the Supreme brand across only some segments?

Mehragan turned to Seth, who was engrossed in numbers and trying to find the right solution. He felt that a brand extension and architecture reading might provide some direction, and help them find answers.

Dr. Ashita Aggarwal is a Professor of Marketing at S.P. Jain Institute of Management and Research, Mumbai (India)

Exhibit 1: Pickups in India

|  |  |  |
| --- | --- | --- |
| **Description** | **Classification Based on Gross Vehicle Weight (GVW)** | **Some Popular Brands** |
| Small Commercial Vehicles | < 2.0 tons GVW | * SMC Eco * Equis Duo 34 * SMC Eco Zip |
| Pickups | 2.0–3.5 tons GVW | * Equis Duo * Equis Pluto |
| Light Commercial Vehicles | 4.0–7.0 tons GVW | * SMC 4 ton |
| Intermediate Commercial Vehicles | 9.0–16.0 tons GVW | * SMC 9–12 ton |
| Medium & Heavy Commercial Vehicles | > 16.0 tons GVW | * SMC |

Source: Created by the authors based on company documents.

Exhibit 2: differences between Small and Large pickups

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Application** | **Usage** | **Operating Load** | **Price (₹)** |
| **Small Pickup** | * SMC SuperEco * SMC Eco Mega * Mohan Motors Sakha * Equis Duo Plus | City | Light | 1–2 tons | 475,000–510,000 |
| **Large Pickup** | * Equis Rello * SMC Supreme | Rural/City | Overload/Rugged/Comfort | 2–3 tons | 575,000–700,000 |

Source: Created by the authors based on company documents.

Exhibit 3: Consumer perception of Equis Pluto and SMC Supreme pickups

|  |  |  |
| --- | --- | --- |
| **Attribute** | **Pluto Perception Score on Attributes (%)** | **Supreme Perception Score on Attributes (%)** |
| High Load-Carrying Capacity | 37 | 20 |
| Fuel Efficiency | 48 | 16 |
| Good Pick-Up | 28 | 5 |
| Low Maintenance | 36 | 12 |
| Price | 18 | 16 |
| Loading Area | 15 | 25 |
| Driving Comfort | 14 | 19 |
| Engine Power | 27 | 13 |
| High Speed | 10 | 13 |
| Easy Financing | 14 | 10 |
| Easy Repairs | 2 | 7 |
| High Ground Clearance | 7 | 14 |
| Availability of Spare Parts | 7 | 9 |
| Resale Price | 8 | 11 |
| Brand Value | 13 | 12 |

Source: Created by the authors based on company documents.

Exhibit 4: Key purchase drivers for pickup customers—product attributes important to customers

|  |  |  |  |
| --- | --- | --- | --- |
| **Attribute** | **Percentage Importance** | **Attribute** | **Percentage Importance** |
| High Load-Carrying Capacity | 55 | High Speed | 11 |
| Fuel Efficiency | 40 | Easy Financing | 10 |
| Good Pick-Up | 32 | Easy Repairs | 8 |
| Low Maintenance | 20 | High Ground Clearance | 7 |
| Price | 16 | Availability of Spare Parts | 7 |
| Loading Area | 15 | Resale Price | 4 |
| Driving Comfort | 13 | Brand Name | 2 |
| Engine Power | 11 |

Source: Created by the authors based on company documents.

Exhibit 5: Segmentation for pickup market

|  |  |
| --- | --- |
| **Segment** | **Primary Needs** |
| Reliable Workmate (Performance Segment) | * Powerful engine * High capability to manoeuvre on rough terrain * Faster turnaround |
| Load King (Overload Segment) | * High loading and overloading capability * Better drive quality (needed for longer working hours) |
| Mileage Optimizer (Value Segment) | * Balance between mileage and load * Lower down-running costs (to maximize earnings) |
| Investment Optimizer (Price-Sensitive Segment) | * Value derived from the product (price sensitivity) * Fewer expectations of other vehicle features |

Source: Created by the authors based on company documents.

Exhibit 6: Segment-wise sales in Pickup market, FY2011–2016

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Segment** | **Percentage Share of Segment Sales** | | | | | |  |
|  | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **% CAGR** |
| Load King | 71 | 59 | 41 | 40 | 45 | 44 | 6 |
| Reliable Workmate | 4 | 10 | 7 | 9 | 5 | 4 | 13 |
| Mileage Optimizer | 20 | 21 | 36 | 38 | 42 | 43 | 31 |
| Investment Optimizer | 6 | 10 | 17 | 13 | 7 | 12 | 30 |
| Segment-Wise Sales (000 units) | 78 | 107 | 189 | 193 | 176 | 182 |  |

Note: FY = fiscal year; CAGR = compound annual growth rate

Source: Created by the authors based on company documents.

1. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; ₹1.00 = US$0.02 in January 2016. [↑](#footnote-ref-1)
2. Kiran Bajad, “Mahindra & Mahindra keeps rivals at bay in Inida’s pick-up market,” Autocar Professional, May 12, 2017, accessed February 5, 2018, <http://www.autocarpro.in/analysis-reports/mahindra-mahindra-rivals-bay-indias-pick-market-24649>. [↑](#footnote-ref-2)
3. Society of Indian Automobile Manufacturers, “Automobile Sales in India,” accessed December 2014. [↑](#footnote-ref-3)
4. Ibid. [↑](#footnote-ref-4)