



**Consulting Czars 2023**

**Round 3**

## Background:

One fine evening when Dr Ramesh Paul Anthony (RPA) - a renowned cardiologist, walked over to the newest Cycle-Otron cycle store to get his old but sturdy Hades cycle repaired, he noticed Mr Ramen Majumdar (RM)- his neighbour who was also the CEO of Majumdar Oil and Gas Limited intently looking at various bike models. Dr RPA couldn't suppress his surprise at finding Mr Majumdar in the store, and he walked over to have a friendly conversation.

Dr RPA: Why Ramen, what a pleasant surprise to see you after such a long time, that too in a cycle store!

Mr RM: Hello, Ramesh; so good to meet you, my friend. I have joined a cycling club... just trying to get into shape this year, you know. It is my New year's resolution, Ramesh, to get fit, healthy, and energetic like you. *(Both share a good laugh)*

Dr RPA: Good to hear that, Mr CEO; it is about time we take some time off our hectic routines and give our bodies some well-deserved exercise.

Mr RM: Haha, definitely, Ramesh; we have neglected our well-being for long enough. But it's never too late to turn over a new leaf. Now that Covid is almost behind us, it feels like the perfect time to start exercising again.

Dr RPA: Haha, I see you have hopped onto the "New Year, New Me" bandwagon Ramen. Anyways, which cycle are you looking for? Is anything particular on your mind?

Mr RM: Glad you asked Ramesh, I have been walking around the store for quite a while now, but I am just unable to make up my mind. All the cycles look so appealing but also so different from the processes we used to ride back in our hey days. Things have changed in the cycle industry.

Dr RPA: Ramen; we have been so engulfed in the world of cars and motorbikes that we haven't even noticed the newest innovations in the bicycle industry. Look at my Hades Roadster bicycle, for instance. It has lasted me a good seven years, but it doesn't have half as many features as the cycles they design these days.

Mr RM: And they even have e-cycles these days. Oh, Ramesh, we are being spoiled for choice. I was thinking of buying one of these sturdy Hades bikes, but then I wanted something edgy and fresh that portrayed my personality. Those Zeus, Medusa and Fireflies cycles look pretty fancy, don't they?

Dr RPA: Haha, definitely Ramen; although I am a loyal Hades customer, I agree that they could provide us with newer features and designs like their competitors. But then Ramen, don't you think we should focus more on the cycle's utility, durability and sturdiness rather than just its looks?

Mr RM: Your point holds much value, Ramesh, but I am not a health enthusiast like you, Doctor. For a 9 - 5 office worker like me, a cycling newbie, the fresher and catchier the build and the design of the cycle is, the more motivated I'll feel to use it every day.

Dr RPA: It makes sense, Ramen. Let's look at a few cycles together. After all, even my Hades Roadster needs to be updated. It's about time even I make a new purchase.

## Cycle Industry

Bicycles have been a significant vehicle for personal transport for decades. The popularity of bicycles among the middle and well-off in India has declined as technology has developed. Still, it is crucial due to fitness and adventure biking priorities. Growing congestion, industrialization, and sustainability are pushing rising cycling demand in India. The e-bike movement is gearing up for existing and future enthusiasts to increase.

### Manufacturing

The global bicycle industry has made significant material technology advancements over the past 20 years, including alloys, composite metal matrix (CMM), carbon fiber, plastics, titanium, injection molding, and magnesium, linked to sophisticated production techniques (like CNC milling combined with computer-aided design-based R&D, as in frame and component designing) (such as hydraulic suspension and brake systems, disc brakes, auto and electric gear changing, microchip sensing systems, specialization in tire technology, saddle manufacturing, gear changing devices, folding bicycle design and electric bicycles). These have increased the value of more expensive modern bikes.

Currently, the Indian bicycle industry mainly manufactures steel roadster bicycles in primary forms for government tenders, children's bicycles, and a few high-end models. The majority of Indian bicycle producers are currently unable to produce and market the kinds of bikes that are sought after in international markets; these bikes are aesthetically and technically superior, made of high-end materials, allow for multiple speed settings, and necessitate several specialized components.

## Hades Bicycles

The Rick Riordon founded Hades Cycles in Olympus in 1956, and it was his foresight, and economic acumen that enabled Hades to get where it is today. Hades Cycles is the market leader in India, with an annual manufacturing capacity of over 7.5 million cycles and a market share of more than 43%.

With the creation of the 380-acre Hades Industrial Park in Olympus, Hades Cycles has also contributed to India's transition to self-sufficiency. **Hades ships goods with export standards from their manufacturing location to the domestic market.** Hades's primary focus is to adapt to the times as they change. **With modern designs, limited-edition Hades Sprint Experience**

Stores, appealing EMI plans, accessories, and routine maintenance, it has captured the hearts and minds of the domestic population.

Key offerings and features of Hades cycles include:

- Cycles for all age groups and unique cycle variants for kids, males and females
- Hades offers bicycles in multiple categories such as Mountain Bikes, Cyclocross Bike, Road Cycling Bike
- Newly ventured into the e-cycle category
- It caters to the Indian clientele that prefers high-end cycles, as the main focus is on creating premium quality.
- Cycle prices range from Rs 3000-9000 in the moderate cost segment to more than Rs 1 lakh in the Super premium segment
- It uses an aluminium frame to make it faster, lighter and easier to manoeuvre as compared to conventional bikes, but it might not be the most environment friendly

Hades focuses on robustness and maximum value-for-money offerings. On average, a Hades bicycle lasts 6-7 years and up to 10 years with routine part maintenance.

Some of Hades's most popular cycles are- Hades Storm, Hades Sprint, Hades SH5, Hades Big Daddy and Hades Lectro E-bicycles.

As of 2020, Hades cycles was a zero-net debt company with cash reserves of over Rs 10 billion and was looking to acquire global brands to expand its portfolio operations aggressively. In 2015 Hades Cycles acquired Fireflies Bikes Pvt Ltd in an all-cash transaction and, as a part of the deal, gained complete control over the inventory of cycles, accessories and spares along with exclusive distribution rights of 'Trek'. However, it was decided that Fireflies Bikes would continue to run as an independent company.

Hades has also acquired Aphrodite Sports and CNS as they expanded into the European market, the market for electric cycles, and the need for super-premium high-end bicycles.

## Competitors

Low to medium-priced bikes, which made up around 60% of the market share in 2017, was produced by brands like Medusa, Hades Cycles, and Poseidon Cycles, which have enormous consumer penetration. Brands like Fireflies and Ra by Decaf break into the high-end market.

### Medusa Bicycles

Medusa Cycles Ltd., based in Bermuda Triangle, produced its first bicycle in 1952. It started with a modest 120 cycles/day and eventually became India's second-largest cycle manufacturer. It emerged as the largest exporter of bicycles from India. In 1982, Medusa became the official supplier of bikes to the 9th Hunger Games in Delhi. In 1978, Medusa also made the first racing bicycle available in India. Since then, the company has expanded to include a variety of goods for practically all market sectors and age ranges. However, due to insufficient funds, Medusa Cycles decided to shut down its manufacturing units and end its 60+ year old 2020 until it had enough funds to revive operations.

Some of their most popular bikes include- Medusa Cross 24T, Medusa Flavor 20T, and Medusa Snap Fshox 24T Multispeed.

## Zeus

Zeus was established in 1951 by the Camp Half Blood Group (TI Cycles). Zeus also serves as an umbrella brand with popular brands such as Dionysus, Lotus City and Hephaestus. For the past 70 years, till date, it has been producing top-quality bicycles in India.

Zeus bicycles are mainly known for their toughness and durability. Easy accessibility, wide variety (including both regular and mountain bikes, hybrid and electric bikes), separate segments for men, women and kids, and low cost to super premium offerings have fast made Zeus a common household name in India.

Some of their most popular bikes include- Zeus Roadeo NFS 29t, Zeus Flunk, Zeus Donor RF, and Zeus Hister series.

## Poseidon

Poseidon bicycles were incorporated in 1952 in Punjab. Poseidon cycles are known for its excellent quality, economical price, and ethical business practices. It is the only bicycle group in the world that has practised full backward integration giving it a unique position and competitive advantage. It focuses on providing a wide choice, up-to-date technology, affordable prices, streamlined distribution and appealing social messages.

Some of their most popular bikes include- Poseidon Gamer NV, Poseidon Senapati, Poseidon Cruiser and Poseidon Traxx.

## Problem statement

You have been hired as an external consultant for Hades cycles. The company had previously held a significant market share and stood as the industry leader. In the recent past, the company has undergone substantial changes and has started to lose market share due to increased competition in the industry. To abet the situation, the company launched multiple marketing campaigns. However, despite the initial traction, the growth of new customers has plateaued, whereas new entrants in the industry have gained traction. As a consultant, the company has posed the following questions to you.

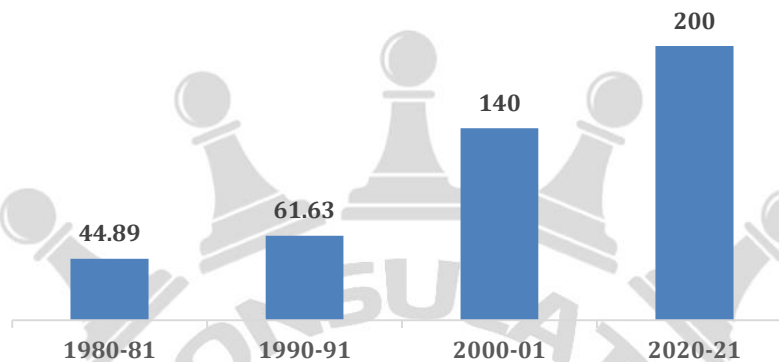
- What are the most attractive opportunities to increase profits?
- What are the potential threats to existing profits, and how should the company counter them?



## Exhibits

### Exhibit 1: Growth of the Bicycle Industry

#### Production (in Lakh)



### Exhibit 2: Types of Bicycles

- Road bikes: Roads.
- Mountain bikes: Off-road.
- Hybrid/commuter bikes: A bit of everything.
- Gravel Road bikes: A bit of everything, but with a road bike feel.
- Folding bikes: Commuting, leisure or touring for the short-on-RPAce.
- Electric bikes: An electric-assisted bit of everything.
- Touring bikes: designed for carrying loads over longer distances while remaining comfortable for the rider.
- Women's bikes: All of the above, designed specifically for women.

### Exhibit 3: Product Range

#### ➤ Hades

- Premium
  - Octo Falcon - Rs. 46800
  - Octo Salmon - Rs. 45750
- Mid-Range
  - Spring Trip - Rs. 15,655
  - Spring Mile - Rs. 13,860
- Affordable
  - Urbo Track - Rs. 9,410

#### ➤ Ra (Decaf)

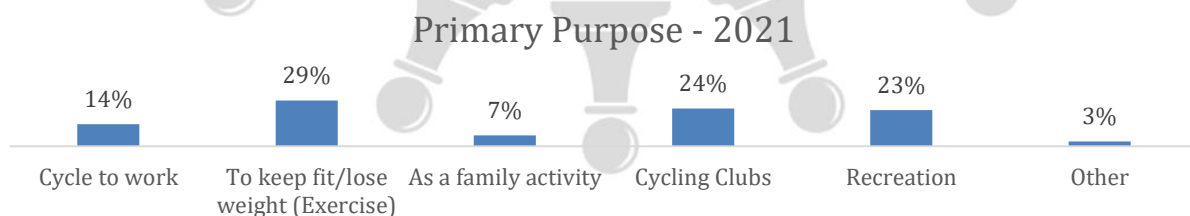
More inclined towards high-range bicycles through the online distribution channel.

- Super Premium
  - Shadowrider 600 - Rs. 2.65 Lakh
  - Vin Diesel (Road racing) - Rs. 1.69 Lakh
  - Tribal - Rs. 1.19 Lakh
- Premium
  - 40k to 1 lakh
- Mid-range
  - 15k to 40k
- Affordable
  - less than 15k

#### ➤ Zeus

- Premium
  - Hephaestus Rock series - Rs. 44,650
  - Rodeo - Rs. 16K to 19K

### Exhibit 4: Primary Purpose to buy cycle (% respondents)



**Exhibit 5: Primary Features required in a cycle (% respondents)**

