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# Relaunch Practices in India with a Special Focus on Relaunch of Vespa Brand - An Investigation

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## Abstract

*Vespa scooters from Piaggio, Italy were one of the most iconic brands in the Indian scooter segment during the 80s and 90s. This was the phase when two wheeler segments was mostly dominated by scooters with leading players like Bajaj and Piaggio. Slowly two wheelers markets saw a gradually shift from scooters with gears to gearless scooters. Currently since last decade Indian two wheeler market is flooded with gearless/automatic scooters and motorcycles with gear thus scooters with gears were virtually out of the Indian market. Major players in two wheeler segments are Delhi-based Honda, followed by Hero Motor Corp and TVS Motors. Piaggio decided to re-enter the scooter segment in India with re launch of the Vespa brand last year in the highly competitive two wheeler segment with Vespa LX125. The entry was no doubt with a big bang by launching a premium model at a price of Rs 66,661 (ex showroom). Vespa launch price was significantly expensive when compared with the highest selling scooter Honda Activa which is available at a price of Rs 51,220. While Piaggio believes that it has no intention to launch or enter the low cost segment which is highly competitive, charging high price by creating a premium category in the scooter segment might be one of the strategies which if successful will pave the way for launching new products in emerging countries like India by creating a price differentiation on the higher side and not by reducing the price to enter the market. This article through secondary research is focussing on the various re launch strategies and their implications with a focus on Vespa brand from Piaggio in India.*

**Keywords:** Relaunch, Positioning, Differentiation

## 1. Introduction

Iconic Vespa scooter from Italian automaker Piaggio Vehicles Pvt Ltd is back on Indian roads. Piaggio has re launched the Vespa with brand name Vespa LX125 in India on April 26, 2012. Piaggio is the fourth largest maker of two wheelers in the world, but has not been able to make any significant impact alone in the Indian market. It has been a leading brand on the Indian roads 20 years back with Fireflies, but had to quit Indian market after the renewal licence was declined. This development paved the way for Bajaj to launch the Chetak scooter brand. Piaggio again made a re-entry in 1983 in collaboration with Lohiya Machinery Limited (LML) group. This tie up also did not last long and they had to again move out of India after a long battle with the Indian partners. The recent re-entry last year in India two wheeler market was for the first time through their own Indian arm without any external tie-ups. Piaggio is manufacturing the Vespa scooter in India in Baramati plant where commercial three and four wheelers are also manufactured. Vespa has the advantage of being the only scooter in the world to have

a single piece monocoque chassis. While launching the Vespa in India, Piaggio Vehicles Pvt Ltd Chairman and Managing Director Ravi Chopra said "Right now there is no premium segment in the Indian scooter market but we believe there are a significant number of brand conscious young people who would like to make a statement. Vespa is creating a premium segment by targeting those customers" (IBNLive.com, Apr 26, 2012). The ex showroom price of Vespa scooters in New Delhi, is Rs.60,000 (Vespa India, 2013) which is quite high when compared with other scooters available in India. Close competitor for Vespa brand is Honda Activa who is the leader in this segment followed by Hero, TVS & Suzuki (Arun Aravindan, May 10, 2013). Some of the commonly available scooter brands along with prices are shown in Table 1 which makes Piaggio Vespa the most costly scooter brand both in the 100cc and 125cc scooter sub segment. Piaggio is also not immediately entering the motorcycle segment as they are willing to wait and watch, and bring brands which will be suiting to the Indian

customer needs. Also Piaggio is investing around Rs 180 crore to set up a 1,50,000 unit per year capacity plant at Baramati in Maharashtra (fe Bureau, Aug 2010). But the sales trend has not been quite encouraging. Piaggio has been able to manage sell only 25,000 units of Vespa LX125 since launch till Jan 2013 (Jyotsana Gupta, January 17, 2013).

## 2. Literature Review

Overall the Indian two wheeler segment is currently witnessing a slowdown phase by recording a volume growth of 3.9% Year on Year (YoY) and exports volume taking a hit at (-) 1.1% YoY in 2012-13. Factors for the slowdown can be attributed to rising petrol cost, high inflation, high interest rates and weak monsoon. However based on 2012 volumes India is now the largest 2 wheeler market with sales volumes of 13.8 million units in domestic market followed by China at 12.6 million units. (ICRA, March 2013). Domestic two wheeler volume growth was 3.9% YoY in 2012-13 impacted due to 0.9% YoY growth in the motorcycle segment. However scooters segment performed better than motorcycles in 2012-13. Scooter segment share in the domestic two wheeler industry increased from 17.5% in 2010-11 to 21.1% in 2012-13 (ICRA, March 2013). In the month of April when compared to last year shows positive trends for the scooter segment. Honda has shown a 15.47% increase for the month of April 2013 against April 2012. Hero motors also have seen positive sales increase of 37.71% against last year April 2012, while Suzuki and TVS have suffered a growth decline during the same period. Segment performances by companies have shown that Honda continues to maintain their leadership position and have shown an increase in segment share from 50.8% to 51.16%. Hero motors the makers of Pleasure two wheeler brand had their share increased from 17.7% to 21.25%. (Arun Aravindan, May 10, 2013). Piaggio not only will be restricting to the sales of Vespa it is also planning to enter the motorcycle segment by initially importing high end premium bikes motorcycles like Moto Guzzi and Aprilia and subsequently manufacturing from India. Chairman and CEO, Piaggio & C S P A Roberto Colaninno says, "We believe that in the next two years the only possibility for Aprilia and Moto Guzzi is to import from Italy to India before we start production." While the bikes will be high-end machines, the Vespa will bring in the volumes (Sumantra Barooah, CNN-IBN, Jan 25, 2008). Piaggio entry into the Indian two wheeler market is a part of a bigger strategic move to build Asia as a major hub for international business. Total investment by Piaggio in this region was close to 100 million euros out of which 65 million is to be invested in India. Investment will be utilised to launch a four wheeler a sub 2 ton cargo carrier and in partnership with Toyota group company Daihatsu to initiate engines manufacturing. As per Piaggio Vehicles MD Ravi Chopra says, "Either in Latin America, or Africa or South East Asia we are looking for an opportunity where we can create a facility and take advantage of low cost production." New plans, new investments in markets like India, Vietnam and China, and trading offices in Japan and Singapore, Piaggio is moving fast to ensure that it rides on every opportunity

in Asia, especially when its European markets are getting stagnant (Sumantra Barooah, CNN-IBN, Jan 25, 2008). At the time of launch Piaggio Vehicles Pvt Ltd Chairman and Managing Director Ravi Chopra said "Right now there is no premium segment in the Indian scooter market but we believe there are a significant number of brand conscious young people who would like to make a statement. Vespa is creating a premium segment by targeting those customers" (IBNLive.com, Apr 26, 2012). He also said "We reckon there is tremendous excitement brewing among Indian consumers to experience the original Italian Vespa that is an icon of distinctive lifestyle. With its Indian foray, Vespa will serve the unfulfilled need of fashion, style and brand conscious individuals who'd like to make a unique statement in mobility" (Overdrive, Apr 15, 2012).

LML also re launched "Freedom" the 110cc motorcycle in India in June 2013. However the launch is not across India, but is launched in New Delhi and subsequently it will be launched in Gujarat, Maharashtra and Punjab. LML is best known for its scooter brand LML Vespa in partnership with Piaggio. At company level LML growth story declined after breaking up with Piaggio in 1999 and also a lock out in its Kanpur factory in 2006 which had impacted operations and profit. LML Freedom was discontinued for dropping sales which was an 110cc engine launched in 2002. LML Freedom was withdrawn as there was dissatisfaction and average design of the vehicle which could not compete against leading brands like Bajaj and Hero Honda. Even the company financials are not strong. In the year 2011-12 LML posted a net loss of Rs 45.2 crore. In the latest available quarter December 2012, LML net loss was Rs 17.46 crore from Rs 9.25 crore in previous year (Sohini Das & Premal Balan, Business Standard, April 12, 2013). LML again re introduced the Freedom vehicle by changing equipment and with cosmetic changes. Engines remained the same but 110cc four stroke engines but now have more power and also meeting the new emission standards. Cosmetic changes include new visor, headlamp, new two tone color, electric start, black alloy wheels, saddle better padded to increase the comfort level of both pillion and rider. It is launched in 2 versions LX and DX with a price of Rs. 49,750 and Rs. 49,410 respectively (ex-showroom, Delhi). While the latest Freedom might be a good motorcycle when compared to its past predecessor, regaining past confidence, faith and rebuilding the brand might be a challenging task against competitors like Hero, Honda, Bajaj and Mahindra & Mahindra (Autosmaxabout.com, June 2013).

Mahindra two Wheelers part of Mahindra & Mahindra one of the leading four wheeler manufacturer faced initial hurdles when it entered the two wheeler segment with the launch of Stallio 110 in 2010-11. Mahindra decided to go alone into the market without any foreign collaboration or tieups both in marketing and R&D to launch Stallio 110 but was withdrawn within six months of launch due to gear box and other quality issues. Mahindra again re-entered into the Indian two wheeler market with the launch of 2 new and almost similar vehicle called Centuro and Pantero. Pantero's looks is

almost similar to the earlier withdrawn Stallio 110 with no major changes in design. Headlamp, tank design and the rear of Pantero is almost similar to Stallio 100. Engine is almost same 106cc single cylinder, 4-stroke, Air cooled, Micro Chip ignited (Mci)-5 engine. The new Micro Chip ignited-5 Curve engine by Mahindra automatically adjusts itself to give great pick-up on slopes or mileage on flat roads. Its maximum power delivery is 6.25 KW (8.5 PS) @ 7500 rpm and comes with a 4 speed gear box. (Rishabh, March 4, 2013). While technically most of the scooters have undergone changes to suit the needs and requirements of the customers at the time of launch, also the strategy which was adopted during launch is different. One of the most suitable positioning strategies which can be used to find out the various relaunch strategy used to launch 2 wheelers in India was suggested by Harvard Business School Prof Youngme Moon. Prof Moon proposed 3 positioning strategy which can be used to relaunch a product as per the position in the product life cycle. These positioning strategies are Reverse Positioning for Services, Breakaway positioning for Packaged goods and Stealth positioning for launching in a new category. As per Prof Moon, "Stealth Positioning works by moving a product out of a category that customers may resist and placing into a more desirable one. Thus it is well suited to categories whose product are perceived as having short comings like difficult to use, unreliable or threatening" (Harvard Business Review, May 2005).

## 2.1 Research Methodology :

Secondary research methodology has been adopted for this study. Data were collected by performing searches using the key words in EBSCO and J Gate. Searches were also performed in Prowess (Info media) in order to get the latest sales and volumes trends.

## 2.2 Results and Discussions :

The domestic two wheeler scooters account for 21 per cent and has witnessed 16 percent market growth and accounted for sales of 2.67 million units in April- February 2013 against 2.30 million units in the year-ago period. 100cc-125cc segment in bikes is fastest growing segment. Most of the launches happen in this segment with prices across wide range from entry segment pricing to high end premium segment. While vehicles with low price are large in number, premium vehicles are less since it may not attract maximum customers. Piaggio after exit from Indian two wheeler market re-entered with Vespa 125 LX .Vespa was launched by targeting the premium segment in the Indian scooter market since none existed and Piaggio believed that there are brand conscious young people very significant in number who will prefer this vehicle. These people are brand conscious and love style and fashion which should reflect in the vehicle and Vespa 125LX addressed that. But high price at Rs.60,000 (Vespa India, 2013) during the time of launch was considered quite high when compared with other scooters available in India. LML Freedom was removed from market due to average design and lack of product satisfaction among the bikers and could not stand against stiff

competition. LML Freedom was re launched by initially focussing on north of India. Freedom was changed as per customer feedback. Most of the changes were on improving cosmetics look while engine remained same. For LML Freedom the relaunch strategy was to use LML brand due to good brand recall and re launching the upgraded vehicle. Stallio 110 from M&M was withdrawn from Indian market due to quality and technical issues in the vehicle like one of the major issues was the gear box. Stallio 110 was relaunched as Pantero. Pantero's looks is almost similar to the earlier withdrawn Stallio 110 with no major changes in design. Mahindra relaunch strategy for Stallio was to launch an improved product version with a new brand name. While LML preferred to keep the same brand LML freedom due to high brand recall, Mahindra preferred to relaunch under a new brand.

Positioning strategy for Vespa 125 LX, LML Freedom & Stallio were different based on the past experiences they had faced in the market. Mahindra & Mahindra senior management were candid to accept that the Stallio 110 had quality issues which they had learnt and had taken proactive steps to relaunch it. So the relaunch strategy was to resolve the quality issues and relaunch Stallio 110 as Pantero. M&M has adopted the Stealth positioning strategy to relaunch Stallio 110 as suggested by Harvard Business School Prof Youngme Moon. As per Prof Moon, "Stealth Positioning works by moving a product out of a category that customers may resist and placing into a more desirable one. Thus it is well suited to categories whose product are perceived as having short comings like difficult to use, unreliable or threatening" (Harvard Business Review, May 2005). Mahindra Pantero was launched by using Stealth positioning while technical features remained the same. Also brand named was changed since previous brand name Stallio 110 might be associated with the bad performance and customers might have a bad brand experience if old brand name was kept. While it was just the opposite for LML Freedom, where brand LML freedom was used due to high brand recall. Piaggio Vespa also used stealth positioning strategy to create a different new category altogether. When Vespa was launched first time in India it was launched as a scooter to the mass market. But when Piaggio decided to re-enter the scooter segment then it positioned the Vespa by targeting the premium segment in the Indian scooter market since none existed and Piaggio believed that there are brand conscious young people very significant in number who will prefer this vehicle. These people are brand conscious and love style and fashion which should reflect in the vehicle and Vespa 125LX addressed that. The strategy of targeting the young and stylish people with Vespa 125LX is different strategic positioning when compared to mass offering when it was first launched in India. Also price was kept high when compared to other vehicle in the similar segment since company felt that customers will pay for a premium vehicle brand. Piaggio also retained the Vespa brand name since this was already a fairly established and high recall brand.

### 3. Findings

India is the 2<sup>nd</sup> largest two wheeler market with sales volumes of 13.8 million units in domestic market followed by China at 12.6 million units. While the Overall the Indian two wheeler segment is currently witnessing a slowdown phase by recording a volume growth of 3.9% Year on Year (YoY) and exports volume taking a hit at (-) 1.1% YoY in 2012-13, however scooters segment performed better than motorcycles in 2012-13. Scooter segment share in the domestic two wheeler industry increased from 17.5% in 2010-11 to 21.1% in 2012-13 (ICRA, March 2013). While the Indian two wheeler market holds numerous potential marketing opportunities, still companies have faced many hurdles in this market either due to poor product performances or legal issues which forced them to move out of the market. But these companies have returned back to the India with better marketing offering to suit the customer needs of India. Most of the two wheeler companies who have re-entered India had different re launch strategy when compared at the time of launch. Focusing the current research on the relaunch strategies, Piaggio relaunched Vespa keeping with the same brand name but with a different positioning strategy targeting the young and stylish people and positioning the new Vespa as a stylish scooter. This positioning strategy used was Stealth positioning as suggested by Havard Business School Prof Youngme Moon which works by moving a product out of a category that customers may resist and placing into a more desirable one. Vespa was considered as a common scooter when it ruled the Indian scooter segment in the 90s. But when they re-launched last year instead of positioning as a scooter to the common man, they positioned as premium scooter. Even Mahindra & Mahindra adopted the same strategy to re-launch Stallio 110 with a new brand name called Pantero while the technical features remained same. Since Stallio had quality issues so M&M did not want to continue the same brand name but they re-positioned with new brand name and doing cosmetic changes. LML Freedom was re launched with a new look since the past feedback for the vehicle was bad customer appeal and design. So based on the customer feedback LML Freedom was re launched. Strategy adopted by LML was to come with an improved product into the market as per customer needs and wants.

### 4. Implications

This study was done to identify the various relaunch strategies in the Indian two wheeler market. The various strategies which the companies have identified and implemented will serve as guidance to other prospective players in the market who might be interested to re-enter with similar relaunch strategies. Also the current research will provide sufficient information to take informed decisions of various relaunch practices in emerging economies like India.

### 5. Conclusions

Indian two wheeler markets holds immense potential while currently is facing a slow growth due to various

economical and non-economical factors. No doubt that India recently being the number one two wheeler automobile market in the world as a result it is apparent that all two wheeler manufactures will try to have a market presence felt and capture a pie of the market. In the process few have succeeded while others have learnt the bitter lessons of failure. But the set back was for a brief period and most of the major two wheeler manufacturers were back into the market with revised product and marketing strategy. Two out of the three re launches in the two wheeler segment involved repositioning strategy into a new category. This strategy is called as Stealth positioning moving a product out of a category that customers may resist and placing into a more desirable one. In India this stealth positioning strategy was used to relaunch so that previous short comings and product failures can be put to rest by re launching in a new category. This strategy was used by Piaggio to relaunch Vespa scooters and Mahindra and Mahindra used to relaunch Stallio 110 as Pantero in India. LML launched Freedom by using product improvement strategy. While some of the current strategies used to relaunch are few in numbers we need to see how with increased competitions and passage of time these strategies still hold good or new strategies get developed.

### 6. Limitations

The current research methodology involved collecting data online through secondary sources. Focus of this research is on Indian two wheelers segment for Piaggio Company and Vespa brand. For this research only relaunch strategies were evaluated and not new launch/first launch study. Currently only few two wheelers have been re launched in the Indian market. So the information which is available is limited.

### 7. Scope for Further Research:

Current scope of research was focussed only on Indian two wheeler market which can also be extended and compared to other countries like US, UK, China, etc. which can be researched to identify various strategies at global level. Relaunch strategies used by four wheeler can be studied to see the potential impact and if similar strategies can also be used by the Indian two wheeler sector.

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**Table1:  
Scooters prices and brands available in Indian Market**

Company	Brand	Price in (Indian Rupees)
Piaggio	Vespa LX 125	60000
Honda	Activa	49000
Honda	Honda Aviator	44,100 - 52,400
Honda	Honda Dio 110	46,600
Hero Motorcorp	Maestro	50,000
Hero Motorcorp	Pleasure	42,500
Yamaha	Ray	46,000
Suzuki	Access	48,000
Suzuki	Swish	50,700
TVS	Wego	47,966
TVS	Scooty Pep Plus	39,700
TVS	Scooty Streak	42,580
Mahindra	Rodeo Rz 125	47,200
Mahindra	Duro Dz 125	47,800
Mahindra	Mahindra Kine	33,300
Mahindra	Flyte Sym	43,700

**Source:** <http://compare.pricesofindia.com/vs/honda-activa>