

Case Study

The Revival Strategies of Vespa Scooter in India

Introduction:

A brand becomes a cult when it is an integral part of the social and cultural milieu of the society. Vespa over the years has not only grown with our society, but also has evolved with it over a period of time. Long before, Bajaj Chetak from the house of Bajaj Auto became the scooter of the Indian families; Vespa fell in love with the Indian roads. Vespa has a history of launches & relaunches in India. Once a symbol of the Indian middle class, many people were of the opinion that scooters will die down a natural death, post the closure of Bajaj & LML scooters & a shift of the two-wheeler industry to motorcycles. The ubiquitous 'Hamara Bajaj' was now nowhere to be found.

Vespa was dead brand, a few years ago. But the company has managed to claw its way back to be among the preferred two-wheelers. This article takes a look at the Indian scooter market, giving an overview about revival strategies survival strategies of Vespa

Why Vespa Declined?

A Decline in the Scooter Market— Scooters which were immensely popular among the middle class population of the country started to spiral downwards. Scooters had been leading the two-wheeler auto sales volumes since independence. The focus was now on motorcycles. There was a dramatic shift in customer preferences. People now started having more affinity towards motorcycles. This was the classic case of change in customer preference due to their lifestyle

Fuel Efficiency, a Concern— Motorcycles are found to be more fuel efficient than scooters. Petrol prices from the late nineties to 2012-2013 have increased more than 100%. A regular 100 cc bike gives a mileage of 60 kmpl, whereas a scooter with similar engine composition has a mileage of about 35 kmpl. The worry is compounded due to rising prices of fuel.

The Revival:

The Renewed Scooter Market— One of the main reasons for the re-launch of Vespa in India is the reinvigorated scooter industry. According to Economic Times, the Indian scooter market is growing at a CAGR of 20%, selling close to around 2.5 million units per annum. There are many launches happening in the two wheeler scooter category. Customers are riding the scooters once again. The segment is growing at a double-digit rate in the country. Currently, scooters comprise only around 20 percent of the two-wheeler market in India. The leading players in the segment are Honda Motorcycles &

Scooters India (brands Activa & Dio), Suzuki (brands: Access & Swish), Mahindra (brand: Duro), TVS (brands: Scooty & Wego) & Yamaha (brand: Ray), Hero Moto Corp (brand: pleasure). Given the growth rate of the Indian economy & a young middle class with good spending power, Vespa has its sights set on being a preferred brand in this segment.

Positioning the Brand— Vespa has been relaunched in India with a new positioning strategy. The erstwhile robust scooter is now being positioned as much more than a utility vehicle. Piaggio is focusing on the style component & the oomph factor that will appeal to the target market. Piaggio has positioned the Vespa in India as a timeless and ageless product. Add to it the lifestyle & iconic values the product brings to the table. The company has been successful in creating a luxury lifestyle brand in the scooter segment. The positioning of Vespa as a premium lifestyle product for the brand conscious and those willing to make a style statement has gone down well with the target customers

Niche marketing strategy— The most interesting point of contention is that Vespa has positioned its brand as a fashion statement, thus trying to create a new niche altogether. All this while, there was a mass market strategy followed by the existing players like HMSI, Hero Moto Corp, TVS & Bajaj Auto. Piaggio has been successful in crafting a new niche & positioning Vespa as a fashion statement. This was the category that did not exist earlier in the scooter segment. Honda Activa & Suzuki has a mass target appeal (right from students to office goers). The style component is there with the motorcycles which target the youth segment. But for scooters, it is first in the category. It has been a category creator & has been able to fill the existing void.

Vespa has been priced about Rs. 67000 (ex-showroom Maharashtra). This is higher by 15% to 25% in comparison to its peers. People equate premium price to premium quality. Customers are aware that they are paying more for the stylish designs & the cult factor associated with Vespa.

Communication strategy— In a market which is very dynamic & changing very fast, creating a brand salience is complicated task. Brand salience is the ability of the brand being noted. To stand out in a clutter is not an easy task. Automobile market in India is a value driven. The existing mass brands like HMSI, Maruti & Hero Moto Corp have always stuck with benefits of mileage, less maintenance & good after sales service in their advertisements. But for Vespa, all the advertising efforts had to be towards building a brand, rather than exploring its functional benefits. For the category which is skewed toward the fairer sex, the objective of positioning of Vespa as a gender-neutral product seems to be achieved. Keeping these goals in mind, for its communication strategy, Vespa chose to go digital with an innovative campaign. The pre-launch campaign of

Vespa included an interactive application which engaged the audience and at the same time spoke about the Vespa lineage and its association with music, cinema and art over the years. Vespa showrooms are designed to provide a lifestyle experience inclusive of a Vespa history wall that presents the rich legacy of the brand. Also, the decades-long association which Vespa had with India was an advantage for the company & helped the brand getting off to a quick start.

Product Quality— Vespa has been matching its aspirations of target customers in terms of external styling. Availability in youthful colours like yellow, red, silver, orange & blue enhance this association. Technologically, the scooter is now more refined. According to Piaggio, the scooter is specially developed for the Indian market, delivering a mileage of 60 kmpl. Thus, the exterior designing clubbed with a decent mileage has surely given Vespa a kick start as compared with its peers.

Other Reasons:

- Parent's Psychology— A number of parents are against the concept of their child riding the motorcycles. This is due to a psychological fear in their mind which perceives bike ride to be fraught with risks. Lot many of them are of the view that bikes are prone with risks. Stories of accidents resulting from bike rides are not uncommon. This in general is one of the facts that shifts buyers from the motorcycle segment to the two-wheeler segment
- Ease of Travel— People are comfortable with riding the gearless scooters as there is no hassle that involves co-ordination of gear, clutch & accelerator. Ease of travel has become top priority among the country's young workforce which includes a growing number of women professionals. Thus, the gearless scooters have become a very viable option especially when public transport is uncomfortable, scarce, crowded and even unsafe

Conclusion:

There have been very few instances where the product has come out from the ashes. Vespa was dead & buried, for long has come back to India after a period of 13 long years. The brand which is now being resurrected by its original owners, Piaggio, is set to change the way Indian consumers think about scooters. The focus of the brand is now much more on making it lifestyle oriented, which was never considered to be one. Piaggio;s view that the scooter segment will have its share of buyers in the lifestyle category segment has turned out to be correct.

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