



SEGMENTING THE INDIAN LUGGAGE MARKET VIP INDUSTRIES' WAY

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ABSTRACT

VIP Industries has come a long way since its launch in 1971. With the onslaught of competition from Samsonite and with an ageing brand VIP, its market share declined from 70% in the late nineties and early 2000 to 50% currently. This paper deals with the segmentation adopted by VIP to cater to the changing needs of the different sets of market. On one hand, it has created Skybags as a youth centric brand with Bollywood celebrity endorser Varun Dhawan; while it targets the handbags market through Caprese with Alia Bhatt. Besides these brands, brands like Carlton, VIP, Aristocrat and Alfa of VIP Industries, are also making its mark in the luggage market with its distinct positioning and segmentation strategy. While Carlton is positioned as a premium brand, VIP remains a mass brand. Aristocrat is targeted towards Tier II markets, while Alfa is ruling the cheaper value for money segment. This paper also covers positioning strategies for various brands of VIP Industries.

KEYWORDS: Market Segmentation, Brand, Positioning, VIP Industries

1.1 INTRODUCTION

VIP Industries is the leader in the luggage market. Although its market share has come down from 70% to 50% currently. Still it enjoys dominant position in the luggage market. The only problem faced by the brand was that the brand was ageing. Being in existence for the last 48 years, the customers felt that brand is not for young and millennials. Young customers were disconnected with the brand. VIP Industries also has changes in the leadership positions during 2010 to 2018. In this paper, the problems faced by VIP Industries has been discussed and also talks about the solutions in the form of segmentation, which have done wonders for the company, as far as perception and positioning goes.

1.2 VIP INDUSTRIES TODAY

VIP Industries was established in 1971. Currently it is world's second largest luggage maker in the world. It has also been counted as the Asia's largest luggage maker. Since 1971, VIP Industries has sold more than 60 million luggage. On the distribution front, VIP industries luggage are sold in more than 50 countries with a presence of more than 8000 retail outlets. The company's headquarter is based in Mumbai. In 2004, it acquired Carton, UK luggage brand.¹

1.3 HISTORY OF VIP INDUSTRIES

Since 1971, VIP has manufactured an array of products and provide different services with the sole aim of simplifying travel. The product portfolio consists of a range of soft sided and hard sided luggage. The range includes overnight travel products, suitcases, strolleys, backpacks, duffel backs, executive cases and school bags. Currently its brand portfolio

consists of six brands – Alfa, Aristocrat, Caprese, Carlton, Skybags and well known VIP. In India, it is selling in more than 8000 retail outlets and also has a network of 1300 retailers in 27 countries.²

VIP Industries has also been a leader with innovations in product design and technology. Its product range includes Vacuum formed PC and ABS cases, Injection Moulded PP Cases and Furniture, and Soft sided luggage in Nylon, Polyester and EVA material. VIP has also patented several of its innovations across India as well as internationally. These include Non Reversible Multi Safe Lock, Soft Grip handles, Security cable and Security Chain, Dual action lock, Dual action lock, Heat sealing method for lining fusing, Heat sealing method for lining fusing, Bumpers on luggage, Gravity Side Core, Central Locking System, Seculink and Convipack. Its innovations has kept the leadership position intact in Indian market.³

Major milestones in the history of VIP Industries are as following.⁴

- In 1986, Alfa Branch was launched.
- In 2008, Aristocrat Luggage Limited merged with VIP.
- In 2009, VIP Ranked amongst Top 100 most trusted brands in a survey by Brand Equity.
- In 2011, Skybags was launched.
- In 2013, Caprese was launched.
- In 2017, Bangladesh plant was set up.

1.4 INDIAN LUGGAGE INDUSTRY TODAY

Indian luggage industry is worth Rs. 8000 Crore. The market is divided into organized and unorganized players. Unorganized players dominate the market with 60% market share, while organized sector rule the rest of 40% market. The market size is small, as luggage is not a frequently bought product. Again luggage are classified into soft and hard luggage. In India, Soft luggage are popular and dominate the market with 80% market share; while hard luggage constitutes only 20% market share.⁵

The market has also changed from the perspective of the consumers. Now luggage is not seen just as a utility; but now it is seen as a lifestyle product. More and more people are travelling for business and leisure and with the rising income, customers are looking for a lifestyle product. There is an increased demand for branded luggage. In soft luggage category, backpacks are getting very popular with millennials. The rural segment is also open to branded luggage, as the difference between organized and unorganized are thinning due to GST implementation.⁶

1.5 ISSUES FACED BY VIP / PROBLEM FACED

Since late nineties and 2000 onwards, VIP faced a lot of issues, which led to slide in the market share.

- The brand was not moving with the times. The set of customers were changing. Now it included young and millennials also.⁷
- VIP also faced a lot of leadership issues since the exit of Sanjeev Aga, its managing director in the late nineties.
- There has also been a shift in the demand pattern from hard luggage to soft luggage and so on. The company faltered on its strategy of hard luggage and lost a considerable market share.
- VIP was also facing a lot of competition from Samsonite and its brand American Tourister.

All these factors led to the decline in the market share of VIP. VIP also underwent leadership changes and overall the slide continued. Then Piramals, the owner of VIP took the reins in their hands and Radhika Piramal took over as managing director in 2008. Then VIP took a new turn and now in 2019, it is firmly placed in the market.

1.6 SEGMENTATION THE VIP INDUSTRIES WAY

Taking into the consideration the various problems and challenges faced by VIP, the only way ahead for VIP was to look after its portfolio and realign itself with the market. This exercise was completed with the help of segmentation, targeting and positioning. Let us understand what is segmentation?

Market Segmentation - 'Market segmentation involves dividing the market of potential customers into homogeneous subgroups. These subgroups may be distinguished in terms of their behaviour pattern, attitudes, demographic characteristics, psychographic profile and the like.' - Brian Sternthal and Alice M. Tybout⁸

Although these market segments are not created by the company, but it exists in the market. VIP identified the different segments in the luggage market over the years; which led to the creation of six brands for specific target markets. In this way, segmentation helps a company to be relevant for

different sets of customers. Again on the basis of the segmentation, the product is targeted to different sets of customers and positioned accordingly.

Now, VIP has six distinctive brands in luggage. On the whole, these brands have been segmented well and represent the value segment, medium segment and premium segment. While Alfa and Aristocrat represent Value segment; VIP and Skybags represent medium segment and Caprese and Carlton represent premium segment.⁹ These brands are as follows:

- Alfa – Alfa is the entry brand for its customers, as with Alfa customers graduate from non-branded luggage to branded luggage. Earlier Alfa used to be sold as a sub brand of VIP.
- Aristocrat – Aristocrat is above Alfa and is also counted in the economical segment.
- Skybags – In 2012, Skybags relaunched as a youth brand and targeted youth with backpacks and strolleys. These backpacks are very popular and is also endorsed by Varun Dhawan, famous youth icon from Bollywood. Skybags fall in the medium range.
- VIP – VIP is in the middle of the market. This is in the medium segment as well as in the popular market. It is a leadership brand and has the largest market share. It brings breakthrough innovations for the benefit of Indian consumers.
- Caprese – Caprese is the handbag category of VIP and falls in the premium segment. The competition in the category is quite low and it's primarily been dominated by unorganized players. The handbags were priced at mid-premium price-point and the price ranges from Rs 3,000-5,000/-. Currently Alia Bhatt is the brand ambassador for Caprese. In this category, customers buy multiple handbags and that is a positive for handbag category.
- Carlton – In 2004, Carlton was acquired by VIP and was launched as a premium product. It is aimed at the business traveler, who generally uses international brands. The price range falls between Rs. 6,000/- to Rs. 15,000/-.

Through segmentation and positioning distinctly for different sets of customers, VIP took care of most of the problems associated with the product. Right from giving it a youthful image through Skybags and creating a place for handbags through Caprese. On the other hand, in the course of time, other brands have also been reinforced by VIP through different communication messages. Celebrity endorsers also made a lot of difference to the brand. While Varun Dhawan took Skybags to a new height; Caprese created a market for handbags and now leading the premium category with Alia Bhatt.¹⁰

1.7 CONCLUSION

Thus VIP Industries has come a long way since its launch in 1971. Currently its six brands are segmented and positioned well in the market and cater to the complete market. Alfa and Aristocrat deals with the economy segment; while VIP targets the medium mass segment. Caprese looks after the premium handbag market and Carlton is positioned as a premium luggage. VIP industries also sets an example, as to how segmentation and positioning may help create brands for growth and success.

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