

Impact of the Sale of Spurious Spare Parts on Market Share of ABC Earth Moving Equipments Pvt. Ltd., India

Susheel Chhabra, Periyar Management and Computer College, New Delhi, India

Kulbir Kaur Bhatti, Periyar Management and Computer College, New Delhi, India

Hardeepika Singh Ahluwalia, Periyar Management and Computer College, New Delhi, India

ABSTRACT

In this era of intense competition, both world-wide and domestic, business firms of all sizes and varieties are concerned with the market-share figures they achieve in the marketplace to predict the volume of production and demand forecasts of spare parts. Buyers' purchase frequency varies with time when machines complete their warranty period and subsequently buyers switch towards spurious spare parts for various reasons including cheaper prices. There is a prominent share of unorganized sector (spurious markets) in meeting the demand of spare parts especially in earth moving equipment. They imitate the original parts and sell similar parts of local vendors and supply the same at much cheaper prices. To estimate the impact of spurious spare parts market of ABC Earth Moving Equipments Pvt. Ltd, primary survey of one of the whole sale market of earth moving equipment in Delhi, India selling spurious spare parts was conducted. It was found that there is significant impact in terms of losses to the company due to selling of spurious spare parts by this market.

KEYWORDS

Demand, Earth Moving Equipment, Market Share, Sales, Spurious Market

INTRODUCTION

The spurious markers selling duplicate parts of auto and earth moving equipment are the major concerns of companies since these markets are eating significant share of spare parts business. There is an urgent requirement to suggest measures which can be taken by companies to minimize share of these spurious markets so that customers can get quality parts are lower prices. A research study was undertaken by the researchers of the company dealing with earth moving equipment especially of backhoe loaders for which spare parts are being sold in the spurious market to find the impact on market share and how company can take counter measures to curb this menace. The Periyar Management and Computer College took this research study for the company dealing in earth moving equipment.

According to five year plans (2012-17), Planning Commission (now NITI Aayog) had an estimated investment of more than \$1 trillion towards infrastructure which will ignite the demand for construction equipment industry which has established itself by various joint ventures with international companies

DOI: 10.4018/IJCESC.2017010103

or has set up as individual entity. Over decades, Indian consumers have given more importance to value driven products, quality services and have been constantly driven towards the same. In order to meet this demand construction equipment is into a continuous phase of technological development so that company as well as their client can achieve economies of scale and enhance their market share.

The sector consists of five major segments comprising of earthmoving equipment, road construction equipment, concrete equipment, material handling equipment, and material processing equipment. India's construction equipment market is comprised of 70 per cent earthmoving equipment and road construction equipment. Backhoe loaders consist of 65 per cent of the earthmoving equipment and road construction segment. The market share of concrete equipment and material handling equipment is 14% and 10% respectively (IPSOS Business Consulting, 2013.)

The construction industry has an increase in CAGR of 9.2%, expecting a growth of \$288.8 billion by 2022 (IBEF, 2016). The construction equipment are used for drilling, hauling and grading etc. The sluggish economic conditions resulted in slow growth of construction industry for the past few years. There will be a turnaround in sluggish nature of demand as and when the real estate will boom since there is a positive relationship between demand for construction equipment and real estate developments.

The Indian Government has taken initiatives for investing in construction industry, which is expected to stabilize the economy. The major players in earth moving equipment include Volvo India Private Ltd., Caterpillar India Pvt. Ltd., Komatsu India Pvt. Ltd., Hitachi Construction Machinery Co. Ltd., J.C. Bamford Excavators Limited, Atlas Copco India Ltd. These companies opt for growth strategies to capture market share and have a dominant position in the market.

In India, volatile macroeconomic environment has widened the demand and supply gap resulting in erosion of profit. This has led the consumers to move from formal to informal sector to meet their demands thereby increasing share of spurious markets.

In spite of various opportunities, this sector faces certain limitations inclusive of limited credit provided for infrastructural development, government regulations and environmental concerns which contributes in delays in project approval, limited demand from Original Equipment Manufacturers (OEMs), existence of spurious markets, rise of crude oil and steel prices reduces demand, existence of unskilled labor and existence of spurious markets especially in spare parts.

LITERATURE REVIEW

India's growth story of construction equipment industry has seen a positive direction since decades. India at time of independence was an import dependent economy, unlikely in 1964 when Bharat Earthmovers Ltd.; a public-sector entity took the initial step towards being self-reliant in construction equipment and this move was followed by series of international joint ventures. The growth of construction equipment industry, construction industry and infrastructural development goes hand in hand which over decades have been showing signs of growth with minor downward trends. Researchers and consultants all over the world have been studying on the how infrastructural development in an economy, macroeconomic condition, existence of parallel markets and competition impacts the profitability and market share of the companies that form one of the largest employing industry.

As per industry requirement, infrastructure is one of the key drivers of economic development. According to (Amrit Pandurangi & Vishwas Udgirkar, 2014) Investment in infrastructure has increased from 5% of GDP in 10th five-year plan to 9% in 11th five year plan. Planning commission has proposed to invest a budgeted \$ 1 trillion in ongoing 12th five-year plan. The report further suggested that at least 45% investment in infrastructure is towards construction and 20% of the infrastructure spending is towards modernization of construction Industry. Construction sector in India which is the second largest employer after agriculture employs 35 million people in the country and generates at least 50% demand from infrastructure sector and rest from industrial activities, residential and commercial developments.

6 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/article/impact-of-the-sale-of-spurious-spare-parts-on-market-share-of-abc-earth-moving-equipments-pvt-ltd-india/183700

Related Content

Web Platform for Public E-Participation Management: A Case Study

Carlos Quental and Luis Borges Gouveia (2014). *International Journal of Civic Engagement and Social Change* (pp. 60-77).

www.irma-international.org/article/web-platform-for-public-e-participation-management/106947

Women, Peace and Security in the SADC Region: Progress, Prospects and Challenges

Jeffrey Kurebwa (2018). *International Journal of Civic Engagement and Social Change* (pp. 48-63).

www.irma-international.org/article/women-peace-and-security-in-the-sadc-region/221141

Seeing the Largest Refugee Community: The Rohingyas in Bangladesh Before and During the 2020 Pandemic

Mokbul Morshed Ahmad and Muhammad Yaseen (2021). *Handbook of Research on the Impact of COVID-19 on Marginalized Populations and Support for the Future* (pp. 112-121).

www.irma-international.org/chapter/seeing-the-largest-refugee-community/281414

Resistance and Counter-Zones of Indistinction

Funda Çoban (2021). *International Journal of Political Activism and Engagement* (pp. 34-45).

www.irma-international.org/article/resistance-and-counter-zones-of-indistinction/282511

ICTs and Cultural Promotion in Africa: Insights From Recent Research and Case Studies

Floribert Patrick C. Endong (2019). *Handbook of Research on Examining Cultural Policies Through Digital Communication* (pp. 248-267).

www.irma-international.org/chapter/icts-and-cultural-promotion-in-africa/216242