

BY: DR I. SATYA SUNDARAM

# TWO-WHEELERS: COMPETITION INTENSIFIES

The changes in the Indian two-wheeler market have been dramatic. Market leaders of the previous decade have been hit by dropping sales figures, while Japanese firms have built a strong base across India. Read on to learn more about how Indian firms plan to gear up for a long fight.

Several changes are taking place in the two-wheeler sector in India. Motorcycles still account for the lion's share of two-wheeler sales, but gearless scooters may tilt the balance in the coming years. The gearless scooter market has been growing rapidly, thanks to crowded traffic conditions, and poor public transport in many parts of the country. It is popular amongst young working women. India saw sales of over 2.5 million scooters in 2011-12, posting a growth of 25 per cent over the previous year. In the motorcycle segment itself, there are a wide variety of products.

## Current trends

There is an increasing preference for Japanese brands, leading to a marked change in the two-wheeler market. The domestic companies are unable to face the onslaught of their multinational counterparts. In fact, every fourth two-wheeler sold in India is manufactured either by Honda, Suzuki or Yamaha. By November 2012, their market share had risen to 25 per cent, up from 15 per cent five years ago.

Because of the steep rise in petrol prices, customers are looking for

cheaper mobility options. Demand for the more affordable motorcycles and scooters is likely to go up in the coming months. With each jump in the fuel prices, the cost of running a car goes up tremendously.

As of March 2012, the Indian two-wheeler market had nearly doubled to 13.43 million units from 7.2 million units in March 2008. The motorcycle segment is growing fast—accounting for about three quarters of the two-wheeler market in India.

Bajaj is going to give top priority to the global market as it is keen on building market share in the global motorcycles segment. Honda and Hero, on the other hand, are expected to focus more on India.

Yamaha is setting up a new plant near Chennai. Hero Motor Corp, India's two-wheeler market leader, wants to set up two new factories and an R&D unit. Mahindra's two-wheeler subsidiary is also pumping in capital to boost its presence in the segment. At present, the two-wheeler industry is prepared to make investments worth more than Rs 83,000 million. In the scooter segment, an impressive growth of 22.3 per cent was registered during April to October 2012, compared to



Hero MotoCorp Ignitor

the same period in 2011. During this period, the motorcycle segment grew by just 0.3 per cent.

The motorcycle industry may see flat growth in 2013-14. While the automotive industry is seeing a negative growth, the motorcycle segment has experienced virtually flat growth of around one per cent. However, with very few major players, the market still has a lot of growth potential.

### Major players

**Hero MotoCorp.** Honda's erstwhile ally, now rechristened Hero MotoCorp, is a major player. The Delhi-based company has experienced a setback. Its market share in the two-wheeler segment was 42.2 per cent in November 2012 against 49 per cent in March 2009. During this period, its share in the bike segment fell from 60 per cent to 52.5 per cent. The company's new products such as Xtreme, Impulse and Ignitor are not popular. In the period April to November 2012, the company's domestic sales fell 2.3 per cent to 3.89 million units. In spite of a weak outlook, the company plans to go ahead with plans to raise capacity to 10 million units in the next four to five years against the current seven million units. It is keen to explore foreign markets. Hero still commands loyalty among its large customer base, which continues to

| Market Share of Domestic Two-wheeler Companies |         |         |         |         |                            |
|--|---------|---------|---------|---------|----------------------------|
| (percentage)                                   |         |         |         |         |                            |
| Company  | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13<br>(till November) |
| Hero MotoCorp                                  | 48.9    | 48.0    | 44.8    | 45.2    | 42.2                       |
| Honda  | 13.7    | 12.7    | 13.2    | 14.9    | 18.8                       |
| Bajaj Auto                                     | 17.3    | 19.1    | 20.5    | 19.1    | 18.5                       |
| TVS Motors                                     | 15.3    | 14.5    | 15.0    | 14.1    | 13.0                       |
| Suzuki   | 1.7     | 2.0     | 2.4     | 2.5     | 3.0                        |
| Yamaha   | 2.2     | 2.4     | 2.4     | 2.6     | 2.6                        |
| Mahindra 2W                                    | NA      | 0.7     | 1.3     | 1.0     | 0.9                        |
| Royal Enfield                                  | 0.6     | 0.5     | 0.5     | 0.6     | 0.8                        |
| Piaggio India                                  | —       | —       | —       | —       | 0.2                        |

swear by the Splendor and Passion motorcycles.

**HMSI.** Honda Motorcycles and Scooters India (HMSI) has now become the second largest domestic two-wheeler company in the country. HMSI plans to produce 2.75 million units in 2014, and plans to set up a new plant in the South. At present, HMSI is the leader in the scooter segment, with a share of 50 per cent.

HMSI wants to increase its presence in rural areas. It is concentrating on mass market models. It wants to set up ten zonal offices across the country to be closer to the customer and react faster. The Japanese giant's Indian arm plans to build a

mass market product portfolio.

The entry-level bike, Dream Yuga, has been the biggest launch for the company in recent years and will give it a presence across over half of the markets for two-wheelers. Dream Yuga will take on Hero's Passion. Of course, there will be more motorcycles under the Dream series. In 2012-13, the company sold approximately 2.75 million two-wheelers. A year later, the figure should reach 4 million units.

The company is looking at introducing a low-cost motorcycle for the Indian market. The proposed bike, to be priced between Rs 30,000 and Rs 40,000, would be the cheapest HMSI model; Hero sells H F Dawn, its cheapest bike, for Rs 36,600 in the Indian market. Honda's cheapest offering, the 110cc Dream Yuga, on the other hand, is priced above Rs 44,657 (ex-show room, Delhi).

Recently, HMSI shut down its plants for a week, for maintenance. The waiting period for Activa has gone up from 10 days to more than 15 days. Activa is India's largest selling scooter, which sells about 100,000 units a month. The company's Karnataka plant will come up soon, with a capacity to churn out 1.8 million units a year.

Honda has indicated that its next offering will be a less expensive motorcycle. It is looking at a



Honda Dream Yuga 110



Bajaj Pulsar

capacity of 10 million units by 2020, which will translate into a market share of 30 per cent. These plans could involve setting up at least six plants that will roll out scooters and motorcycles.

By November 2012, HMSI had overtaken Hero MotoCorp in premium motor sales in the 150cc segment. Hero's sales for 125cc to 150cc bikes declined by a steep 53 per cent to 80,303 units between April and October 2012. While HMSI's volumes went up by 76 per cent to 134,650 units.

However, HMSI recalled 11,500 units of the standard variant of its premium motorcycle CBR 250R, which were produced between March 2011 and September 2012. This decision was taken due to a defective brake system.

**Bajaj Auto.** Bajaj Auto is the only Indian company to have expanded its share in the motorcycle market, though its share in the overall market was hit. Earlier, it had planned to concentrate on the motorcycle segment only, giving up the manufacture of scooters. By November 2012, the company's share in the motorcycles segment stood at 25.2 per cent, compared with 21.9 per cent in March 2009. With no presence in the scooter market, Bajaj slipped to the third spot in the two-

wheeler market. In the last three years, it concentrated on its Pulsar and Discover brands, launching several refreshed and all-new models under these brands. In association with KTM and Kawasaki, it could introduce stylish and performance-oriented products.

Bajaj Auto is planning to launch a third 100cc bike—in addition to the Discover and Platina—to take on Hero MotoCorp's major products, the Splendor and the Passion, as well as Honda's new entry level model, the 110cc Dream Yuga. The new bike is expected to be aggressively priced at around Rs 40,000. The intention is to make the latest technology available at an affordable price. It is expected to sport new features like an electric start, a digital instrument

cluster, front and rear disc brakes and LED lights. The company would also replace steel with fibre and plastic to make the two-wheeler lighter, and thereby more fuel-efficient and cost competitive.

**TVS.** Chennai-based TVS Motors is also not in a comfortable position. It has slipped to fourth spot in the two-wheeler market in India. Its share in the motorcycle segment is a mere 5.5 per cent compared with 7.9 per cent in March 2009. Its range of scooters, which contributes 22 per cent to its two-wheeler sales, has been under pressure as competition intensifies. Recently, the company had launched the Flame and the Jive, which have failed to attract the customers.

In September 2012, TVS launched its 125cc Phoenix, the first of five launches planned for 2013. To make up for lost time, it aims to launch the remaining four products in quick succession—one in every quarter. The new model is priced between Rs 51,000 and Rs 53,000. With the new model, TVS wants to increase its market share from 13 per cent to 17 per cent in the two-wheeler segment. The company hopes to sell 20,000 units of the Phoenix in six months. TVS had invested Rs 500 million on developing the Phoenix. At present, the company has a negligible presence in the 125cc segment.



Royal Enfield Bullet Electra

## MARKET SURVEY

Though the TVS Victor has become popular, the company has not been able to capitalise on its popularity. The TVS scooters, and its trusted moped, have been doing well. Yet, the company needs a big break in the commuter bike segment to build volumes and market share.

**Royal Enfield.** Royal Enfield, which specialises in leisure products, has seen its sales grow by 44 per cent. In 2011-12, the brand's sales touched 78,500 units. The waiting period for the Classic 350 from Royal Enfield, costing Rs 132,000 (on the road, Mumbai), ranges from eight months to one year.

In October 2012, the Chennai-based company launched the all-new Thunderbird series with prices starting at Rs 143,000. While the 350cc variant is the base version, the technologically advanced 500cc comes for Rs 182,000. The company has 237 countrywide showrooms. It expects to sell over 1000 units every month. One unique feature of the bike is that it is available only in one shade—black.

The company has phased out the earlier generation of the Thunderbird and is presently allowing customers to upgrade to the new model. The company has three main models, Thunderbird, Classic and Bullet, which have a further 11 var-



Yamaha R15

iants based on engine size, features and technology. Classic is the top selling product, followed by Bullet and the Thunderbird. The company's new plant, which cost Rs 3500 million, will soon be operational at Oragadam, Chennai. This plant will have a capacity of 150,000 units per annum.

By the end of 2013, the company aims to produce 12,500 units per month from the new plant. It can double or triple production to meet export demand. The company exports to 30 to 40 countries, including the US.

**Yamaha.** Yamaha is focusing on gearless scooters as part of its growth plans in India. It is going to set up a new plant near Chennai. Yamaha was the 'hottest' brand in the mid-1980s, but lost that status mainly because of poor product planning. It has now decided to exploit its core strengths in powerful motorcycles.

**Piaggio.** Vespa is close to India. The brand has been a part of this country right from the 1960s when its scooters were manufactured in collaboration with Bajaj. The partnership dissolved in 1971, but this was not the end of the road for Vespa. In 1983, Piaggio and LML tied up to manufacture scooters. However, in 1999, LML bought over Piaggio's stake and the collaboration came to an end.

Piaggio, the latest entrant in the Indian scooter market, has launched its maiden offering—the Vespa LX125. It is deliberately priced at a premium (nearly Rs 70,000 on-the-road) to give the brand a distinct positioning in the market. It is a 125cc gearless scooter. The Vespa is not intended as a competitor to the popular Honda Activa and Suzuki Access, but is being pitched by Piaggio as a lifestyle product.

Following the success of HMSI and Suzuki Motorcycle Co, most two-wheeler companies in the Indian market feel that it is very important to launch new products in order to improve their market share.

The author is an economist and a writer



Vespa LX125