CASE STUDY: HONDA – A NEW HERO OF INDIAN SCOOTER INDUSTRY

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Introduction

Japanese two-wheeler maker Honda has been unleashing a new wave of competition in India. All incumbents have been facing the onslaught of Honda and are aggressively trying to arrest falling shares for India. After establishing leadership position in the scooter segment, Honda now eyes a similar success story in the bike segment. Keita Muramatsu spoke to G Balachandar on Honda’s focus and plans.

While the Indian two-wheeler industry is witnessing moderation, HMSI has emerged as the fastest growing two-wheeler company of India due to several reasons. Product innovations: customers are appreciating Honda’s rapid steps in the direction of maximizing customer needs. Honda’s first mass motorcycle for India Dream Yuga has received overwhelming response by customers. Honda is consistently leading the market in terms of innovations that maximize customer benefits. All three Honda automatic scooters have just been launched with the revolutionary Honda Eco Technology (HET), which makes India’s most fuel-efficient scooters with dream mileage of 60 kmpl.

Leading on the R&D and technology front, India is now the global innovation hub for Honda. With the new technical center, customers can look forward to new products from Honda every quarter. Honda is fully utilising its increased production capacity at Tapukara (Rajasthan) plant to ensure that customers do not have to face long waiting periods. Starting first quarter of 2013, we will be able to provide faster delivery of some of our higher demand models with the start of operations at the third facility in Karnataka. Rapid expansion of Honda’s network by 500 outlets in FY12-13 has taken the Honda brand closer to its valued customers. We are now reaching closer to our customers and have started making our presence felt in the hinterland.

We are seeing healthy demand both from urban and rural markets. Brand recognition, high quality, durability and performance of our products continue to draw customers to Honda. Our marketing strategy to communicate our global slogan ‘The Power of Dreams’ in local language as ‘Sach Kardenge Sapne’ and roping in the celebrity Akshay Kumar as brand ambassador has further connected brand Honda with Indian masses.

The automatic scooter segment is posting a healthy growth at a time when the overall industry sales are moderating. As the market leader of automatic scooters, Honda is committed to lead the segment with new innovations.

Keeping our “customers first” motive, we have always focused on providing quality after-sales service. While we launched Dream Yuga, we prepared our front line in advance in terms of service and parts availability. In the past two years itself, we have expanded our sales and service network by 45 per cent, by adding 653 new touchpoints. In keeping with the service demand, we expect to proportionately increase our network in future too. Further, we aim to provide faster, affordable and quality service.

With the launch of the new technical centre, Honda will be delighting customer with one new model every quarter. Coupled with the expansion of new network outlets across India and start of operations of third factory at Karnataka, we will aim to achieve close to 40 lakh units capacity and post a significant jump in volumes from the estimated 27.5 lakh units in FY12-13.

Honda Motorcycle & Scooter India has become the second largest two-wheeler maker in the country by volumes overtaking homegrown rival Bajaj Auto in the fiscal ended March 31, 2012.

HMSI overtakes Bajaj as 2nd largest domestic two-wheeler maker
According to figures released by the Society of Indian Automobile Manufacturers (SIAM) today, Honda Motorcycle & Scooter India (HMSI) sold a total of 26,06,841 two-wheelers, which included both motorcycles and scooters, in 2012-13, in the domestic market. On the other hand, Bajaj Auto Ltd, BSE -1.83 % (BAL), which produces and sells only motorcycles, clocked sales of 24,63,863 units in the last fiscal in India.

In the previous fiscal of 2011-12, BAL was occupying a comfortable second place behind market leader Hero MotoCorp. The Pune-based firm had sold 25,66,757 units in 2011-12 as against HMSI's 19,96,320 units in the same year. Hero MotoCorp, BSE 1.07 % continues to occupy the top spot with sales of 59,12,538 units in 2012-13, SIAM said.

HMSI's growth in FY'13 has been fuelled by a quantum jump in its motorcycle sales, which stood at 11,86,726 units as against 7,71,715 units in 2011-12, up 53.78 per cent.

During the last financial year, HMSI launched two new models -- CB Trigger and Dream Yuga. Besides, it also introduced its Dio, Activa and Aviator scooters with advanced engine technology called HET (Honda Eco Technology).

On the exports front in 2012-13, BAL was racing ahead with sales of 12,93,231 units compared to just 1,47,931 units of HMSI, SIAM said.

For the ongoing 2013-14 fiscal, HMSI has set a target of increasing its sales by 42.7 per cent to 39.3 lakh units, including exports, on the back of new product launches and fresh production capacities coming in.

HMSI's Japanese parent Honda Motor Co has been undertaking an aggressive strategy to increase its market share in the two-wheeler segment in India and challenge the number one position of erstwhile partner Hero with plans to produce 10 million units by 2019-20 that may entail the company having up to eight plants in India.

Honda's wholly-owned subsidiary HMSI is investing Rs 1,500 crore in setting up of its third plant in Karnataka, which is expected to be operational by the end of first quarter of this fiscal, taking the company's total production capacity to 40 lakh units annually.

The company currently has two facilities at Manesar and Tapukara in Rajasthan with annual output of 16 lakh units and 12 lakh units respectively.

HMSI has charted out strategy to accelerate the rate of new model launches, while lowering prices of the products by increasing localisation levels.
Figure 1 Sales Unit (Nos.) of Indian Scooter Industry (2000-2012) Source: compiled using sales data from CMIE-IAS

Background of Honda in India

Honda is the world's largest manufacturer of 2-wheelers. Its symbol, the Wings, represents the company's unwavering dedication in achieving goals that are unique and above all, conforming to international norms. These wings have been in India since the year 2000, as Honda Motorcycle & Scooter India Pvt. Ltd. (HMSI), a wholly owned subsidiary of Honda Motor Company Ltd., Japan.

HMSI’s plant in Manesar (Haryana) became operational in January 2001. HMSI has also earned ISO 14001, ISO 9001 certification in December 2002 & ISO 27001 in December 2010, which reflects its commitment to adhere to environmental friendliness in all its industrial activities.

HMSI works on a Market-in concept, which focuses on understanding customer needs and desires and translating them into product specifications. It is due to this concept that within just five years of its launch in India, HMSI has changed the Indian two wheeler market with its products – Honda Activa, Dio, Eterno, Unicorn, Shine, Twister & Stunner.

Honda has adopted the 4S Policy; each dealer functions as a one-stop shop that takes care of all concerns regarding the Honda product, be it Sales, Service, Spares or Safety Riding.

Bye-bye Bajaj: sun sets on middle-class India’s scooter

The Hindu Not Along For the Ride: Rahul Bajaj, President of Bajaj Auto. Mr. Bajaj said during a televised interview that he was 'hurt' by his son's decision to stop production of scooters.
Group Chairman of two-wheeler giant Bajaj Auto, Rahul Bajaj, is miffed with his son and Managing Director Rajiv Bajaj over the latter’s decision to exit production of scooters. The senior Bajaj said he was not only unconvinced, but was “hurt” by it.

“I feel bad, I feel hurt,” Rahul Bajaj said, but son Rajiv opined that solutions should come more from logic than emotions.

Rajiv Bajaj, who took over reins of the Rs 8,500-crore group as Managing Director a few years ago, had said last week that scooter production would be stopped by the current fiscal to pave way for augmenting growth in the motorcycle segment as part of the company’s aim to become the world’s biggest bike maker in future.

“I can’t say harm the company and its shareholders by doing something you should not do, but I am still not convinced. He (Rajiv) has tried to explain it to me,” Rahul Bajaj said in an interview to NDTV.

Reacting to his father’s remark, the company’s MD Rajiv Bajaj said during the show: “I care less for the solution from emotions, I believe more in the magic of logic.”

Bajaj Auto, which revolutionised the two-wheeler market in the country through its ‘Hamara Bajaj’ campaigns in the 1980s and 90s, today sells just one scooter model - the 100-cc gear-less Kristal.

“Brands that are more sharply positioned are brands that are more profitable. It (scooter) is not a really profitable market,” MD Rajiv Bajaj said.

He, however, hinted the company might one day come back into the scooter segment.

“We have some good ideas on how to bring back the magic of a new kind of scooter. If we come back on the strength of a new category, I think we will not only have a scooter business but also a very profitable scooter business,” Rajiv Bajaj added, without giving details.

Bajaj Auto, whose name has been synonymous with scooters in India for decades, will stop producing the vehicle in the next three months. The company sells 300 automatic scooters every month under the brand name, Kristal.

The move is part of Bajaj’s new strategy to overtake Honda and become the number one motorcycle manufacturer in the world. It is the second-largest two-wheeler manufacturer in India. The company also plans to drop the brand “Bajaj” from its three-wheelers in a phased manner and call it just RE (which stands for rear engine). Brand Bajaj would be restricted to only motorcycles.

Interestingly, early this year Bajaj had announced plans to launch a series of scooters to take on Honda, the segment market leader.

“The decision to move away from scooters, according to Bajaj, is pegged on three reasons. One, the company is seeing good profitability in selling strong brands like Pulsar and Discover 100cc motorcycles.

“Our EBITDA margin for the second quarter of this year stands at 22 per cent, which is the highest in the auto industry so far. For the third quarter we hope to do better.” Vaishali Jajoo, analyst at Angel Broking, said margins derived from selling Pulsars were above industry average, at 15 per cent.

Secondly, he thinks the worldwide motorcycle market is growing faster than scooters. “There is enough headroom for growth both in the domestic and the export markets. Currently we manufacture around 50,000 units of Boxers in China, which are sold in the export market.” The Boxer is sold as Platina in India.

Lastly, address the top end with KTM motorcycles. The company has a 31.72 per cent stake in Austrian motorcycle manufacturer KTM, which manufactures motorcycles of 250cc configuration.

“So, we make more money by being focused as motorcycle specialists rather than producing everything and making no money at all like the Chinese manufacturers,” Bajaj added.
Giving reasons for withdrawing the Bajaj brand name from its three-wheelers, Rajiv Bajaj said, “Companies with sharper focus generate more profits. We are adopting the strategy of Toyota, which has separated the passenger vehicle branding from its commercial trucks called Hino.”

The company is putting in all of its resources towards becoming the number one motorcycle manufacturer in the world. Currently it is the top exporter of motorcycles in the country with production facilities in India and China. Every year around 30 million motorcycles are sold. Honda of Japan sells around 7 million units worldwide. This figure includes Hero Honda’s sales in the domestic market, too. Bajaj Auto, which sold around 2 million units last year (and has a manufacturing capacity of 3 million), hopes to ride on the recent success of its Discover 100cc and Pulsar 153cc to double its output.

In the 1960s, Bajaj Auto got a manufacturing license from Italy’s Piaggio and began manufacturing and selling scooters under the brand name Vespa. In the seventies, when Piaggio refused to renew its license, Bajaj began manufacturing under its own brand, like the Bajaj Chetak, which was an instant success and even witnessed black marketeering with consumers ready to pay a hefty premium to own one.

But with the market moving towards motorcycles, Bajaj stopped production of its bestselling brands like Chetak and Super in 2006 amid plummeting sales. It again entered into scooters, but tentatively, in 2007 by launching the Kristal.

By fiscal year 2008-09, Honda became the largest scooter maker, selling 654,319 vehicles in a year followed by TVS, which sold 240,000 units and Bajaj Auto, 10,000 units (about 900-1,000 a month). The number declined over the months and reached 250 in November this year (2012).

Rajiv Bajaj Bullish About Motorcycle Industry

Bajaj Auto has been doing very well, even though it has Honda on its heels as far as market share goes. The fact that Honda sells scooters and Bajaj Auto doesn’t makes this competition between both companies a little pointless. In a recent interview with Economic Times, Rajiv Bajaj (MD, Bajaj Auto) has shown optimism towards the Indian motorcycle market. He feels the venture with Kawasaki has been fruitful and has helped Bajaj gain market share in emerging markets.

Rajiv Bajaj states that he is aware about the slowdown which is taking place in the 2-wheeler market and the company has taken necessary precautions by reducing production and preventing inventory pile-up. He feels that in order to boost market share, new products are crucial. The company is able to survive with Kawasaki in other markets (like Philippines and Indonesia) as both companies have a very different portfolio. Bajaj Auto makes small, value for money motorcycles, while Kawasaki develops speed oriented machines.

The Bajaj-Kawasaki joint venture in Philippines has seen them grab 45% market share. Now the same business model is being implemented in Indonesia, where Bajaj will launch the Pulsar 200 NS by mid-2013. The reason for bringing in the Pulsar 200 NS a good 6 months after the Indian launch is obvious. The company wants to first fulfill the initial demand for the bike locally. Bajaj Auto also has Brazil in its sights, where it plans to export a good amount of motorcycles in the future. The company is already present in certain South American countries. Rajiv Bajaj also stated that the entry of Honda has affected the motorcycle industry and Indian manufacturers need to buck up by offering better technology to maintain market share.

Old Wine in New Bottle: The Entry of New Players in the Scooter Segment

Hero challenges Honda's scooter dominance

In what has intensified the battle in the domestic two-wheeler market, Hero Moto Corp Ltd, the country's largest two-wheeler maker, is boosting sales of scooters, a forte of its former partner, Honda Motorcycle and Scooter India Pvt Ltd (HMSI), even as the latter is making fast inroads into the motorcycle market.

Quarter-wise data released by the industry body, Society of Indian Automobile Manufacturers, shows while Hero's market share in scooters increased to 20.6 per cent in the December quarter from 15.9 per cent in the June quarter, HMSI's share in the category slipped by nearly eight percentage points to 44.9 per cent in the same period.
In January this year, while Hero increased its share to 21.3 per cent in the scooter market, HMSI's dipped further to 43.93 per cent. HMSI has been registering a drop in scooter sales since November last year. But Yadvinder Singh Guleria, vice-president (sales and marketing), HMSI, explained the decline in sales was purely on account of production constraints.

"Our factories are running at full capacity. There is no letup in demand for Honda scooters. In fact, our bookings have increased by 20 per cent from 55,000 in late December after the introduction of Honda Eco Technology engines in the models," Guleria said.

HMSI has two factories in India - one in Manesar, Haryana, and the other in Tapukara, Rajasthan. Currently, the company has a combined order backlog of 70,000 units for the Activa, Dio and Aviator.

At Hero, sales of scooters have increased by a strong 33 per cent between April and January this financial year. "After five years of having only the Pleasure in our (scooter) portfolio, we launched the Maestro last year. Since then, our volumes have nearly doubled to 55,000 units per month from 30,000 units earlier," said Anil Dua, senior vice-president (sales and marketing), Hero. "We are limited by capacity and are now working on increasing production to 60,000 scooters every month from the 40,000 units we produced a year earlier."

Hero is looking at acquiring a quarter of market share in scooter sales in the country. Dua said it was likely that the company would clock sales of of 100,000 scooters every month - numbers close to those being reported by HMSI at present.

Meanwhile, to increase its footprint in the motorcycle market, HMSI has been working closely with engineers from its parent company at its technical centre in Manesar, Haryana. It aims to introduce one new product every quarter in the Indian market.

Guleria said: "The technical centre is not only working on a low-cost bike and new products, its overall objective is to improve quality and work with vendors to source more locally."

HMSI overtook Hero in sales of premium bikes in the 125-150cc segment in May last year. HMSI sold 190,790 units in the category till January this financial year, an increase of nearly 60 per cent over the 119,279 units it sold in the last corresponding period. Hero's sales in the segment crashed 43 per cent to 128,948 units in the same period.

Hero, however, continues to be the market leader in the 75 to 110cc segment (which still accounts for nearly 65 per cent motorcycle sales in the country). Hero has a share of 69 per cent in the category with best sellers like the Splendor and the Passion. HMSI has introduced Dream Yuga in May last year, which has helped the company double sales and market share in the segment to 4.7 per cent. But the company has a long way to go to scale presence in the category.

To close the gap with the market leader, HMSI has said it will introduce "core products" at aggressive price points to increase consumer base in the country. It has targeted sales of 10 million units by 2020 and might set up seven-eight facilities to expand production capacity over the next few years. Hero has already announced its intention to have $10 billion (Rs 54,590 crore) turnover in the next five years with sales of 10 million units.

**YAMAHA**

India Yamaha Motor unveiled its much awaited sporty and stylish scooter, the all new RAY, in Hyderabad. With Ray, the Company formally announced its entry into the rapidly growing Indian scooter segment. Ray is the first Yamaha model to enter India’s scooter Segment and is strategically positioned to expand Yamaha’s share in the Indian market. With the addition of the scooter Ray in its portfolio, India Yamaha motor is looking at a market share of 20 percent in the scooter segment by 2016.

Yamaha’s decision to enter the scooter segment in India was arrived at by seeing the huge demand that this segment is witnessing in the country, with college students and young working women showing increased affinity to purchasing light weight and highly efficient scooters. The new RAY has been designed and engineered to answer the needs of this growing class of young female customers who want a scooter that is stylishly designed, compact, easy to use and have a fresh new appeal. The company also took this opportunity to invite Bollywood actor and India Yamaha Motor’s Brand Ambassador for ‘Ray’, DeepikaPadukone to unveil the all new product.
The new RAY offers best in class acceleration, easy handling and maneuverability and good fuel efficiency. It is equipped with an air-cooled four-stroke 113 cc engine with CVT (Continuous variable transmission) that boasts excellent reliability. The engine achieves good fuel economy in the practical-use speed range, a power output characterised by smooth start-up acceleration and quick passing acceleration and more. The body has fresh, innovative styling based on a design concept of being 'Sophisticated and Dynamic,' and is full of fine touches that women will appreciate, like a seat designed with easy leg reach to the ground and ease of mounting in mind, ample storage space and easy to operate centre and side stands.

At the launch, Hiroyuki Yanagi, President and CEO of Yamaha Motor said: “For the global Yamaha Motor group, India Yamaha Motor holds great importance as a strategic production and sales base. By 2018, our total production capacity in India will reach 2.8 million units. At that point, India will play an extremely important role among Yamaha group, not just in supplying to the Indian domestic market but also in exporting to other markets around the world. We will be working aggressively to transfer our latest technologies to India in the hope of making every contribution we can to the development of India’s two-wheeler industry”.

Speaking on the occasion, Hiroyuki Suzuki, CEO and MD, India Yamaha Motor said: “I am positive that we can get a strong presence soon in the Indian scooter market. Our dealers in India are dedicated to improving their facilities and services for the scooter sales. We have expanded our dealer network and specially improved customer care quality for female customers by appointing more female staffs at customer contact points and introducing female customer care programmes”.

"Secondly, we made an announcement to build a new factory in Chennai. We are planning to start this new factory from 2014 January. With this production capacity expansion, we are targeting to achieve one million units sales in 2014. We will expand our total production capacity further in the long term. We are planning to expand our sales to two million units in 2016 and 2.8 million units in 2018”, he added.

Yamaha had started a new assembly line for scooters which is run entirely by women employees. This is the first time in India that a company has developed scooters for women assembled by women. The company has also developed a riding training programme for female customers. The riding training programme is named as Yamaha Female Riding Training programme and will be implemented across India.

This model will be manufactured and marketed by Yamaha Motor group company India Yamaha Motor Pvt. Ltd. (IYM) and will be available in Plush Pink, Purple Pastel, Shining Blue, Burgundy Bliss, Grey Grandeur and Black Star colours. It will be priced at Rs 46,000 (Ex-showroom, Delhi).

Mahindra & Mahindravi

In 2008, Mahindra & Mahindra Ltd. approved the acquisition of Pune-based Kinetic Motor Company Ltd. with M&M holding around 80% of the total equity. It flagged off a new era in the Indian automobile industry as M&M started to design and market a whole new range of scooters and bikes for Indian roads after a remarkable achievement in four wheeler segment.

The new company was called Mahindra 2 Wheelers. In September 2010, it launched Stallio and Mojo, the bikes with unmatched Italian design and sheer mechanical power. Till now, it has successfully produced 200,000 units of two wheelers. Mahindra 2 Wheelers has ambitious plans for Indian market with its state of the art bikes Stallio and Mojo.

Mahindra 2 Wheelers is planning to launch a wide range of bikes from low end to the premium one to cover the entire market. This will also include a superb range of scooters, which are good looking and powerful. It launched Flyte, a stylish scooter in 2009 in the same category. Their mantra is to adhere to high quality standards and boost the customer trust in order to prosper from the market.

Can the 'Moped King' revive TVSvii

Venu Srinivasan, chairman and MD of TVS Motor Company, is a pioneer in the two-wheeler segment and a household name in the southern part of the country. In the 1980s, he sparked a revolution on wheels by introducing the two-seater TVS 50 — a 50cc moped that transformed the economy of travel and, almost overnight, allowed
young women to be able to commute independently to college or work. Through its joint venture with Suzuki, TVS was also a pivotal part of the 100cc motorcycle revolution that swept the country in that decade.

However, Srinivasan has, just last month, been pushed to the fourth position in two-wheeler sales by Honda Motorcycle and Scooter India, which was recently freed from its association with Hero MotoCorp. Srinivasan declined to comment for this story despite being approached several times by Business Standard.

TVS’ numbers say it all: In August, two-wheeler sales for TVS dropped by almost 21 per cent, from 190,000 units a year ago to 150,000 units this year, but, the overall industry fell for the first time since 2009 by only 4.81 per cent. TVS’ motorcycle sales were down 31 per cent and scooter sales by 27 per cent. Even six years ago, the company had a decent brand recall, say shareholders, but, according to them, that, too, has eroded today.

While August represented an all-around bloodbath for motorcycle manufacturers, TVS’ problems seem to go back many years. For instance, in scooters and scooterettes, TVS has watched its market share slide from close to 26 per cent in 2005-06 to 16.1 per cent in August 2012, according to the Society of Indian Automobile Manufacturers (SIAM). For motorcycles, TVS went from selling close to 13 per cent of the country’s bikes in 2005-06 to 5.14 per cent of them this August. Subsequently, the company’s stock price has plummeted over the past decade, going from Rs 840 in September 2001 to Rs 42 today.

What could explain such a consistent decline in sales for a respected and established player, while other two-wheeler manufacturers have thrived?

TVS’ moment of reckoning came when its partnership with Suzuki came to an end. Initially, the markets weren’t too hopeful about TVS going it alone, considering the stock got hammered, falling from a high of Rs 830 in October 1999 to Rs 82 on the day before the split was announced in September 2001.

But, Srinivasan seemed undeterred. In an interview at the time, he said that the partnership with Suzuki came with its own set of drawbacks — that even a minor modification under the joint venture (JV) would have normally taken six-12 months. “We are now in a position to react much more to change,” he says.

Srinivasan was proved right, as the company came out with the TVS Victor, a 110cc motorcycle that was the first indigenous product from the its stables, in 2001. The bike soon became successful enough to become the de facto brand ambassador for the company, and turned its fortunes around.

In the January-March quarter of 2002, TVS Motor’s sales increased by 32 per cent and net profits by 448 per cent, while its stock skyrocketed to Rs 457.25, nearly 400 per cent up from the corresponding time in the previous year. TVS continued its run of hits, by launching India’s first scooterette, the TVS Scooty Pep, in 2003, which also went on to become a major success.

There were also failures. For instance, the TVS Spectra, its four-stroke scooter (and the first one in the industry), was considered a better scooter compared to rivals, such as the Honda Eterno. Yet, the Eterno succeeded while the Spectra failed. The reason is, the product was launched in a hurry and at the time, aluminum-based components for engine construction were entering the market, while TVS relied more on traditional, heavier raw materials. This meant that the unisex Spectra, at 130 kgs, was a good 40 kgs heavier than its competitors.

At the time, Srinivasan emphasized the silver lining in this failure. “Spectra was an important product, without which the company could not have made the Victor. It was a learning product, with an aim to produce four-stroke geared two-wheelers,” he said.

There was, however, a more pernicious problem, embodied by the steady erosion in market share — the lack of a game-changing series of scooters or motorcycles. Bajaj, meanwhile, had revolutionised the motorcycle space in the early 2000s with its line of Pulsar bikes, which was far ahead of the technology curve than its competitors, say analysts. In addition to having a technology that couldn’t match the Pulsars, analysts say that TVS also had insufficient presence in large northern markets, and was late to react to the industry’s shift to four-stroke bikes.

Then, there was the problem of upgrading existing models, which was key to keeping any brand or line of autos — on four wheels or two — alive. When TVS’s Apache line of motorcycles was launched, it was a bona fide success, as the company was able to capture the youth segment. However, according to an analyst, in a recent report, the company did not bother to give the Apache RTR series any mechanical upgrades.
Today, the only category that the company dominates — mopeds — is the one that made it a household name decades ago. All other manufacturers of the product have exited the space. It has a 100 per cent market share and mopeds represent 45 per cent of total sales for TVS, with 58,618 units sold in August.

TVS announced at the beginning of the year that it planned to invest Rs 100-125 crore on product development and R&D. While the last two years have been bleak on the sales front for the company, Srinivasan says that they have been spent focusing on production, quality and supply chain, and for the next two years the company will introduce new products and into new geographies.

Piaggio: The Vespa scooter is back

Italian two- and three-wheeler maker Piaggio, which re-entered the Indian scooter segment with the Vespa today, is working on a new scooter and motorcycle range in the affordable category, unlike the Vespa that will remain on the premium side.

The company, present in India only through the light commercial vehicles range, is planning a structured foray into the fiercely competitive domestic two-wheeler market, which saw sales of nearly 13.5 million units last financial year.

Piaggio is working on a range of scooters to be launched next year, to compete with the current best-sellers in India such as Honda Activa, Dio, Suzuki Access 125 and Hero Pleasure. The new range will sell below the range offered by it under the Vespa brand.

Piaggio sells a range of low to high powered scooters in European countries under its brand. In India, however, the brand has built a strong presence in rural and semi-rural markets, selling three-wheeler passenger and goods carriers and four-wheeler light trucks.

In addition, the company is also exploring the idea of launching affordable motorcycles under the Aprilia tag, a sports brand of the company offering fast and stylish bikes ranging from 50cc to 1,200cc.

The new motorcycle range could be fully developed in India to compete against the 125cc-250cc range offered by Honda, KTM, Kawasaki and Yamaha. Piaggio aims to position these new bikes as lifestyle products offering superior performance.

Piaggio had launched the Aprilia RSV 4 Factory, a 1,000cc, 180bhp flagship product of the company, in India last year. The bike is imported as a fully built product and carries a price tag of more than Rs 10 lakh.

Piaggio believes that introducing European products in India may not suit the market and, therefore, is planning to develop new products from scratch for the domestic market.

The company has set up a research and development centre in India where it has employed about 13 engineers.

Gabriele Galli, chief financial officer, Piaggio Group said, “We cannot sell as many as Honda or Yamaha sells in India. What we can do is we will price our products at a premium than these Japanese products. Aprilia is a very good and trusted brand to launch motorcycles in India, however these are in the planning stages”.

The Italian company’s entry into the mass two-wheeler space will further fuel the competition among companies. The market is dominated by Hero MotoCorp, followed by Honda and Bajaj Auto. The top three companies control 80 per cent of the domestic two-wheeler market.

Piaggio today launched the Vespa LX125 in India pricing it at Rs 66,661 (ex-showroom Pune) 37 per cent more than its closest rival Suzuki Access 125 priced at Rs 47,774. The scooter will be available across 50 dealerships spread across 35 cities. The plan is to double the reach to 100 dealers across 70 cities within the next one year.

The company has set up a 150,000 units per annum capacity at Baramati, Maharashtra for the Vespa. It hopes to hit 12,000 units per month by October, the production of the Vespa has begun from today.

It is also confident of doubling its sales and has hence started work to add another 150,000 capacity to be operational by mid of 2013. Piaggio is making the engines and body parts of the Vespa 100 per cent in India. This has allowed it to price the product lower than in markets such as Europe.
Bajaj Auto to re-introduce gearless scooter
The folks at Auto Car India reveal saying that Bajaj are burning the midnight-oil developing an all-new, exciting automatic scooter for India. After a gap of many years, the company plans to re-enter the Indian scooter market in a big way with automatic scooter, probably, 125cc. We at Bharath Autos speculate this upcoming automatic scooter might be the Bajaj Blade 125.

Rising Scooter Sales Boost Two-wheeler Market in India
The flashing commercials of attractive scooties speak of the growing demand by Indians, especially females. Working women, nuclear families are some of the leading factors fuelling the sales figures. Our in-depth analysis of industry predicts that the scooter segment sales volume shall grow at a CAGR of around 17% during FY 2011-2015.

Price factor has played a significant role in driving the demand. Additional perks, such as purchase offers, easy EMIs etc. have further pushed the growth. Honda Motorcycles and Scooters is the market leader in scooters’ segment. There are various other prominent leaders. Our report deeply studies the scooter segment, with market share of leading players. Scooter segment is bound to show excellent growth with innovations and technological advancements.

Further the latest research report by RNCOS titled, “Two-wheeler Market in India”, comprehensively analyzed the emerging market trends, such as reviving of scooter segment and increasing demand for executive and premium bikes in the two-wheeler market. According to the report, these trends are expected to prevail in near future too. The study also evaluates various government regulations and initiatives that are expected to give a boost to the Indian two-wheeler market. This research report will help clients understand the present status and future outlook of the market. The study of recent developments will also provide cutting-edge market intelligence to the clients, helping them in making sound investment decisions.

Automobile, being the leader in product and process technologies of the manufacturing sector, has been recognized as one of the major drivers of economic growth. The Indian economy has been growing around 8% for the past few years. This growth has enabled an overall change in the social status of the Indian population. Additionally, every year, many rural areas and Tier-III cities are progressing to a higher status, opening immense growth opportunities for the two-wheeler industry.

The two-wheeler market has emerged as the most vibrant and transforming segment of the overall Indian automobile industry, witnessing an unprecedented growth. Rising rural demand and fuel efficiency are among the major factors boosting the growth in the market. Despite the economic slowdown, the Indian automobile industry has been performing consistently well, compared to other major markets of the world. The Indian two-wheeler market possesses a significant potential, and is anticipated to grow at a CAGR of around 11% during FY 2011-2015 to reach 17.8 Million Units by FY 2015-end.

Our report has studied the Indian two-wheeler market from various perspectives. It entails a detailed analysis of the market in terms of segments. Each section sufficiently explains the current and future market trends, and the ongoing developments in the Indian two-wheeler market. Our research also foresees immense opportunities for various international and domestic players in this segment.

The report has also considered the preferences by gender, and income levels as part of macro-economic indicators to understand this market of India, which is one of the world’s leading two-wheeler exporters.

Scooters have defied a slowdown in the Indian market. One of the smallest segments in two wheelers, its robust growth has given a fresh impetus to two-wheeler companies. Scooter sales in the domestic market grew 21% in the first six months of the fiscal even as motorcycles declined 0.79%.

The strong demand, boosted by the growing urban infrastructure and rising number of women owning scooters, has encouraged companies to hike capacities to tap this growth which has been rare across the Indian automotive market.
"We are adding 10,000 scooters to take our monthly capacity to 40,000 by March next year. We have seen consistent expansion in the past two years where demand has simply outstripped out capacities," says Atul Gupta, marketing head, Suzuki Motorcycle Private. Companies have lined up an investment of Rs 500-600 crore this year to take the cumulative scooter production beyond the Rs 30-lakh mark due to a backlog of order bookings. According to scooter manufacturers, while most bikes are currently available off the shelf, scooter models command a two-to-four months of waiting in selective markets. Leading the way is Honda Motors that is credited for reviving the scooter market in India with its Activa way back in 2001 - even as erstwhile market leader like Bajaj Auto’s presence in scooters gradually faded - is now returning to the segment with some fresh plans to rejuvenate its presence in the scooter segment.

**Figure 2 Indian Scooter Market Characteristics**

Its Indian subsidiary HMSI is working on plans to develop high-power scooters besides strong focus by refreshing its flagship brands like 110-cc Activa and Dio to maintain its lead. "We changed the perception about scooters in India. Our current range of automatic scooters enjoys tremendous consumer confidence as a complete family vehicle with delivering high-fuel efficiency without compromising styling. With a consistently expanding demand we expect to cater to the Indian demand as we gradually ramp up production in our third plant coming in Karnataka next year," said YS Guleria, Vice-president (sales & marketing) HMSI.

Two-wheeler companies are most bullish on the scooter potential in the Indian market and is expected to grow from the current 20% to 35% by 2016, when the Indian two-wheeler market is expected to double to 20 million units. Scooters have caught the fancy of new age customers. Besides, the growing base of women customer’s, scooters with automatic transmission and multi-purpose use are generating stronger demand in smaller
places. "Scooter sales are spread across states or hinterland markets. While demand is higher in urban areas, the semi-rural markets are also spurring growth in recent times," Guleria added.

Hero MotoCorp enjoys the second-biggest chunk of the scooter market, following the success of its newly-launched Maestro. The company, which has a full-year capex of 350 crore for its entire operations this year, has planned to hike its monthly production to over 60,000 units at its Gurgaon plant.

"Even as bike sales have slowed, scooters are keeping us busy and generating a huge latent demand to keep our expansion plans intact. With an average sales crossing 50,000 units last month, we are scaling up our scooter capacity to over 60,000 units a month from about 40,000 units about a year back," said Anil Dua, senior vice-president (marketing & sales) HMCL, said at an analyst call last week.

The demand, which stayed ahead of production in the past two years, has promoted new players like India Yamaha Motor, Italian Piaggio and Global Auto to foray into the segment. "We are looking at an overall market share of 10-15% market in the scooter segment by 2016 with the success of the RAY scooter which is targeting young urban women," said Jun Nakata, director (sales & marketing) India, Yamaha Motor.

Indian Two-wheeler Market Now

There are 7 major manufacturers in Indian two-wheeler market and Vespa is the newest entrant, being the 8th one. Out of it, if we look at the Bajaj sales, they are declining continuously since April 2012. Reason might be that consumers are holding their buying decision till Pulsar 200 NS and Discover 125 ST becomes available pan India. Also it’s a general trend that from June to Sep sales slows down a little as many wait till festive season to buy their set of wheels at a good deal. Total sales of Bajaj auto stood at 318377 units for June 2012. Same is the case with Hero MotoCorp. Sales figures are declining in trend with overall sales standing at 5,34,091 units in June. But the momentum of Honda Motorcycles and Scooters India (HMSI) is not bothered about these things as their sales graph continues to grow by margins. The products that might be behind in this situation are refreshed Dio and new entrant Dream Yuga commuter. There is slight decline in scooters demand but Dream Yuga gave wings to bike sales for Honda, giving total sales figure of 2,26,864 units.

After acquiring Kinetic, Mahindra and Mahindra has taken two wheeler business very seriously. With current product lineup of 3 scooters namely Duro DZ, Flyte and Rodeo RZ (while Rodeo RZ unveiled recently, not on sale yet pan India), Mahindra has managed decent numbers of 11201 for June 2012 with Duro DZ being the big seller. Mahindra recently announced about 3 bikes being launched this year and Duro micro hybrid in the pipeline, so the trend might see an upward direction.

The newest entrant Piaggio Vespa with its LX-125 has not revealed their sales figures. But we don’t expect it to be big in numbers as this scooter is placed as a premium offering with premium price tag. Suzuki Motorcycles India is also betting big in Indian two wheeler arena, with two new products launched already and the Dabang actor endorsing it. They have not revealed the figures for June yet but it is expected to be around 34,000 mark making quarterly figure of above 1 lakh units.

It appears that, very old player TVS has lost its grip and is losing its market share day by day. Especially the bike market is reflecting the continuous downwards trend for them. TVS managed to sell 165,438 units in June 2012. New RTR series has been launched recently which may reflect in next month’s figures. Yamaha on the other side has revealed their sales figures for May and June together as 69,316 units, taking their quarterly figure over the 1 lakh mark. Impressive figures indeed from Yamaha considering Yamaha has not yet focused on entry level commuter motorcycle and scooter market. If that happens Yamaha volumes will churn big volumes compared to current numbers.
The following table shows the current standings of two wheeler manufacturers in India for the month of June and also for the First Quarter of FY’13. The Hero Motocorp is leading the market and by a big margin. The difference is too big to cope up with, for any manufacturer in short span. With proven products and many people having faith in brand, it is quite a difficult task for others to take the Hero’s number one position anytime soon.

With close to million units sold in the quarter, Bajaj stands at number 2. With Pulsar 200NS and Discover 125ST undergoing phased launch, Bajaj might see big jump in figures in next few months. After getting separated, HMSI has overtaken Bajaj for number two position in the month of March. But since then they are holding their position at number 3. TVS motors, being an established brand, is beaten by comparatively late comer HMSI and is at number 4 position. The reason may be lack of technology or unavailability of good products in portfolio. For TVS, except Apache and Scooty, no other product has proved itself. Also absence of good bike in entry level commuter segment and absence of a good product to take on scooters from Honda is what is hampering the TVS sales.

At number 5, Yamaha has sold 105,897 units in the last three months. With its strong presence in performance bike market alone, Yamaha is running neck to neck with Suzuki which has sold almost over 1 lakh units and is at number 6 position. (Suzuki’s figure for June has not been revealed yet and is projected on the basis of market trend and past performance of Suzuki). After restarting their innings, Mahindra is gaining pick up and is holding the second last position while Vespa holds the last spot.

Following pie shows the market shares of individual companies. Top three companies holds more than 80% of market volume.
Hope this gives you a little idea of current scenario of Indian two-wheeler market. We will try and bring more detailed information next time. Your comments and suggestions are welcome on our first attempt.

**Honda kick-starts 3-year plan to beat Hero in 2-wheelers**

Aoyama is the operating officer of Honda Corporation's motorcycle business based out of Japan. And he has just infused some vroom in the local two-wheeler industry. "Very soon, we will make the dream to become No. 1 [in India] come true," he announced at a recent press conference.

Former head of Honda Motorcycle and Scooter India (HMSI), who spent four years as India CEO between 2007 and 2011, Aoyama should know what he is talking about. "Given the current scenario in India, I believe it will not be 2020 but 2016 or even 2015 by when we will attain No. 1 position here," he says.

That Honda wants to be numero uno in India is hardly surprising. The two-wheeler giant is the leader in virtually every country it operates in, except China. In Brazil, it has a dominant 80% share, and controls half of the pie in Indonesia.

What is eye-popping is the hurry in which Honda wants to rule Indian roads. A little over two years after it exited a joint venture with the Hero group, HMSI has overtaken TVS and more recently edged ahead of former No. 2 Bajaj Auto to become the second-largest two-wheeler company in India.

And, in the next two to three years, HMSI, with a market share of just under 20%, has set its sights on beating the India leader Hero MotoCorp, which is currently sitting pretty with a 46% share. "We had 61% of the Indian market [before the breakup with Hero Honda]. We are under 20% today. We have to be No. 1 here. This is our dream," says Keita Muramatsu, CEO, HMSI.
Power of Dreams

The uniqueness of this race there were three-horse as of now and the rivals are jostling for supremacy not just in India but globally too. If Honda is the world's largest two-wheeler company (in volumes), Hero MotoCorp is not far behind at No. 2 and Bajaj Auto at No. 4 (Yamaha occupies the third slot).

India, for now though, is where the biggest and most critical battle is playing out. Last year, India overtook China to become the world's largest two-wheeler market with around 14 million unit sales. Further China, despite selling 12 million odd two-wheelers annually it has so far been a difficult market for overseas companies. It is crowded and fragmented with over 50 players, most having market shares in single digits. Also, the dominance of cheap, low-quality bikes makes it an unattractive market for technology-focused MNCs like Honda.

This makes India the most important battleground for global two-wheeler companies. "This is perhaps the only sector where Indian companies are world class in every way at technology, costs and production scale. This battle will be about Indian versus Japanese with no one in between," says Sharad Verma, partner at the consultancy firm BCG.

Lastly, it is not just India at stake here. The outcome in India will have global repercussions. Africa and Latin America are fast emerging as the next frontier for the two-wheeler industry. The competitive landscape in India will replay to some extent in many of these markets making winning in India a critical milestone for the companies.
Sizzling India Growth

It is for all these reasons that HMSI's robust growth in India in the recent past (especially post its exit from Hero Honda in late 2010) gains significance.

Whichever way you look at it the MNC has been on a roll in India. In 2010-11, HMSI was the fourth-largest two-wheeler company in India far behind Hero Honda (its JV with Hero Group which came to an end in December 2010), Bajaj Auto and TVS with just 14% market share. Today it is the second largest with a 19.8% market share.

In 2012-13, it has done even better amid slowing sales. During the year, while two-wheeler sales grew by 3%, HMSI's sales grew 31% selling 27.5 lakh vehicles in 2012-13.

"Honda has gained market share in every segment in the past 11 months," says Jitin Makkar, a senior analyst with credit-rating agency ICRA. In scooters, its market share has grown from 47.2% in April-Feb 2011-12 to 48.3% during the same period in 2012-13. In 100 cc bikes its market share has grown from 2.3% to 4.8%, in sub-125 cc, its market share has grown from 29.1% to 31.6% and in the 150 cc segment it has doubled from 10.1% to 20% in the 11 months to February 2013.

References