

Two Wheelers Industry in India – Future Growth and Prospects

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ABSTRACT

The study entails the promising future of two wheeler companies in India. The modern era is characterized by speed, urbanization and effective time management. Employment too is playing a significant role in the economy. Evidently, two wheelers play an important role in solving to an extent the time management problems of the working class and business holders. In a developing country like India, where a sizeable proportion of the population comprises of the middle class, and pressure of urbanization, a two-wheeler is considered to be the most suitable vehicle. India is a growing economy and thus claims to be the largest two-wheeler market in the world. The country witnesses hundreds of new two wheelers rolling on the roads every single day. The two-wheeler industry has a reasonable share in the Gross Domestic Production (GDP) of the country. Thus, this research aims at studying the production and sales of two wheelers, performance and share of two wheeler companies and problems faced thereof and prospects of the industry.

Keywords: *Two Wheelers, Significant Role, Production, Sales, Prospects*

INTRODUCTION

Fast modes of transportation, being able to travel faster and reducing the time spent on covering distances, are a few of the many aspects that have been playing a significant role in the present modern era which is highly characterized by urbanization. Speed, time management and aspiration for higher stand of living are the need of the hour. Two wheelers play a very significant role in solving these problems. Speed and two wheelers are synonyms to each other. On the cowed roads of India, two wheelers are the best option. Effective time managements are also a significant aspect. Public transport system often tends to take more time to reach the destination. Here too two wheelers play a crucial role. In a growing economy like India where the people are aspiring for a higher standard of living and the employment opportunities are available at distant places, two wheelers have helped to overcome the problem.

JUSTIFICATION OF THE STUDY

Economic development in India and a favorable economic environment are indicative that the country has achieved the status of one of the fastest growing economies in the world. With growing employment opportunities and boom in the businesses, the two wheeler industry in India has experienced a considerable growth. The scope of the industry in India is very promising and bright. With increasing demand, the industry has registered a growth of 11768910 units sold in the FY 2010-11 to 20192672 units in 2017-18. *

Although the road ahead is promising yet, there are many challenges that need to be tackled and handled effectively. The contemporary business

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environment is becoming increasingly dynamic. Thus, the rationale of this research is to study the production, sales, growth and performance of various two wheeler companies in the industry and provide an insight into the aspects that would assist in overcoming the challenges and increase the prospects.

OBJECTIVES OF THE STUDY

- To study the production, sales, growth and performance of various two wheeler companies.
- To throw light on problems faced by the industry and Future Perspective.

REVIEW OF LITERATURE

R. A. S. Weerasiri and A. S. M. G. Mendis (2015) in a study titled ‘Factors Affecting Purchase Decision for Indian Two Wheelers in Sri Lankan Market’, strived to study the major factors affecting the purchase decision of the consumers of Srilanka alongwith the causes behind edge of Indian two wheelers over others in the foreign market. The research disclosed a number of presumption for the marketers which included better market segmentation and the impact of demographic factors such as age, gender, income level, education level on the purchasing decisions.

Sunila George, RaghendraJha and Hari K. Nagarajan (2000) performed a research to study the competitive structure of the growth of Indian two-wheeler’s industry. Kendall’s Index of Rank Concordance coupled with the Evans-Karras test of convergence were the basis of study. The research indicate that the industry has an oligopoly market

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structure with economic reforms being initiated. Accordingly, large dissimilarity in the industrial structure is not evident. Sales and capacity level of the firms pooled together is crucial.

Saillaja.V (2015) in a ‘Study on Two Wheeler Market Segmentation and its Strategy in India’ explicated that the gigantic Indian Two-Wheeler Industry recorded an inclusive growth rate of 9.5 percent between the years 2006 and 2014. The growth in Indian Automobile Industry is owed to a sharp rise observed in the two-wheeler segment till 2014. The study concluded that the 'Make in India' campaign of the Government of India is paving way for more foreign direct investment in the industry thus augmenting further developmental chances in the years to come.

Mohd. Akbar Ali Khan, DatrikaVenkata Madhusudan Rao, Rayalaseema (2018) conducted a study to examine the effect of selected exogenous and demographic variables on Customer Satisfaction of top four brands, namely Hero, Bajaj, Honda and TVS brands. Tests were conducted in order to find out the impact of independent and demographic variables on customer satisfaction. The results indicated no significant effect of mentioned variables on the consumer satisfaction. The research was a preliminary attempt to address an issue that has important implications for services marketing theory and practice.

TOP PLAYERS IN INDIAN TWO WHEELER INDUSTRY

According to a report published by financialexpress.com* ‘Top 10 two-wheeler manufacturers in India’, it was surveyed and concluded that 44 units of bikes and scooters sold every minute in our country. Additionally, as India is the largest two-wheeler market in the world, hundreds of new

vehicles land on the roads every day.

During the Financial Year 2018-19, the Indian automotive industry sold a total of 14,155,758* units of vehicles in India against 12,756,611* units when compared to the same period last year, hence accounting for a growth of 10.97 percent*. Out of these, 11,569,770* units contributed as two-wheelers and the sector saw a growth of 10.07 percent when compared to the same period last year.

The top 10 two-wheeler manufacturers and their sales numbers during the period April - September 2018 are as follows:

S.No.	Brand Name	Motorcycle Sales	Scooter Sales	Moped Sales	Total Sales
1	Hero MotoCorp Ltd	3744181	391019	-	4135200
2	Honda Motorcycle & Scooter India (Pvt) Ltd	1113801	2182860	-	3296661
3	TVS Motor Company Ltd	529721	645020	445148	1619439
4	Bajaj Auto Ltd	1287133	-	-	1287133
5	India Yamaha Motor Pvt Ltd	227002	198385	-	425387
6	Royal Enfield (Unit of Eicher Ltd)	424805	-	-	424805
7	Suzuki Motorcycle India Pvt Ltd	39167	291857	-	331014
8	Piaggio Vehicles Pvt Ltd	-	42289	-	42289
9	Mahindra Two	780	1683	-	2463

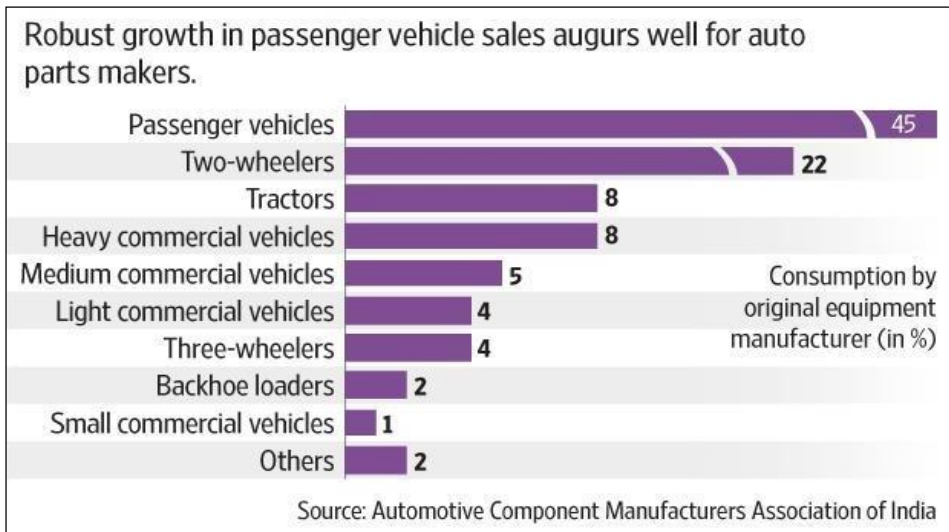
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	Wheelers Ltd				
10	UM Lohia Two Wheelers Pvt Ltd	2115	-	-	2115

Source: <https://www.financialexpress.com/auto/bike-news/top-10-two-wheeler-manufacturers-in-india>

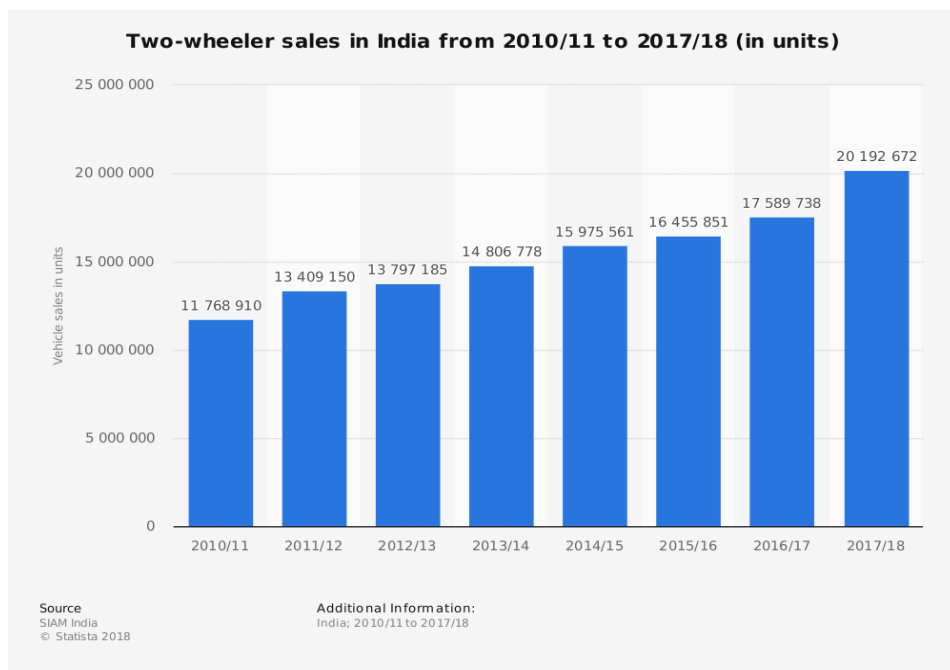
GROWTH DRIVER OF TWO WHEELERS

With increased industrialization and mechanization on one side and effective time management on the other side, the wheels are appearing to take the form of scooters and India is heading closer personalized transport option that is two wheelers.



The growth drivers for two wheelers indicate a sharp TURNAROUND due to WOMEN DRIVE. Rising urbanization, improved roads and an increasing number of women consumers are aiding in turning the wheels in favour of two wheeler. In the past five years alone, the share of scooters in the overall market in the country has risen from 20% to 33%.

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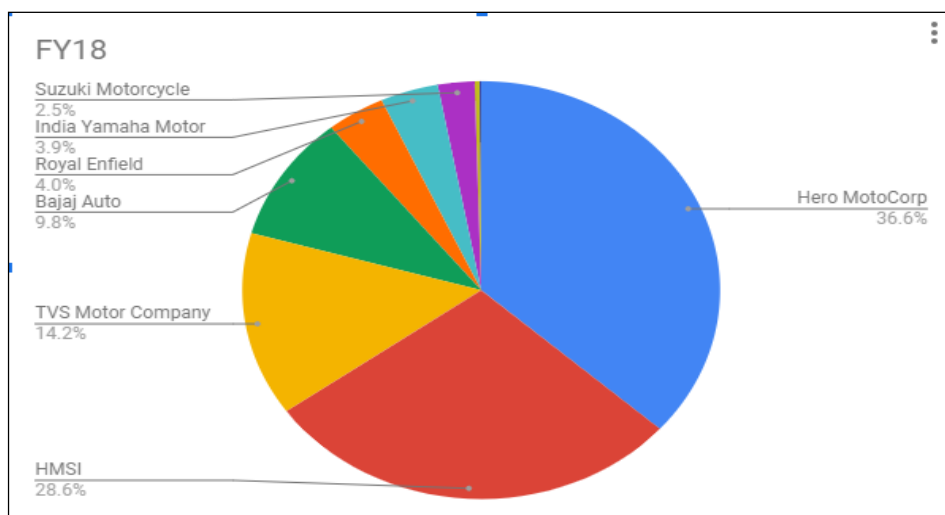
MARKET SIZE OF COMPANIES

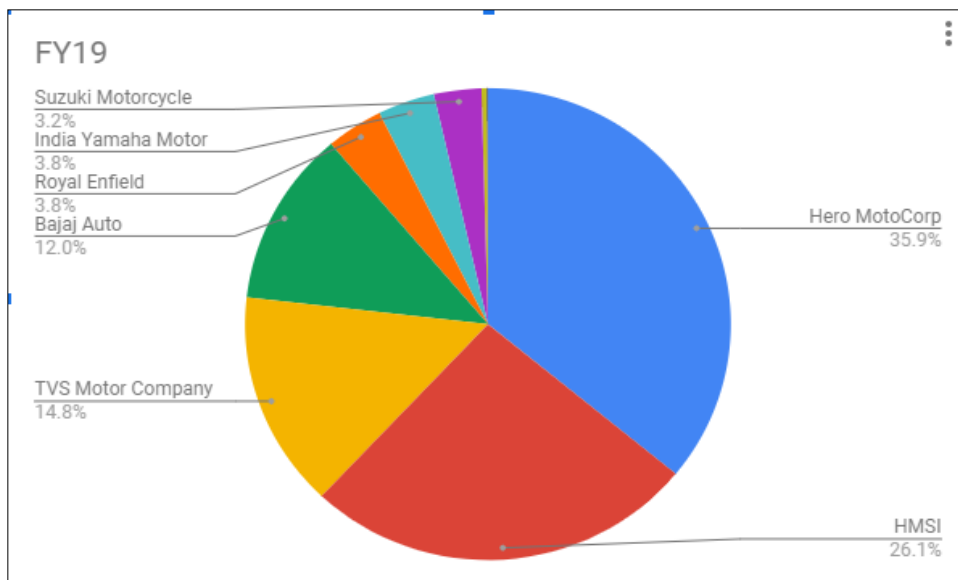
The figures mentioned underneath indicate that India is having a very promising two wheeler. Year after years, the industry is showing a sharp up rise.

- **Hero MotoCorp** - India's largest two-wheeler manufacturer sold a total of 41,35,200 units of two-wheelers during April - September 2018.
- **Honda Motorcycle and Scooter India**The sales of Honda during the aforesaid period accounted to 32,96,661 units.
- **TVS Motor Company** - A wide variety of product range along with the recent launches helped TVS Motor Company achieve a growth of 10.04 percent. During the period April to September 2018, the company sold a total of 16,19,439 units of two-wheelers.

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- **Bajaj Auto** - Bajaj Auto during the period 12,87,133 units of two-wheelers showing an impressive growth of 27.37 percent compared to the same period last year.
- **India Yamaha Pvt Ltd** - The company sold a total of 425387 units of two-wheelers during the period.
- **Royal Enfield** - Royal Enfield, the brand known for thumping cruisers sold a total of 4,24,805 units of its motorcycles during the period April to September 2018, thereby registering a year on year (YoY) growth of 12.29 percent.
- **Suzuki Motorcycle India Pvt Ltd** - Suzuki has shown the maximum growth in the list at 37.13 percent as it sold a total of 3,31,014 units of two-wheelers during the first half of the current financial year.
- **Piaggio Vehicles Pvt Ltd** - Piaggio sold 42,289 automatic scooters during the first half of the current fiscal, thereby reporting a growth of 25.62 percent when compared to the same period last year.





Source:<https://auto.economictimes.indiatimes.com/news/two-wheelers/motorcycles/top-10-two-wheeler-makers-in-fy19-bajaj->

PROBLEMS AND FUTURE CHALLENGES

Goods and Service Tax

The top Indian two wheeler companies have been urging the government to lower down the GST on their products from the current rate of 28%. They defend saying that their product is aimed at assisting the daily mobility needs of the masses and thus 28% is a higher levy specially when the industry is confronted with a series of challenges.

Insurance adversity

September 2018 saw a double insurance whammy in the form of compulsory personal accident cover rising from ₹1 lakh to ₹15 lakh resulting in higher payouts for third-party premiums.

Income realities

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India is a country with a diverse landscape and yet another problem is purchasing power of the people. Income realities need to be reckoned with in India where there are people who cannot afford to buy a two-wheeler. It is very difficult for them to absorb price hike shocks.

Existential problem

India's two wheeler industry is struggling with a peculiar existential problem, placing a question as to which option is better, more for less or less for more. The shrinking margin problem has become a focal point for the two wheeler producers and has become an important calculus.

Flood of cheap imports

The cheap imports of the contemporary product in the form of e-bikes area hard fact that needs to be factored in first. For instance, the present battery cost of \$250/kWh would not make it viable for the end-user and would have to come down to \$100/kWh. Additionally, if battery makers are assured of two million units annually from two-wheeler companies, their investments would be justified. If this is not in place, the Government may have to cough up huge subsidies to the tune of ₹1 lakh/vehicle; on an estimated 25 million two-wheelers in 2025, it would be ₹250,000 crores.

FUTURE OUTLOOK AND PROJECTIONS

A report titled “**India Used Two Wheelers Market Outlook to 2023 – By Unorganized and Organized Sector, By C2C and B2C Distribution Channel, By Stock Piece and Customized Two Wheelers By Motorcycles and Scooters**” presents an analytical overview of pre-owned

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two wheelers services in India. The report focuses on sales volume, industry revenue and segmentation by unorganized and organized sector. The report also covers the overall competitive landscape; government role and regulations, growth restraints, drivers, trends and developments. The report concludes with market projections for future for the market described above highlighting the major opportunities and challenges.

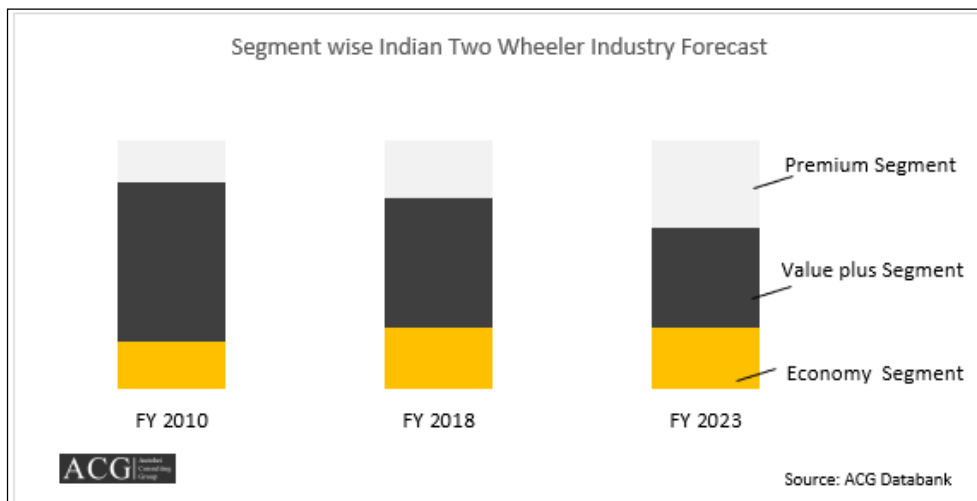
It is anticipated that the used two wheelers market in India will continue to grow in the coming years as used vehicles are much cheaper to purchase than a new one. Projections for the future suggest that the overall market for used two wheelers in India is likely to showcase a vibrant growth in terms of sales volume in FY'2023. Individuals mostly in smaller cities and towns who wish to own a vehicle begin with buying a second hand two-wheeler to get hold of it. In addition, local dealers who have been facing tough competition from the online classifieds will be seen associating with the online players to reach out to greater audiences.

Market outlook of Indian Scooter and Motorcycle

Future of the two-wheeler industry in India gives critical information about Two Wheeler Industry. ACG expect that over next coming year the three-tier structure of the industry which was 20 percent* for the entry-level segment, 60 percent* in value for the mid-level and 20 percent* at a premium level for the time and the current trend has moved to 30-50-20 percent and it is on its way to moving to 35-40-25 percent* structure. This means the middle-level market is getting squeezed out, which in turn is very good for companies like, Yamaha, Bajaj, Suzuki. Hero Motocorp and Honda need to introduce new innovative product range in this segment

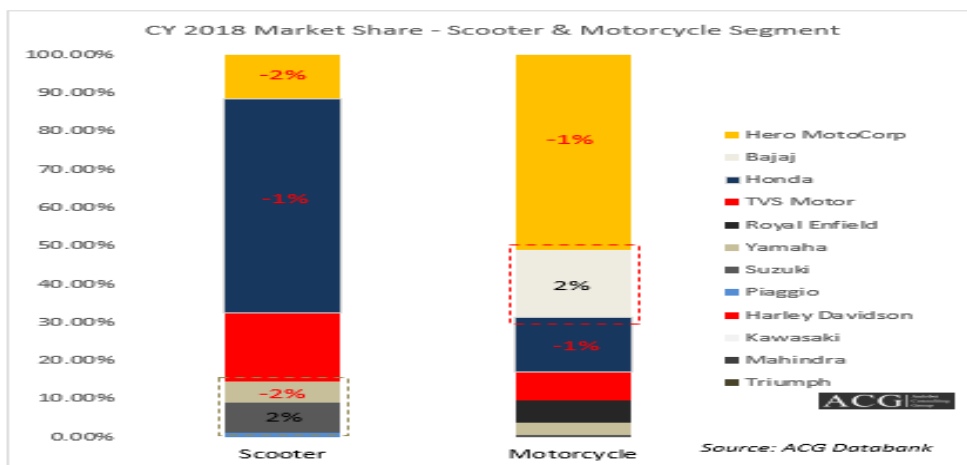
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since these companies are the major players of value plus segment.



Indian Two-Wheeler Industry has seen 13%, Scooter segment 9%, and Motorcycle segment 16% growth in the year 2018 compare to the year 2017.

In Scooter segment, Suzuki and TVS gained 2% market share and market leader Honda lost 1% and Yamaha and Hero lost 2% market share in 2018. The Hero is trying to penetrate this segment with mix product and marketing strategy but could not achieve the desired result. The companies shall enter the electric vehicle segment with new motorcycles and scooters in India.



Source: <https://www.autobei.com/autoreports/two-wheeler/future-of-two-wheeler-industry-in-india>

CONCLUSION

In a developing country like India, where a sizeable proportion of the population comprises of the middle class, and where 70% lives in rural areas, a two-wheeler (particularly bikes) is considered to be the most suitable vehicle. The Indian consumers' brand preference for two-wheeler bikes is based on mileage, price and maintenance cost and road conditions. Amongst the different media that are used, television is the most effective in influencing the consumers' buying decisions. Keeping in view the ever increasing "growth rate" of population, prevailing standards of living and cost of vehicles, two-wheeler bikes would continue to dominate the automobile industry in India.

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