

2018 Philippines IR Day Q&A

Overall

In terms of motorcycle diffusion rates, other ASEAN countries have reached 3-4 people per motorcycle. What is the extent of motorcycle diffusion in the Philippines?

GDP per capita is in the 3,000-dollar range, but there is a gap between the mean and the median value, which is around 2,000 dollars. It will take time for the shift from motorcycles to automobiles to occur. The motorcycle diffusion rate is 16 people per motorcycle. Reasons for motorcycles not becoming more popular in the past include the perception that motorcycles are dangerous and automobiles becoming popular first, and the development of other means of transport home such as city buses, jeepneys, and tricycles. Traffic congestion is currently becoming severe, and motorcycles are becoming perceived as highly convenient.

Sales of scooters aimed at female riders are growing in Indonesia and India. What is the situation in the Philippines?

Scooters aimed at female riders are becoming more popular in the Philippines as well. Amid growing total demand, the proportion of female riders - mainly on scooters - has grown from 6% in 2013 to 13% in 2017. The proportion of female riders is still low compared to other Asian countries, and we believe that there is significant room for growth.

Are there different license classes by engine displacement?

There is only one class in the license system, and anyone can get a license easily. As a responsible manufacturer, we are conducting safety education so that the number of accidents does not increase.

Please tell us about emission standards and the shift to fuel injection.

Standards are currently based on EU3. No detailed schedule has been laid out regarding EU4.

Please tell us about your profit structure compared to other ASEAN countries.

Differences with other ASEAN locations include comparatively higher scooter retail pricing, as well as relatively restricted manufacturing costs such as manufacturing personnel expenses.

Please tell us about the effects of emerging market currency depreciation. Are you and your competitors considering price increases?

As we import engines from Indonesia and India, our currency exposure is not only to the dollar; Asian currencies also need to be included in our decision-making. We are working on building a business structure that is not overly affected by foreign exchange fluctuations. Price increases are the decision of each manufacturer.

Sales/After-sales service

How do customers in the Philippines gather information about scooters?

In many cases, they purchase based on the vehicles they see on the street. As models with a high market share tend to be chosen by customers more often, the Mio's first-mover advantage is of benefit to us. Recently, more and more customers have been gathering information on social media, so we are strengthening our social media communication.

Is income from new vehicle sales higher than other markets?

Retail pricing is comparatively higher than other markets. The picture is similar to Vietnam, which dipped for a while, but has returned to a growth path.

Please tell us about the proportion of Yamaha brand-exclusive dealerships.

Yamaha Motor Philippines has around 60 dealers selling to approximately 2,500 retail outlets nationwide. This means that distributors are extremely strong in the Philippines, unlike other ASEAN countries, where operations are on a regional basis. Each dealer has brand-exclusive outlets as well as outlets which sell multiple brands for the respective manufacturers. On a unit sales basis, the proportion of our Yamaha brand-exclusive dealerships and outlets which sell multiple brands is roughly 50:50.

In terms of finance, please tell us about the background to the proportion of cash sales increasing. Please also tell us about your points of differentiation with competitors.

The proportion of cash sales is increasing, but the absolute quantity has not changed. The major dealers operate banks, and they sell with relatively high rates of interest to people who purchase using loans. Finance is a source of income for the dealers; Yamaha Motor Philippines is not involved in finance. We are working with the dealers to ensure they value the customers so they come back. We are upgrading servicing to increase revenue from servicing.

Please tell us about differences in the competitive environment to other ASEAN countries. What are the reasons for less vulnerability to competitive attacks than in other markets?

While competitors have launched attacks, there is a prevailing image that scooters = Yamaha. Our first-mover advantage and brand power are different to other ASEAN countries. Whether customers will purchase the product is the key issue, and we are aiming to be the number one brand chosen by customers. The highly-popular Mio Sporty is the only carburetor specification model, and it suits a wide range of customer needs.

Manufacturing

You say that you are planning to continue CKD production for the time being, but is there a rough unit sales volume at which you would transition to CBU production?

We will continue to import engines, but we are working on in-house production of vehicle bodies and on reducing logistics costs. We will make investment decisions regarding engine production bearing in mind market growth potential and risk.

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