

June 25–26, 2024

India Motorcycle Business IR Day Q&A Minutes

Overall Business

What are the future goals of Yamaha Motor's operations in India?

There are three main goals. The first is to strengthen our brand in India, grow our presence, and create a profitable structure. We believe that the Indian motorcycle market will continue growing even after 2030, and as the disposable income held by our current customer base of younger users rises, we will develop and launch models with higher added value. The second goal is to raise the functionality and levels of quality at our factories for exports and make India our second global manufacturing hub after our Indonesian factories. The third and final goal is to develop the people and organization of our Indian operations and we are working to nurture local executives.

What direction are you looking at going in terms of profits?

We aim to increase profits by continuing to sell models with high added value while increasing sales volume at the same time.

Sales and Marketing

What share of the total demand among young people does Yamaha have?

We did not break down 2023's total demand of approximately 17 million units by age group, so it is difficult to give a clear answer. However, approximately 85% of our sales are to young people aged 18 to 29 and we estimate that our share in the area we focus on, i.e., premium segment models of 150cc and up targeting younger users, is around 30%.

How does the young generation purchase motorcycles?

About 60% finance their purchase while 40% buy with cash. With student customers, their parents may also help fund the purchase.

It was mentioned that 25 million more people join Gen Z every year. What proportion of that number are actually able to buy a premium model? Also, is there a gender gap present in the customer segment?

We have not been able to make a precise estimate, but we believe that of the 25 million people, approximately 1.6 million are likely to buy our premium models. The percentage of women riders for all Yamaha products is around 10%. This drops into single-digit percentages when it comes to sport bikes.

Yamaha pursued a scooter-focused strategy in the Indian market in the past, so what led to the shift to today's premium segment strategy?

There was a period of growth in the ratio of scooters in the Indian two-wheeler market between 2004 and 2016, and we previously ran a strategy for increasing scooter sales. As of 2024, while overall two-wheeler demand is still growing, we believe that motorcycles will have the largest absolute percentage growth going forward and are accordingly pushing the roll out of premium motorcycles for upper-middle-class youth.

I believe Yamaha is also pursuing a premium segment strategy in Indonesia. Please explain what the differences are between the strategies in both countries.

We have been developing and launching premium models for some time, but it was with the NMAX we launched in Indonesia around 2015 that clearly defined the premium model strategy for the entire company. In ASEAN markets such as Indonesia and Thailand, scooters are our main products while high value-added scooters are the primary premium models. The Indian market, on the other hand, is dominated by motorcycles and accordingly, we have strengths in our lineup with premium motorcycle models.

In the premium model segment, what are the reasons for the flat market share from 2021 onwards?

The semiconductor supply shortage during the COVID-19 pandemic had a significant impact. Our premium models use more semiconductors than our competitors and we were unable to supply enough product due to the shortage. However, the issue has been resolved now and we aim to increase our market share in 2024.

How do you plan to approach customers in the 25+ age group?

For the time being, we will focus on securing customers between 18 and 25 years of age. Also, to ensure we do not lose customers we have secured, we will adopt approaches like introducing new models aimed at trade-ins or stepping up. The plan is to grow our business together with the Gen Z customers we secure.

Tell us about the changes in your net sales since the switch to Blue Square.

After the changeover to Blue Square, our customer base has changed and our price per unit has increased, including fewer discounting or price-cutting negotiations. Retention ratio has also gone up.

Tell us the background to your success with the premium model segment strategy in India in such a short period of time.

Our share of the Indian market is small, but we have a good brand image, like how a Yamaha product was chosen as the No. 1 bike wanted by young urban residents. We also believe another reason for this is how we have differentiated ourselves from our competitors by unifying our sales outlets as Blue Square luxury shops using blue as their main color. Furthermore, we are not spreading our advertising out across each generation, but instead focusing on media consumed by the younger generations that comprise our main customer segment, thereby efficiently promoting sales. In this way, we believe that our current success is thanks to thorough implementation of a coherent marketing package not only for the product but also for communication, our sales channels, and customer engagement.

Are there any manufacturers competing with you as you pursue your premium model segment strategy?

Although there are some competing models in the premium model segment as a whole, there are no manufacturers in direct competition with us targeting urban upper-middle class Gen Z customer base.

Technology and Development

What are the major regulatory issues likely to have a significant impact in the future from a technology perspective?

The next regulatory issue we can expect is emissions regulations. The Bharat Stage (BS) 7 regulations are likely to come in the future, but at the moment, no clear announcement has been made. The current focus of the Indian government is on rolling out E20 (20% ethanol blended) fuel nationwide by the end of 2026.

Are there models from your competitors that you use as benchmarks in terms of product performance? Each company in the Indian market focuses on different product segments and it feels like as the market grows, so do the sales volume of each company. Are there any areas of overlap with the competition?

In Europe, market demands fall into well-established displacement segments and there is a need to compete for performance in the 600cc and 1,000cc categories. But in the Indian market, there are disparities in market demand when it comes to displacement and there are no models we use as benchmarks in terms of performance. We believe it is important to sharpen our concepts and take them forward.

Manufacturing and Procurement

What level of competitiveness do you have with exports from your Indian hub?

In France, which accounts for a large volume of our scooter sales in Europe, the air-cooled 125cc Ray ZR manufactured in India can be sold at a lower retail price than a scooter made in Vietnam.

What are your KPIs for your operations in India?

We focus on quality and are making efforts to close Indonesian base quality.

What is your policy for increasing the production capacity of your Indian base?

The Surajpur Factory in northern India has land constraints that make physical expansion difficult, so we are aiming to raise productivity in order to up production volumes. The Chennai Factory in the south will be expanded as necessary to increase production.

You are currently manufacturing premium segment models at the Surajpur Factory in northern India. Are there any plans to do the same at the Chennai Factory in the south in the future?

As mentioned, the Chennai Factory can be expanded as needed and it is possible to accommodate the production of premium models. We are considering this move.

What are the reasons for producing the FZ Series in both the northern and southern parts of the country?

The main reason is that the FZ Series was the most produced line of models when the Chennai Factory first started operations. The FZ Series comprises our highest production volume, so manufacturing it at both the Chennai and Surajpur factories is how we have achieved a balance in our factory operations.

Please tell us about your work to reduce the costs of procured parts.

Our cost-cutting initiatives are ongoing and we work every year to reduce the number of imported parts as part of those initiatives. Even for parts that initially began production at our facilities in Indonesia, ones we can reduce the cost of are manufactured in-house in India.

You said 5% of your procured parts are imported. I'd like to know the trends are in that space.

Procuring high-functionality parts in India first is difficult and we often have to procure these through imports. This is why the import ratio of parts rises during the initial launch of new high-performance models, but we are continuing our efforts to switch over to more domestic procurement.

What are the strengths of the Chennai Factory in terms of manufacturing?

When the Chennai Factory was first established, the general idea was to mass-produce low-priced models and we viewed its strength to be the ability to manufacture small-volume, low-priced models at high speed. However, with the change to our premium model strategy, it has now become necessary to manufacture medium-volume, premium-priced models. We are modifying our facilities to align with our current strategy, by changing floor layouts, for example. In addition, Yamaha Motor has only a few factories that manufacture high value-added motorcycles with small to midrange engine displacements. Manufacturing in Japan is not cost-effective and there is little demand for such motorcycles in ASEAN markets. As India's own emissions regulations are strict, it is possible to manufacture premium models there with domestic market specifications and still export them to Europe in that same spec. This could become the raison d'être of our Indian base.

Yamaha Motor is promoting the manufacture of models for global markets at its Indian base, but what are the areas lacking or requiring improvement in order to satisfy global quality standards?

We are working on changing the mindset regarding quality among our local Indian personnel. Specific initiatives include sending these personnel to Japan and providing them with opportunities to tour our production sites and training on quality matters; and having engineers and technicians from Indonesia, a country already manufacturing models for global markets, visit our Indian facilities and share their expertise. In addition, for processes where quality is particularly important, we are moving automation forward at the same time to prevent human error.

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