

# **Case Study on Honda Motorcycles and Scooters**

## **Background**

The Honda Motor Company of Japan was founded in the year 1946 and incorporated on 24<sup>th</sup> September, 1948 by Soichiro Honda and Takeo Fujisawa having its headquarters in Minato, Tokyo, Japan.

In 2017 India became the largest motorcycle market for Honda and in the Indian scooters segment Honda has a market share of 57%.

Honda Super Cub, a 50cc motorbike was conceived by Soichiro Honda of Honda Motors in the year 1956. Takeo Fujisawa, partner of Soichiro Honda had in his mind to introduce a moped in the Company's line up for the expansion of Business. Honda along with Fujisawa was on a trip to Europe to win the Isle of Mann TT Race. During their visit to Europe, they visited the Lambretta and Kreidler showrooms to get some idea regarding the future products of Honda Company. However, both of them realized that a small wheeled scooter will not suit the Japanese Market because of the road conditions as well as the requirements of the market. Till now the Company had in its product range large capacity motorcycles which required higher cost and maintenance and was not meant for the mass market. Fujisawa wanted that Honda should design a product that should appeal to the masses and at the same time will require less maintenances. Also, the product should be easy to use and it could almost be operative in single hand. Keeping all these points in mind Soichiro Honda developed the Honda Super Cub which became popular in Japanese market. And Honda Super Cub debuted in Japanese Market in the year 1958.

## **Honda's Route for Market Expansion in International Markets**

Following the route of overseas market expansion Honda Company sent Kihachiro Kawashima and his assistant to U.S.A. to study the motorcycle market in U.S.A. and the possibility of selling their existing 250 cc motorcycle in the US Market. Japan that time was a resource starved country emerging from the miseries of the World War II. Due to shortage of funds Kawashima and his assistant was using the smaller capacity Honda Cub while making rounds to visit the motorcycle dealers in order to save money. Kawashima found that their existing bigger 250 cc motorcycle is not suitable to the US market. He found that Bikers in USA prefer Harley-Davidson and Indian

brand of motorcycles because of the built quality and the lower maintenance cost. However, both the Honda employees observed that peoples are getting attracted to the Honda Cub bike and even the motorcycle dealers expressed their desire to sell the Honda Cub. After much hesitation and after final discussion with the top management of Honda it was decided that Honda Cub will be sold in USA. An advertising campaign was created and a simple slogan was used “You meet nicest people on a Honda”. Honda tasted success in the overseas market with the successful launch of Honda Cub in the US market and gradually increased market share to 63%.

The Super Cub story teaches that an entrepreneur must always be open to suggestions and the market Survey and feedback plays a vital role in introducing a new product and service in the market. The entrepreneur must use the market feedback to develop and design new products and Services. Further while designing a product choice and taste of the consumers, use of technology, Govt. regulations should be kept in mind.

### **Honda’s Market Entry in India**

Honda entered into the Indian market in the route of Joint Venture with two companies simultaneously. One with the Hero Cycles of India and the other with the Kinetic Engineering Ltd as during that time Direct Investment by foreign companies in the Indian market was not allowed.

Kinetic Honda was a joint venture between Kinetic Engineering Limited, India and Honda Motor Company, Japan. Kinetic was the first company to have a joint venture with HMSI. The JV operated during 1984 - 1998, manufacturing two-stroke scooters in India. In 1998, the joint venture was terminated.

Hero Honda started its operations in 1984 as a joint venture between Hero Cycles of India and Honda of Japan which became the world’s largest two-wheeler company in early 2001. In 2010, when Honda decided to move out of the joint venture.

### **The Indian Scooter Market and How Honda retained its Market Leadership:**

The Indian Scooter markets was dominated by the Bajaj Scooters from the early 1960s.It was famous for its scooters Chetak and Super and till the year 2002 Bajaj

was the dominant player and market leader. However, these scooters were using two-stroke technology and over the years there was no technology upgradation.

Slowly the scooters market was losing its attraction for the Indian consumers who expressed that the conventional Indian scooter was too big and difficult to handle and that the scooterette was too small and similar to a moped.

Honda entered into the Indian Scene with the introduction of Kinetic Honda. Kinetic Honda was a joint venture between Kinetic Engineering Limited, India and Honda Motor Company, Japan. Kinetic was the first company to have a joint venture with HMSI. The JV operated during 1984 - 1998, manufacturing two-stroke scooters in India. In 1998, the joint venture was terminated.

With the termination of the Joint venture Honda started its company in India, Honda Motorcycles and Scooters India Ltd.

Launched in 2001, Honda Activa was the first scooter model of HMSI for the Indian market. A 102-cc scooter, Activa was specially designed keeping in view the needs and preferences of Indian consumers who expressed that the conventional Indian scooter was too big and difficult to handle and that the scooterette was too small and similar to a moped.

### **Why Activa become such a Big Hit**

- 1.It's easy to repair and maintain
- 2.It was the first scooter in India using four-stroke technology
- 3.Hassle-free operations
- 4.You can carry a gas cylinder on the foot-board, which is not possible with other scooters.
- 5.It has a centred engine as compared to Bajaj, which had engine on one side of the body. Activa is very balanced and planted on the road.
6. Easy to start due to self-start technology, thus very popular among the working women.
- 7.Gearless, which is a great boon for the urban commuters as the traffic condition becoming such that you have to stop and go.

Exhibit-1. Top Ten Scooter Manufacturers in India in 2020

Scooter Brand	No. of Units Sold	Market Share in %
Honda Activa	2,57,900	50%
TVS Jupiter	56,085	11%
Suzuki Access	53,031	10%
Honda Dio	33,639	7%
TVS NTorq	26,150	5%
Hero Pleasure	20,068	4%
Hero Destiny	19,644	4%
Yamaha Ray	19,540	4%
Hero Maestro	14,029	3%
Yamaha Fascino	13,640	2%
Total	5,13,726	100%

