

It took all of ten minutes to break the news to a bewildered bunch of people. From being dealers of the iconic Harley-Davidson, they were now out of business.

In his address to the 30-odd folks, Sajeev Rajasekharan, managing director (Asia Emerging Markets) of Harley-Davidson Motor Company, as one of the livid dealers recalls, was very matter of fact and to the point. “He just spoke of Harley changing its business model in India and the decision to shut down the manufacturing facility in Haryana,” says the dealer. That was on September 24 and it was made clear to all that no contracts would be renewed after December 31. None of the questions relating to investments made or unsold inventory were answered, recalls the dealer.

Understandably, the way it has been done has not gone down well. For at least a month, the market and media were buzzing on the motorcycle manufacturer’s exit from India. It was only after repeated requests from the trade that the management agreed to talk. A good part of the dealers has been with the company from the time it entered India in 2010. Though nobody is willing to go on record, some of the dealers did admit to considering the option of going legal. “Our interests have not been protected and we will incur huge losses,” says one of them, speaking for many.

Harley-Davidson India has always struggled. In fact, it has sold only 25,000 units since its entry, though at the time of its launch it was targeting 10,000 units every year. For all the talk of the music this beast strums on the road, it has had one disappointing journey. In August, it sold just 176 units.

Journey to India

The decision to enter India was part of Harley’s strategy to look at newer markets. Sales in the US had taken a hit after the 2008 financial

crisis and under new CEO, Keith Wandell, the company was set to embark on its next journey. India and China would now be subsidiaries with the Asian headquarters in Singapore.

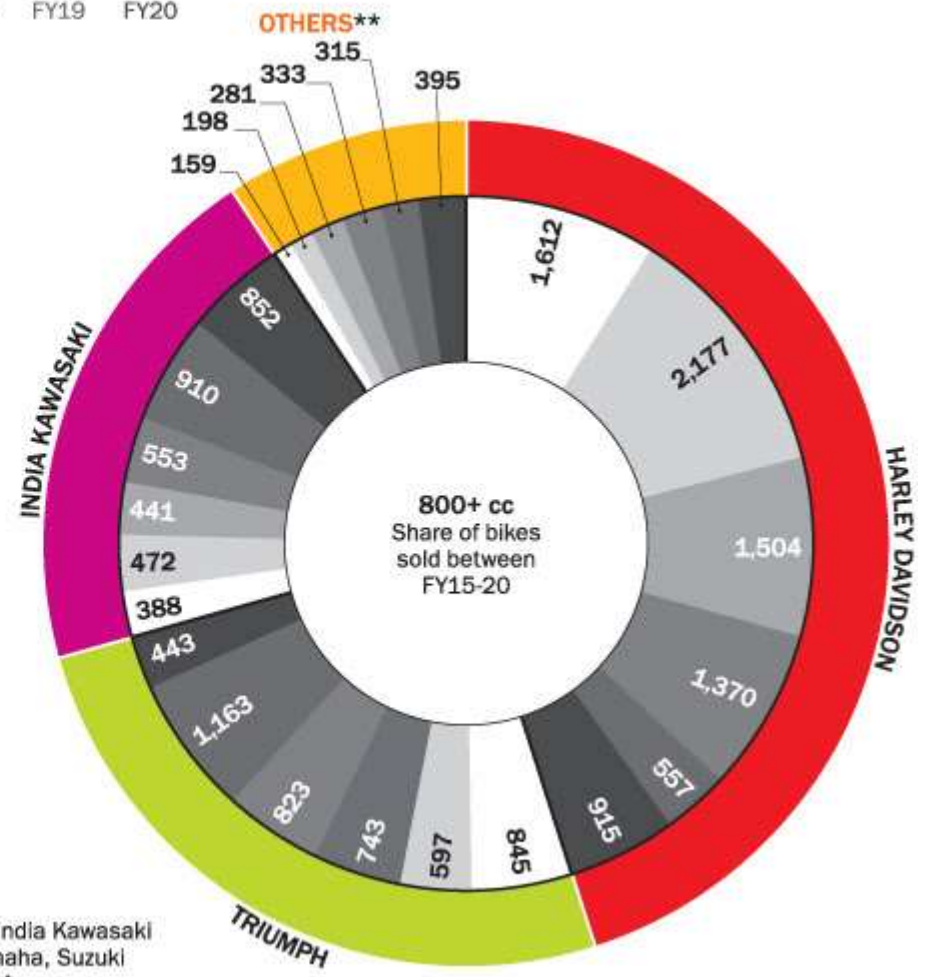
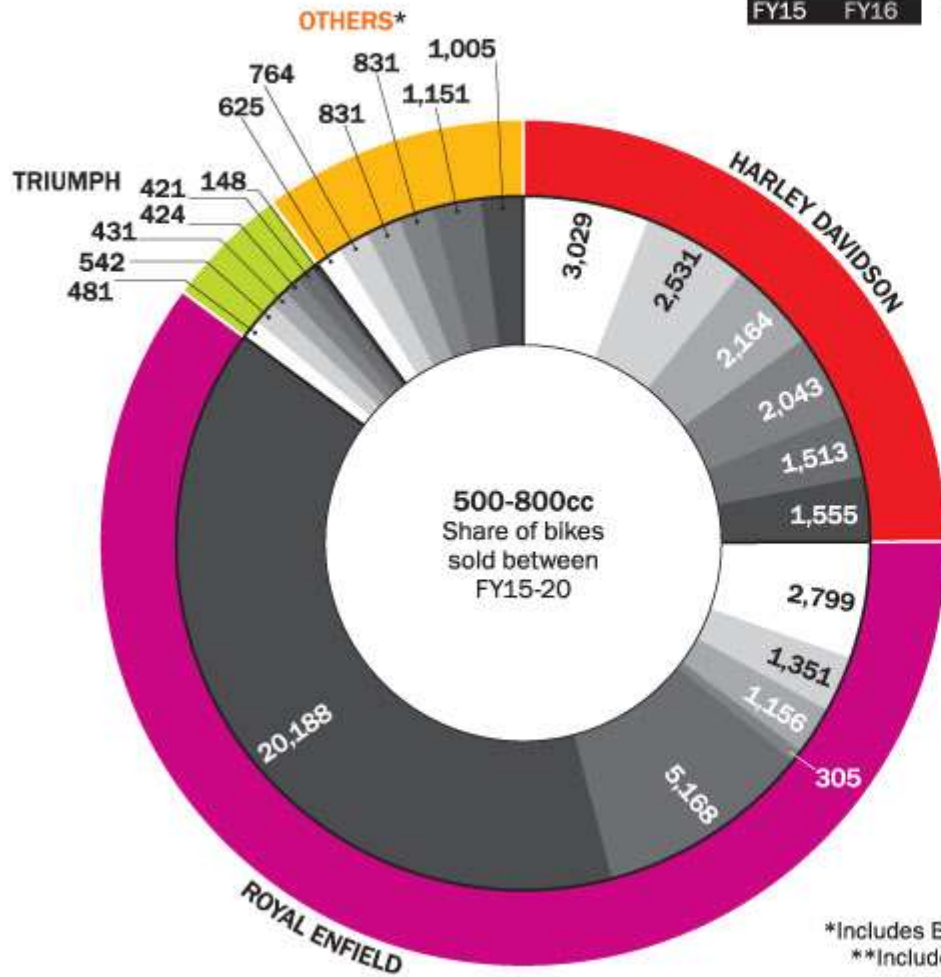
To be fair, Harley did well in its initial phase. In FY14, it sold 1,927 units, and then sales took off sharply to hit 4,641 units in FY15 and 4,708 units in FY16. The company sold only cruisers and banked on the brand's strength to see it through. There was serious commitment via sustained marketing, trade shows and events – all of which was clearly paying off. Meanwhile, sales back home in the US was still tepid and to re-ignite its oomph, Harley-Davidson decided to aggressively invest in an electric vehicle (EV). It committed \$500 million – among the biggest R&D investments the legendary motorcycle maker had ever made.

When Wandell's successor, Matthew Levatich, took charge in mid-2015, he accelerated the R&D drive, put all his energies into growing the US market and stressed on profitability across regions.

Race wide open

Harley Davidson rules the roost in above 800 cc while Royal Enfield's low-priced offering has fetched it volume in 500-800 cc

FY15 FY16 FY17 FY18 FY19 FY20



*Includes Bajaj Auto and India Kawasaki
 **Includes Honda, Yamaha, Suzuki
 Source: SIAM

At that point, India was still in investment mode and needed support from the parent. The Indian operations were close to breakeven, says a former company official, but this shift in strategy pulled the carpet from under the Indian business. “Suddenly, the brand was not as visible since we had very little to spend,” he says. Sales figures dropped over FY17 and FY18, by 22% and 7% respectively. The decision to focus on the US market also snuffed out plans to launch more India-specific products, with a lighter price tag. They already had the Street 750, which was selling well. Harley needed more in the same or lower price range to build on those numbers .

Brian Sheehan, an advertising veteran who worked across continents and now professor at Syracuse University, is surprised that Harley did not have the right offering when it came to price in India. “Harley seems to have got carried away by a population of over a billion. They just assumed that being a global brand was enough to succeed in the Indian market,” he says.

Again, the definition of ‘middle class’ across countries varies significantly. A person from that strata in the US can buy a top-end motorcycle with an annual income of approximately \$70,000 (49% of the US population has a household income greater than this). That straightaway gets in a large user base, which is not the case here. A lot of companies did not really get to the bottom of what the ‘middle class’ in India means and that has led to an overestimation of the potential.

The company also seems to have failed to take into account Indian road conditions. Roshun Povaiah, an avid biker and an automotive expert, says, “Most Harley-Davidson bikes could only handle good highway rides.” This meant more frequent trips to the workshop for expensive spare parts.

With the brand making heavy financial demands of the biker, Harley remained a niche player. Hormazd Sorabjee, editor, Autocar India, says that this niche-play trapped them in a vicious cycle – no scale and therefore no localisation, and no localisation therefore higher pricing (smaller segment). The vicious cycle then spiraled downwards.

Meanwhile, in the US market, Harley launched its EV brand LiveWire last September, which has not taken off as anticipated. A former company official thinks the steep pricing was a major reason for the muted response. “The average Harley motorcycle cost \$20,000 and this came at \$30,000. It was not easy to convince the consumer to spend that kind of money,” he says. The global pandemic has only made things

worse. With LiveWire's sputtering start, desperation set in and Harley marshaled all its resources to recover in the US market. In the process, India got short shrift.

Who will step up?

If the Hog indeed exits Indian highways, who will rule it? It is a tough question to answer, for the motivation to buy a Harley-Davidson is more to do with owning and riding it and not necessarily about owning any high-price bike. Harley is an item on the bucket list of affluent middle-aged men who are not necessarily bike enthusiasts. This is a category of aficionados who prefer Harley or nothing. Other bikes just don't make the cut.

Then, there are the bike enthusiasts, who can afford high-price bikes. Sorabjee thinks Triumph can fill this shoe, and so does Povaiah. But, even Triumph is not easy on the pocket. In fact, it can burn a hole in it. Harley's entry level models are more affordable – Street 750 costs ₹500,000, Street Road ₹600,000 and the Iron 883 ₹750,000, while Triumph's comparable models in the Bonneville range can set a biker back by anything upwards of ₹745,000. Harley's mid-to-higher-end models – Low Rider, Softail and Fat Boy—can cost anything upwards of ₹1.3 million while Triumph's comparable models in the Rocket range can cost anything upwards of ₹1.8 million. The UK company, headquartered in Leicestershire County, sells only 450 cruisers annually in India compared to Harley's 2,500.

From a positioning standpoint, Harley's spot could be taken by Indian too. The Minnesota-based company has been Harley's rival for long, from the time they started racing each other a century ago. (By the way, it's from those racetracks that Harley got its moniker 'hog', from one of its team member's pet piglet Johnny.) But here too the same niggling bit with price arises. Sorabjee says Indian is way too expensive to be a replacement for Harley — Indian's entry-level variant costs ₹1.2 million, compared to Harley's ₹500,000. Indian sells only 100 cruisers every year in India.

For a discretionary purchase to materialise, there needs to be high levels of buoyancy in the economy

Shoeb Farooq

Business head, Triumph Motorcycles India

Enter Royal Enfield. Now, it has die-hard loyalists too. Few years ago, Bajaj had trolled Enfield with a series of 'Haathi' ads, in which Enfield was compared to a cumbersome, temperamental elephant. Enfield did not respond but its fans did with an amateur but impassioned video. So, while it does not match up with the Harley in terms of aspiration, the brand does inspire a sense of belonging.

To get a measure of Enfield's chances, we need to understand how the brand changed the two-wheeler market, more specifically the 500-cc-plus market, in India. In 2014, only 2,000 units of 500-cc-plus bikes were sold in India. Most of this was Harley, though there were others such as Ducati, BMW and Benelli who sold barely a hundred units a year. Today, the same category of bikes sells 26,000 units a year. What changed? Enfield.

In 2018, RE launched Interceptor 650 and Continental GT 650. In FY20, they accounted for 20,000 of the 26,000 units sold in this category. They did this by getting the pricing, below and just above ₹300,000, right. Brands such as Harley and Triumph, which retail for ₹500,000 and above, make up only 6,000 of the 26,000 units. "Obviously, growth has not been as we had expected," admits Shoeb Farooq, general manager and business head of Triumph Motorcycles India, whose company made its India foray in 2014. "One is looking at a discretionary purchase rather than utility. For that to materialise, there needs to be high levels of buoyancy in the economy," he says. Apart from the overall slowdown, factors such as demonetisation and GST, according to him, have had a serious impact.

According to Saket Mehra, partner & leader (automotive) at Grant Thornton, the top end of the market has too many players for the volume it generates. “Most players came in assuming India was similar to what they had seen in other markets globally. That did not happen,” he explains. It’s a point fortified by Subhabrata Sengupta, VP, Avalon Consulting. “While a premium motorcycle can easily be bought by the top-end of India’s population, the first preference, often, is to make that discretionary purchase on something the family can use.” he says.

Lower power, higher potential

Since volume growth was crucial, in 2013, there was news about Harley planning to launch a highly localised bike in the 250-500 cc category, which was seeing hyper growth. The then head of the brand’s India business, Anoop Prakash, had dismissed the reports saying there were no plans to have market-specific products.

A former Harley-Davidson official says that the growth of the 250-500 cc segment bypassed Harley and it was clear that the company, at some point, would need a presence there. “A plan was put in place to launch a 350 cc model in 2018-19,” he says, adding, “after some progress initially, it was decided to put everything on hold.”

The Street 750 is assembled here. Importing it will increase the price and could affect Harley’s chances at the entry level

Interestingly, even Triumph seems to have realised the importance of having a presence in this category and has joined hands with Bajaj Auto to launch 250-300 cc motorcycles in the second half of 2022. Says Triumph’s Farooq, “Our belief was that the 500 cc plus segment would also grow and that’s exactly why we set up shop in India. Of course, we are concerned about how it has played out.”

Meanwhile, Harley-Davidson is reportedly in dialogue with Hero MotoCorp. If Hero takes over the manufacturing facility, then it might just be business as usual for Hog lovers. There has been no confirmation yet on whether Hero will end up having an manufacturing arrangement with Harley like Triumph India has with Bajaj Auto. If that turns out to be the case then it plays to the advantage of both. Harley has learnt quite a bit about the Indian market over the past decade and with Hero could finally launch an offering in the 350-650 cc segment. After all,

RE has demonstrated that at ₹300,000 there is a ready volume for 20,000 bikes and Hero has also been vocal in the past about entering the premium segment. If Hero just ends up as an importer distributor, that arrangement will make Harley more expensive, given the high import duty. “They already do it for a few products but the Street 750 is still assembled here. If the price of that increases, it could affect Harley’s chances at the entry level,

The decision of Harley-Davidson’s management to exit does leave a void but things could get interesting if Hero picks up the gauntlet and ensures a smooth ride for the brand. The ride from here on will test Harley-Davidson’s legacy and those who swear by it.