

From Hero Honda to Hero v/s Honda in the Indian Market: Creating New Consumer Memories and Perceptions

Pawan Munjal, Managing Director and CEO of the world's largest two-wheeler maker by volume, Hero MotoCorp Ltd. (HMCL hereafter referred to as Hero), wanted to understand the market and "feel the pulse of the youth". Hero had separated in 2010 from its 26 year old JV partner Honda and had moved from a very well established Hero Honda brand name in the market to "Hero" and Munjal needed to:

- (a) Get a sense of what young people thought and felt about Hero Honda, Hero, and Honda as brands in a country where 65 percent of the population was under the age of 35
- (b) Build on a branding campaign "Hum Mein Hai Hero" that had attempted to move the customer from the Hero Honda name to the Hero name and consolidate the Hero brand name in the minds of the consumer in India with a view to maintaining and increasing market share
- (c) Take the Hero brand global.

Munjal had invited 200 young Hero employees, aged 21-35 years, to The Taj in New Delhi. The idea behind this interaction was that Munjal wanted these young employees to be completely free and open in their communication. The meeting was scheduled as Munjal wanted to explore new ideas to not only take Brand Hero global, but also to ensure and make Hero more contemporary and youthful by changing the perception of consumers that it was not just a vehicle to commute and that it was a strong brand independent of the Honda name. By the end of fiscal 2012-13 (in India this runs from April to March), Hero had 46 per cent of market share in the Indian two wheeler market and had service touch points that were equal to all its rivals put together. But this distribution network had been built along with Honda, which went its own way in March 2011. Hero had a challenge on its hands as the world's most reputed motorcycle manufacturer, Honda, represented in India by Honda Motorcycle & Scooter India Pvt. Ltd. (HMSI hereafter referred to as Honda) had stated its ambition to be number one in India by 2015-16. Partly, in response, Hero had announced its intention to have a \$10 billion (Rs 58,590 crore) turnover by 2016 with sales of 10 million units.¹

Background: Hero MotoCorp Ltd.

Hero MotoCorp Ltd (formerly Hero Honda Motors Ltd.) had been the world's largest manufacturer of two-wheelers, based in India. In 1984, the Hero Group, then the world's largest manufacturers of bicycles, entered into a joint venture for ten years with Honda Motors of Japan to manufacture motorcycles under the brand name 'Hero Honda' and together they became the world's largest manufacturer of two wheelers overtaking their

¹http://www.business-standard.com/article/companies/hero-challenges-honda-s-scooter-dominance-113030800021_1.html, March 8, 2013

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then nearest / major competitor Bajaj, for all consecutive years since 2001. In December 2010, both Hero and Honda who had been partners for 26 years decided to discontinue the joint venture and go solo to compete with each other in the Indian market and globally, with the agreement terminating formally in 2014. However, Hero did not wait till 2014 to move from Hero Honda to Hero. After the break up with Honda, Hero quickly adapted the new logo in all its new models, much ahead of the original deadline of 2014. For smooth transition, Hero had started working on their products from April 2011 onwards. The '*Hum Mein Hai Hero*' campaign was rolled out in August 2011 and all signage was changed in the factories and the channel over a weekend in August, 2011.

Hero had an advantage when it came to branding (more advertising spend and awareness) and distribution (greater number of outlets and installed base) as compared to Honda. However, confusion still existed for few consumers with respect to the erstwhile Hero Honda and standalone Honda and Hero. The drawback for Honda was the perceived lack of after-sales services, availability of spare parts, resale value, infrastructure, and reliable relationships with dealers when compared to Hero. It was believed that Honda's economies of scale had disappeared after the split with Hero. That said, research suggested that Indian consumers associate foreign brands with status, recognition, better quality, and self-image, along with the functional and performance related aspects of the brand.²

In India and in the global market, the competition was on between Hero, Bajaj Auto, and Honda. Honda stood as the world's largest two-wheeler company (in value), followed by Hero at the number two position and Bajaj Auto at number four, with Yamaha occupying the third slot.³ The motorcycle segment had been highly competitive. The critical factors in India for the players at the entry level bikes were fuel efficiency, reliability, cost, and most important the resale value. Hero was engaged in the business of manufacturing and marketing of motorcycles and scooters. Hero had three manufacturing facilities, each at Dharuhera and Gurgaon (both in Haryana) and Haridwar (Uttaranchal), and was in the process of setting up two manufacturing units, one each at Neemrana (Rajasthan) and Halol (Gujarat). Additionally, the company was also setting up an R&D centre at Jaipur and a supply base in Neemrana. Hero also had a presence in the domestic scooter market with two brands in its portfolio, Pleasure and Maestro. Hero was considered the largest two-wheeler manufacturing company in the world, with exports to Africa, Asia, Eastern Europe, and Latin America.

In order to build the biggest two-wheeler R&D facility, Hero had signed tie ups with global technology partners. The team had 400 staff members by 2013. Hero's presence in scooters had grown as it sold 55,000 scooters every month and had managed to chip into Honda's share.

The mass commuter (75-110cc engines - with price points between INR 35,000 and 42,000 (US\$ 600 to 700)) segment accounted for around 65 per cent of overall motorcycle sales in the domestic market in terms of units.⁴ Hero was the market leader in the segment holding 69

²Bhardwaj, V., Kumar, A. & Kim, Y., 2010, 'Brand analyses of US ... local brands in India: the case of Levi's', *Journal of Global Marketing*, vol. 23 no.1, pp. 80-94

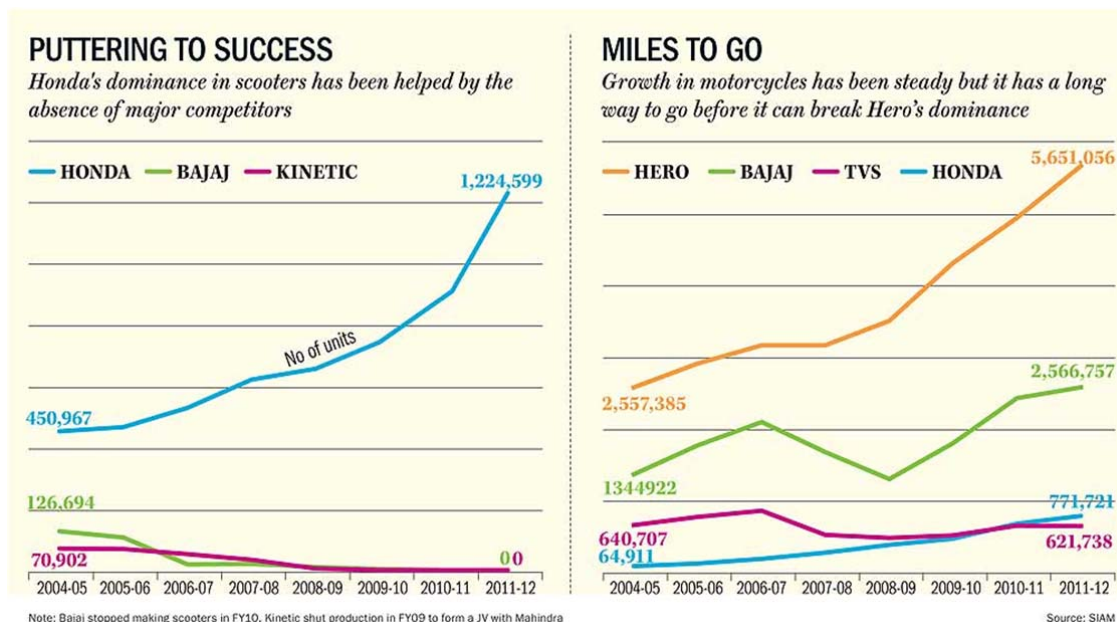
³<http://www.thehindubusinessline.com/companies/honda-motorcycle-overtakes-bajaj-as-2nd-largest-domestic-two-wheeler-maker/article4602412.ece>, April 10, 2013

⁴http://www.business-standard.com/article/companies/Honda-launches-dream-neo-to-take-on-hero-splendor-113041700454_1.html, April 17, 2013

per cent market share.⁵ Hero's brands in this segment included CD 100 Dawn and Splendor. Honda with two brands, CB Twister and Dream Yuga, had a market share of 4.9 per cent in the mass commuter category.⁶ The Dream Yuga was priced higher than Splendor, but Dream Yuga was the cheapest bike in the 110cc segment from Honda worldwide.

In September 2012, Hero posted a 26 per cent decline in sales; it was the steepest fall in over a decade.⁷ In the same month, Hero's flagship brand Splendor, the world's largest-selling two-wheeler brand, had ceded the top spot to Bajaj Auto's Discover. Monthly sales of Splendor had almost halved from 2.4 lakh units in April 2012 to a little over 1.20 lakh units in September 2012.⁸ During the same six month period, Honda had picked up sales in the entry-level motorcycles due to Dream Yuga from 7,290 units in April to 34,745 units in September 2012.⁹ A research report by Antique Broking showed that the lack of the Honda badge had affected the sales of Splendor. There was a dip of 5-10 per cent in conversion of enquires into sales. This was a cause of worry as Splendor contributed to 35 per cent of total volume.¹⁰ Due to industry slowdown, inventories were also piling up. The normal level of inventories was three and a half weeks, while inventories reached around six weeks for Hero MotoCorp. Table 1 and Table 2 below provide a snapshot of scooter and motorcycle sales by the top three players, Hero, Bajaj, and Honda at the end of fiscal 2012 and 2013.

Table 1: Two Wheeler Industry



Source: <http://www.outlookindia.com/printarticle.aspx?283247>, December 17, 2012

⁵http://www.business-standard.com/article/companies/Honda-launches-dream-neo-to-take-on-hero-splendor-113041700454_1.html, April 17, 2013

⁶<http://smartinvestor.business-standard.com/market/story-171391-storydet-HONDA-launches-Dream-Neo-to-take-on-Hero-Splendor.htm>, April 17, 2013

⁷http://articles.economicstimes.indiatimes.com/2012-10-16/news/34498954_1_dream-yuga-Honda-market-share, October 16, 2012

⁸http://articles.economicstimes.indiatimes.com/2012-10-16/news/34498954_1_dream-yuga-Honda-market-share, October 16, 2012

⁹http://articles.economicstimes.indiatimes.com/2012-10-16/news/34498954_1_dream-yuga-Honda-market-shares, October 16, 2012

¹⁰<http://www.dnaindia.com/mumbai/1748613/report-discover-is-now-worlds-largest-selling-bike>, October 4, 2012

Table 2: Market Share of the top 3 players

	Hero	Honda	Bajaj
2008-09	(Hero Honda)-52.2 per cent	14.6 per cent	18.4 per cent
2010-11	47.6 per cent	14 per cent	21.8 per cent
2012-13 (till Feb)	45.6 per cent	19.8 per cent	19.1 per cent

Source: Frost & Sullivan

Due to high interest payments on vehicle loans and increasing fuel prices, consumers who had aspired for premium bikes had to settle for bikes in this segment as they offered good value for money. The consumer had showed interest in the value/deluxe segment (110-125cc). Hero and Honda had (about 33 per cent each) an equal share of the market in the deluxe segment.¹¹ By 2013, Hero had managed to grab a 16-17 per cent market share in the scooter segment while Honda remained the market leader in the same segment with a market share of 49 per cent.¹² Exhibit 2 shows the details of sales by firms till 2013.

In order to move away from a product-focused marketing communication, Hero had shifted from engine capacity and mileage to drive the brand positioning to an emotion based positioning, where the functionality was associated with some significant emotional events in the consumer's life even in its earlier avatar as Hero Honda. For example, in 2009, Hero celebrated 25 years of serving the nation with the advertisement based on an emotional appeal – "*Desh ki Dhadkan.*" Using its customer research, the then Hero Honda launched a three-minute music video to celebrate its 25th year which included Indian icons from the Mumbai film industry, the world of cricket, and an Olympic medal winner. Anil Dua, Senior Vice President Marketing, opined that the idea was to celebrate this milestone in their journey while retaining the brand's core values and presenting it in a youthful manner. He added that the brand had always felt extremely young and energetic. "We wanted to celebrate the young and emerging India – an India which is confident of taking on the world – while at the same time reinforcing the fuel efficient nature of the Hero Honda bikes."¹³ (See Exhibit 6: TVC of man driving a long way to say good night to his girl friend.)

Brand Splendor had been advertised on the philosophy of 'blind faith' and trust. The concept used was actor Pankaj Kapur who acts like a blind father. The advertisement illustrated and reflected that the brand had been built on the trust factor. There were no stunts or women in the advertisement, not even speed shots -- just a conversation between a father and a son (see Exhibit 7: TVC for Hero Honda Splendor). The advertising campaign was called 'Kal, Aaj aur Kal' which focused on the heritage aspect of Brand Splendor, banking on the success of the past and also gearing up to take a leap into the future. Even Hero's Pleasure, the only scooter in the range, had a unique positioning with the tagline- "Why should boys have all the fun?" The consumer insight here was targeting those women who craved for freedom of movement and this scooter could address that demand. It eventually roped in actor Priyanka Chopra as the brand ambassador and started 20 'Just for Her' sales and service outlets staffed only by women (see Exhibit 8: Print ad for Pleasure and 'Just for Her'). These campaigns and continuing usage and market share had created

¹¹<http://www.thehindubusinessline.com/money-wise/stock-insight/hero-motocorp-sell/article4302033.ece>, January 12, 2013

¹²<http://www.thehindubusinessline.com/money-wise/stock-insight/hero-motocorp-sell/article4302033.ece>, January 12, 2013

¹³http://www.business-standard.com/article/management/celebs-jam-hero-honda-ad-108091901029_1.html, September 19, 2008

memories and experiences in the mind of the customer that arguably continued even after the change from Hero Honda to Hero.

Two Wheeler Industry and Market Segments

The year 2012-13 had experienced a slowdown that was similar to that experienced in 2008-09 by the Indian two-wheeler industry. Some of the factors that had reduced the demand in the domestic market had been high inflation, high interest rates, rising petrol prices, and weak monsoons. During the same time, overseas sales had been adversely affected by increased interest rates in several target countries, increases in import duty in Sri Lanka, trade restrictions imposed by Argentina and the dollar sales embargo with Iran. Since the incentives available to two-wheeler exporters had been reduced, this further persuaded Indian original equipment manufacturers (OEMs) to partially hike product prices in overseas markets, adding to the pressure on export volumes.

In 2012, India had overtaken China to become the world's largest two-wheeler market with around 14 million unit sales. Though China had been selling 12 million two-wheelers annually, it was a difficult market for overseas companies as there were more than 50 players already existing and most players had a single digit market share. Along with India, Africa and Latin America had emerged as the next frontier for the two-wheeler industry.

The two wheeler industry operated quite differently from the four wheeler industry. There had been no discounts or freebies that were offered to promote sales. It was branding and advertisement that largely contributed to sales according to industry insiders. In India, in 2013, at least 35 per cent of the two-wheelers sold were financed by lenders – down from about 70 per cent in 2008.¹⁴ Following the financial crisis of 2008, a number of large private banks had tightened their retail lending portfolios, including their auto and personal loan books. According to an industry estimate, the size of India's two-wheeler financing market was around Rs.30,000 crore, with HDFC Bank Ltd and Bajaj Finserv Ltd among the leading two-wheeler financing institutions.¹⁵ Hero had established a retail financing business in order to address these issues, as in many places either financing was limited or very expensive. Hero CFO Ravi Sud said, "In order to achieve our target of Rs.5,000 crore by 2016-17, Hero MotoCorp will be putting another Rs.300-350 crore (in Hero FinCorp)."¹⁶ The aim was that this institute would serve all of Hero's 5000 plus dealerships by 2015-16 and would be able to serve at least 650,000 customers by the end of 2017.

In 2010-11, Honda was the fourth-largest two-wheeler company in India holding just 14 per cent market share, and was far behind Hero Honda, Bajaj Auto, and TVS. However, by February 2012-13, Honda had become the second largest two wheeler company in the Indian market with a 19.8 per cent market share.¹⁷ Even when the industry had grown only by 3 per cent in 2012-13, Honda's sales grew 31 per cent with sales of 27.5 lakh vehicles in the same

¹⁴<http://www.livemint.com/Companies/b4Gqq2tF1uPQt2yVDYNFHK/Hero-ventures-into-retail-financing-targets-5000-cr-busin.html>, April 30, 2013

¹⁵<http://www.livemint.com/Companies/b4Gqq2tF1uPQt2yVDYNFHK/Hero-ventures-into-retail-financing-targets-5000-cr-busin.html>, April 30, 2013

¹⁶<http://www.livemint.com/Companies/b4Gqq2tF1uPQt2yVDYNFHK/Hero-ventures-into-retail-financing-targets-5000-cr-busin.html>, April 30, 2013

¹⁷<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/honda-kickstarts-3-year-plan-to-beat-hero-in-2-wheelers/articleshow/19296675.cms>, March 31, 2013

year.¹⁸ According to industry body, SIAM's data, in fiscal 2013 (April 2012-March 2013), Hero sold 5.91 million units, while Honda sold 2.6 million units and Bajaj Auto sold 2.46 million.¹⁹ Honda had introduced at least seven new models since it had parted ways with Hero, while Hero had added four new models and Bajaj Auto had rolled out at least five in the same period. Exhibit 3 gives market share figures.

A first level segmentation of the motorcycle market was done on the basis of price. The first price level was the entry-level (100cc engine capacity, contributing 65 per cent of the market, priced at Rs. 35000); the second segment was executive (125-135cc engine capacity, contributing 20 per cent of the market, priced between Rs. 35000 and 50000) and the third was the premium segment (above 150cc, contributing 15 per cent, priced at more than Rs.50000).²⁰ Entry-level bikes were positioned to cater to the rural markets as well, while the other two were addressed mainly to the urban markets. The top three players Hero, followed by Honda, and Bajaj catered to all of these segments (see Table 3 below).

Table 3: Current Price Based Macro segments of Motorbikes

Companies\ Segments	Hero	Honda	Bajaj Auto
Economy/ Entry Level	CD Dawn, CD Deluxe	Dream Yuga,	Platina
Executive	Splendor, Passion, Glamour	Unicorn	'XCD', Discover
Premium	CBZ , Achiever, Hunk, Karizma		Pulsar

More details on the price segments and prices of each brand variant are given in Exhibit 1. Within each price segment, different product brands had different positioning approaches. Hero's approach is given below.

Entry-level Bikes (CD Dawn and CD Deluxe) - These were 100cc bikes which catered to the customer who had a functional approach to the bikes they purchased; the bike was purchased primarily for work purposes. Many of these customers were from small towns; they had a lot of aspiration and wanted to do well in life in terms of running their lives and increasing their income. Hero termed this segment as the **Conservative Work Horse**.

Deluxe Bikes (Splendor and Passion) - These bikes had an engine size in the 100-125cc range. This bike catered to customers who considered the bike as a metaphor for an investment they might make. This customer was typically a young male who sought value for the bike he bought; he was from a metro, was upwardly mobile, but still had a long way to go. Hero termed this segment the **Pragmatic Value Maximizer**

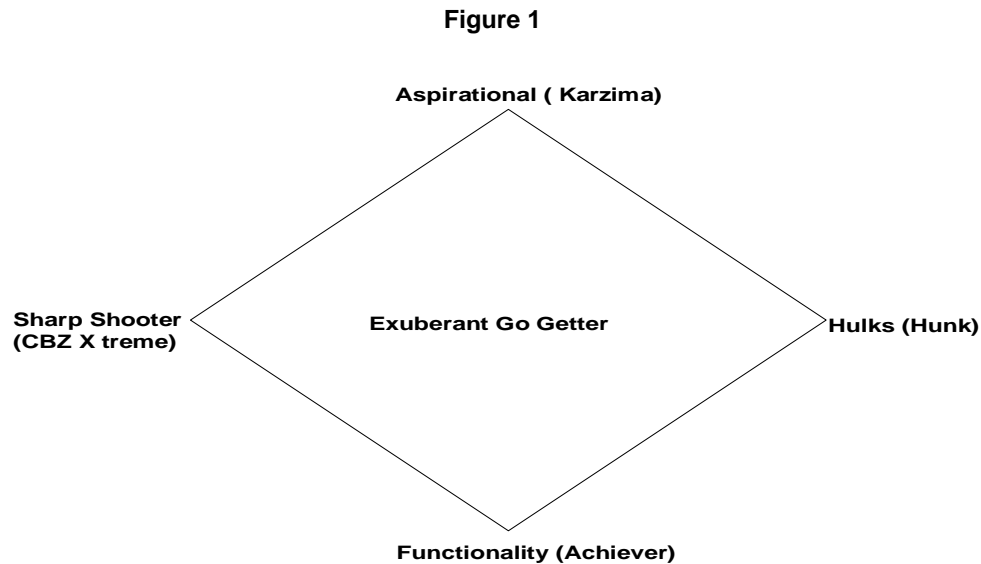
Premium Bikes (CBZ, Achiever, Hunk, and Karizma) - These bikes had an engine size above 150cc and catered to customers who considered bikes as a part of their own personality. This customer was a relatively rich young male belonging to big cities and metros, who socialized a lot, and had a lot of fun. This segment was called the **Exuberant Go Getter**. This segment formed only 15 per cent of the market; within this Exuberant

¹⁸<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/honda-kickstarts-3-year-plan-to-beat-hero-in-2-wheelers/articleshow/19296675.cms>, March 31, 2013

¹⁹<http://www.livemint.com/Companies/R3MaB89j3j6u6n974pAZNK/Hero-retains-ambition-in-solo-ride.html>, April 15, 2013

²⁰http://www.business-standard.com/article/management/full-throttle-109051900021_1.html, May 19, 2009

Go Getter segment, Hero further divided its customer into four different sub-segments (Figure 1).



Source: Drawn from the presentation by Mr. Anil Dua at IIM Ahmedabad on July 17, 2009

Sharp Shooter: These consumers bought big and premium bikes for driving pleasure; they wanted to have the thrill of driving fast over long distances and in extreme environments. These customers were introverts and looked for more self-satisfaction; they wanted to feel good when they drove the bike.

Hulks: These consumers were more of extroverts and looked at their bikes as an expression of their personality. They wanted a more macho kind of a bike which could speak for them. They wore accessories like studs, buckles, leather jackets, and boots to demonstrate their personalities.

Aspirational: These consumers were those who aspired for higher CC and higher power in their bikes and had a very 'cool' and stylish attitude. This segment was also considered as the luxury end of the market; the engine capacity of the bike in this category was over 200cc.

Functionality: These consumers were more mature but still wanted to make a statement that they had arrived. He might be a person who was in his third or fourth job, did not want the typical youthful frills, yet wanted to make a statement that he earned well and could afford a big bike.

It was not clear how the "Hum Mein Hai Hero" campaign had influenced the brand positioning, if at all, of each of the product brands of Hero.

Competition

Honda

Established in 1999, the Honda Motorcycle & Scooter India Pvt. Ltd. (Honda) had been a wholly owned subsidiary of Honda Motor Company Ltd. Japan. Honda had entered the Indian market in the scooter segment with its brand Honda Activa. Honda Activa outperformed its then rivals Bajaj and Kinetic in the scooter segment and had instantly connected with its target audiences who were women and the younger generation. Honda was unable to directly compete with Hero Honda brands as Hero Honda brands formed over 70 per cent of the 75-125cc commuter bike segment.²¹ So, even though Honda had launched its first bike Unicorn in 2004 (when the Hero JV was going strong), the Unicorn had a 150cc engine and was considered a premium brand. The subsequent launches also had to retain the upscale positioning and pricing. The Hero Honda brand had an entrenched brand memory for entry level motorcycles and perhaps to some extent for the executive segment.

In 2012, Honda had announced that it had planned to make India the centre of its global two-wheeler operations. It had opened up an all-in-one R&D technical centre in Manesar on the outskirts of Delhi. By 2015-16, Honda believed that with this centre, they would be able to bring out products in time to market and also cut costs. All this time, India had to remain dependent on Honda's global R&D setup. Shinji Aoyama, operating officer of Honda Corporation's motorcycle business had announced in the press conference that Honda had plans to become number one in India. Except in China, and now India, Honda was the leader in every country it operated in. It had an 80 per cent market share in Brazil, whereas in Indonesia it had a 50 per cent market share.²² Aoyama believed that if the slowdown continued like in 2012-13, Honda would not have to wait till 2020; by 2016 or even 2015, Honda would attain the number one position. Though Honda held a market share of just under 20 per cent in 2013, it had plans to beat the Indian market leader Hero that had been holding a market share of 46 per cent. Before the breakup of the joint venture, Hero Honda held 61 per cent of the Indian market.²³

In terms of sales, India was the fastest growing market for Honda. In the two-wheeler segment, India accounted for around 18 per cent of its total global sales and it aimed to increase it to 25 per cent by 2016.²⁴ Honda had grown its market share in every segment it operated in 2012-13. It had launched one model every quarter from January 2013 to March 2014. It had also planned to expand in the 150cc plus product brand offering to beat the competition.

Honda had quickly increased its dealer reach in India. In December 2010, when Honda broke its JV with Hero, Honda had 1,200 sales outlets. This grew to 2,500 by the end of 2013-14 though it was still far behind Hero and Bajaj, which had more 5,000 and 4700 touch points, respectively, during the same period.

²¹<http://business.outlookindia.com/printarticle.aspx?281732>, August 4, 2012

²²http://articles.economictimes.indiatimes.com/2013-03-31/news/38163297_1_keita-muramatsu-scooter-india-india-ceo, March 31, 2013

²³http://articles.economictimes.indiatimes.com/2013-03-31/news/38163297_1_keita-muramatsu-scooter-india-india-ceo, March 31, 2013

²⁴<http://zeenews.india.com/business/storyw.aspx?newsid=71964&page=4>, March 11, 2013

Asia contributed over 70 per cent of the global demand for two-wheelers. Of the 55 million two-wheelers sold globally, barely 2 million (mostly high-end leisure bikes) were sold in developed markets. Honda was considered among the top three racing companies in the world and was trying to promote the racing culture in order to differentiate their brand and thereby push sales of high-end motorcycles in developing markets like India.

All this while, Honda had been importing completely built units (CBUs) of superbikes from Italy to sell in India. In order to lower import duty and to reduce the price of the motorcycle, Honda had planned to set up a local assembly plant to build up its portfolio of 150cc-plus segments. Honda had more experience in manufacturing two-wheelers as compared to Bajaj and Hero and it also scored higher on the technical front and had better R&D capability in terms of vehicle design as well as engine technology. In terms of marketing communication, the Honda campaign appeared to be pitched more on a promise of performance (Exhibit 9).

Bajaj Auto

Honda saw Bajaj Auto as a more formidable rival than erstwhile partner Hero. Aoyama said, "In terms of numbers, Hero is still number one but very frankly speaking, the consolidated power, including R&D, sales network there, including many of these elements, I think Bajaj is very strong. Bajaj is very good at creating alliances."²⁵ Bajaj Auto had been a rival for both Honda and Hero as it had a clear vision and strategy of becoming a 'motorcycle specialist' for the world. In the words of its MD, Rajiv Bajaj, "to address a global market, Bajaj needs to have a focused product portfolio." Globally, over 50 million two-wheelers were sold.²⁶ Motorcycles accounted for 60 per cent by volume and 70-80 per cent by value. So, Bajaj Auto wanted to remain focused on motorcycles and had exited from the scooter segment. Bajaj Auto with strong R&D and a global alliance with KTM of Austria (a maker of sports bikes and off-roaders), and a premium positioning, had plans to make it big in India and globally.

Bajaj had chosen to use a primarily performance and function based positioning statement. Its Pulsar bikes, for example, were pitched around DTS-I engines, a new technology using dual spark plugs that gave more power and fuel efficiency to a small engine by being able to burn more fuel in every fuel injection cycle in the cylinder. Exhibit 9 provides a couple of advertisements of Bajaj Auto's Discover model that also used performance as the main theme.

Bajaj Auto had diversified into exports in 2005-06, and exported 1.3 million units in 2012-13.²⁷ Bajaj Auto's exports had grown from nil to over 1 million units (35 per cent of revenues). Exports offered better margins and Bajaj Auto had planned that their exports should be double their domestic volumes. Out of 30 million motorcycles sold globally, 10 million were sold in India. Bajaj Auto would ideally like to see exports comprise over 60 per cent of its total motorcycle sales.

Table 4 below provides a snapshot comparison of the top three players. Figure 2 shows that Hero is the strongest in the entry level segment.

²⁵http://www.business-standard.com/article/companies/can-be-number-one-by-2015-16-if-slowdown-persists-Honda-113031100491_1.html, March 11, 2013

²⁶<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/honda-kickstarts-3-year-plan-to-beat-hero-in-2-wheelers/articleshow/19296675.cms>, March 31, 2013

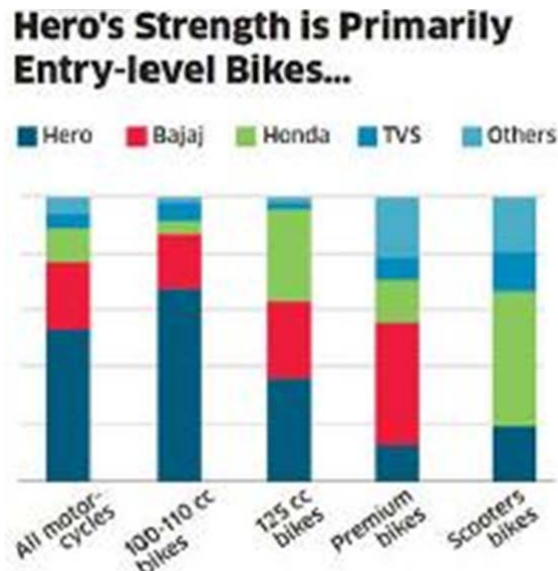
²⁷http://articles.economictimes.indiatimes.com/2013-05-28/news/39579994_1_hero-motocorp-hero-splendor-pawan-munjaj, May 28, 2013

Table 4: Strengths and weaknesses of the top three players in the Indian two wheeler market

	Hero	Honda	Bajaj
Capacity	6.9 million units	2.8 million units	5.4 million units
Sales	5.9 million units	2.6 million units	2.4 million units
Exports	0.16 million units	0.14 million units (from India)	1.3 million units
Touch Points	5400	1950	4710
Strengths	Leader with huge margins. Has a huge distribution and marketing backbone to push sales in India. Has strong brands	The world's No.1 two wheeler MNC is unbeatable in most markets. Has a very strong product lineup. Technology, reliability and scale; dominance in scooters	Robust R&D, strong focus on bikes especially on the premium segment, global tie-ups, leader in exports and has huge profit margins.
Weaknesses	Technology deficiency, aging portfolio and declining brand equity	In India, it faces capacity constraints and has limited sales and distribution reach vis-à-vis competition	Strategy to exit scooters may backfire as it is the fastest growing segment in two-wheelers

Source: <http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/hero-motocorp-can-the-two-wheeler-brand-stay-on-top-while-honda-and-bajaj-auto-claw-into-its-market-share/articleshow/20300453.cms>, May 28, 2013

Figure 2



Figures show market share in %
Note: Bajaj does not make scooters
Source: SIAM

Going Global

One of the clauses in Hero's erstwhile partnership with Honda was that the Indian entity would not go to markets where its Japanese partner was present. And Honda was present in about 150 countries. The reason for separating from Honda as cited by Hero's CFO Ravi Sud, "We needed a quick turnaround time to bring new models for customers in India, and we wanted to get into emerging and lucrative international markets. Neither of these was

possible under the joint venture."²⁸ Hero wanted to make up for the lost opportunity and time, so it had planned to push into exports with 100-125cc bikes. Hero had short listed 30 countries with the objective of taking its annual sales in foreign markets from zero to 1 million units in five years. Munjal cited, "We are going to markets where we have the best hope of quick entry and quick gains."²⁹ Hero's first foreign subsidiary was set up in the Netherlands in April 2013, and similar arms were to be formed in more European countries and the US in the near future.

As a part of this drive, for example, Munjal visited three countries in Central America – Guatemala, El Salvador, and the Honduras – where he was to launch the Hero brand, in partnership with the local Indy Motos Group, and the '*Hum Mein Hai Hero*' campaign in Spanish. There on, it was Africa, with similar launches in Kenya, Burkina Faso, and the Ivory Coast, followed by Peru in South America. According to an analyst, "Hero is known as a value-for-money brand that can be leveraged in markets having its demography-pattern similar to India for exports."³⁰ However, the challenge in entering the foreign territory would be with regard to distribution, which changes from market to market. Munjal had assured that Hero would be very careful in selecting global partners – distributors and channel partners – who knew the local markets and customers better than anybody. Munjal had plans to set up assembly units in both Central America and Africa. Further there were concerns that Hero's success in foreign territories would largely depend on how its pricing strategy would be and how Honda had been positioned in that export market; that Hero as a brand was non-existent in these countries. Exhibit 4 provides data on export market shares.

Connecting with the rural audience

Rural and semi-urban areas were expected to develop and contribute to around 70 per cent of total sales. In the rural market, the target consumers would be those having a minimum annual income of Rs. 1.5 lakh. In 2013, Hero had over 45 per cent of its revenue from sales in non-urban areas. Hero had organized free vehicle servicing and medical camps in over 100,000 villages around the country to bolster its presence and attract new customers. For the scooter segment in the urban market, women had been the major buyers. It was believed that it would be easier for Honda to reach and connect with the urban audience as Hero had tapped into the rural market with its brands like Splendor and Passion. Even though Honda had launched Dream Yuga to take on Hero's Splendor, it was assumed that Honda would have to work very hard to persuade customers to switch their loyalties, especially because the brands Splendor and Passion had become bigger than Hero itself and these brands contributed to the sales volume for Hero.

Marketing and Promotion for the Rebranding from Hero Honda to Hero

When Hero had undertaken the process of transition from Hero Honda to Hero, they did not spend much on advertising because they did not want to advertise Hero Honda brands. The focus of the advertisement was on transition, so their marketing spend even during that

²⁸<http://www.livemint.com/Companies/R3MaB89j3j6u6n974pAZNK/Hero-retains-ambition-in-solo-ride.html>, April 15, 2013

²⁹<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/hero-motocorp-can-the-two-wheeler-brand-stay-on-top-while-honda-and-bajaj-auto-claw-into-its-market-share/articleshow/msid-20300453,curpg-3.cms>, May 28, 2013

³⁰<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/hero-motocorp-can-the-two-wheeler-brand-stay-on-top-while-honda-and-bajaj-auto-claw-into-its-market-share/articleshow/msid-20300453,curpg-3.cms>, May 28, 2013

year was not higher than it would have been in a normal year. Hero had hired brand consultant Wolf Olins for creating the logo, and Law and Kenneth for repositioning the brand. Oscar-winner A.R. Rahman composed a new jingle, 'Hum Mein Hai Hero', with film director Anurag Kashyap who made a 120 second TVC that was aired on 15 August 2011. Full page print ads incorporating the new tagline for Hero: *Hum Mein Hai Hero* was also brought out. The new campaign was rolled out on 30 television channels and leading websites were also targeted. In the days that followed, the campaign was aired on 200 radio stations and 4,000 cinema halls in Tier 2 and 3 cities, and signages were changed in all the then existing 4,500 consumer contact points like dealerships and service centres.³¹ Since Hero had scaled down on marketing and media spend during the transition period, they were able to conserve cash when this campaign was brought out. According to Dua, the advertising expenditure had stayed within the average of 2-2.5 per cent for the July-September quarter of 2011.³² The *Hum Mein Hai Hero* and its follow up campaigns can be seen on YouTube (<http://www.youtube.com/watch?v=Yc0CVEuUvRs>).

Hero had taken the route of highlighting individual acts of heroism. The creative director of Law & Kenneth, Rahul Nangia said, "We clearly did not want to launch Hero MotoCorp with a TVC that was about the manufacturer. The Indian promoters of Hero Honda had evolved in terms of their knowledge, technology and know-how to the extent that they could now stand on their own and challenge the best in the world; this, itself, is an act of heroism. But we wanted to tell the story through consumers, through day to day heroes. The thought that every individual has a hero inside him or her is what we sought to bring out."³³ Added Anil S Nair, CEO, Law & Kenneth, "The insight for this campaign came from two sources - what Hero and the Munjals were doing (breaking away from Honda) was the epitome of self-belief. The belief that they were good enough not just for India but for the world, was itself praiseworthy. In addition, the state of the nation formed another insight point. Despite the policy failures and hundreds of things going wrong around us, Indians are making a mark in the world on many fronts. A desire to win is the driving force for Indians now. So it was a simple step for us to encapsulate that in an idea called 'there is a hero within every one of us'.³⁴ The idea behind the campaign was to make the campaign truly interactive by inviting people to contribute their own 'hero' stories and bringing them to life. The company had spent at least Rs.175 crore on the image makeover.³⁵ It had also roped in actor Ranbir Kapoor as a brand ambassador to showcase four premium bikes - Xtreme, Impulse, Hunk, and Karizma ZMR. The TVC was all about 'Unleashing this Hero within' and an extension of the original '*Hum Mein Hai Hero*' campaign.

The marketing spend had been still within 2 per cent of sales for the company.³⁶ In fiscal 2013, Hero would have spent over Rs. 450 crores.³⁷ Hero was believed to be one of the largest corporate promoters of sports in India and had been promoting various sports like cricket, golf, shooting, and hockey. They had used the online gaming platform, radio,

³¹http://www.business-standard.com/article/companies/a-new-hero-111110500077_1.html, November 5, 2011

³²http://www.business-standard.com/article/companies/a-new-hero-111110500077_1.html, November 5, 2011

³³<http://www.firstpost.com/business/find-the-hero-within-you-says-hero-motocorp-61088.html>, August 15, 2011

³⁴<http://www.firstpost.com/business/find-the-hero-within-you-says-hero-motocorp-61088.html>, August 15, 2011

³⁵<http://www.livemint.com/Companies/R3MaB89j3j6u6n974pAZNK/Hero-retains-ambition-in-solo-ride.html>, April 15, 2013

³⁶http://www.heromotocorp.com/en-in/uploads/conference_call_transcription/ConCall5213.pdf, April 29, 2013

³⁷http://www.heromotocorp.com/en-in/uploads/conference_call_transcription/ConCall5213.pdf, April 29, 2013

Facebook, and YouTube. They had started spending for racing in the US and had plans for India and elsewhere. Hero was also a partner for the Delhi Commonwealth Games 2010 and a presenting partner of the Queen's Baton Relay. In golf, Hero had been sponsoring the Indian Open since 2006 and the Women's Indian Open since 2010. Hero was also the Principal Sponsor of the Hero Hockey India League.

In 2013, Hero was the first manufacturer in the country that had offered a five-year warranty in order to strengthen the customer commitment and trust in Hero. Hero's Senior VP (Marketing and Sales) Anil Dua said, "This unequalled assurance of five years when purchasing Hero's two-wheelers, will further strengthen Hero's position in the market-place as the undisputed leader." However, many analysts believed that this was a desperate attempt by Hero, as the industry norm was a three year warranty on its motorcycles. Some believed that Hero did not carry much weight without Honda's technology. Industry analysts believed that Munjal had the vision for the 'Hero of tomorrow' to resemble the 'Honda of today'.

Exhibit 5 provides an illustrative sample of the marketing communication used in print and TV by Hero during 2011-2013.

Challenges

One of the major challenges for Munjal would be to change the perception and myth amongst people that Honda was better than Hero. Hero had enough money to buy the required technology but the biggest challenge was to make customers understand that Hero without Honda was still the Hero Honda of the past. In the quarter to December 2012, it posted its lowest net margin in 15 years, as sales tapered, costs increased and because of re-branding exercise, a lot of expenditure was incurred on advertising.³⁸ In a market where a launch every six months is the norm, Hero's last new model had been nine months ago, and it had nothing more till the festive season. Sales of Hero Splendor, the largest-selling motorcycle model in India, shrunk by about 20 per cent in 2012-13, from 2.5 million to 2 million. Motorcycle sales had been struggling to grow as compared to scooters. However, Hero planned to launch six new models in the calendar year 2014.

Honda had planned to launch a new bike that would compete against Splendor while even Bajaj, whose stated positioning was in the premium segment, had launched a 100cc Discover and had another launch in the segment scheduled. Analysts believed the absence of new product launches by Hero would hurt its profitability as competitors were targeting the entry-level bike segment which was the largest market in terms of volumes and likely to remain so for another ten years at least.³⁹ In order to protect its core market, Hero had responded by pushing inventory to dealers and the credit limit for dealers was doubled to Rs.800 crores for the year.⁴⁰

Moreover, the bike market was heating up, with the entry of newer international players like Miami-based manufacturer, UM Motorcycle. Also, existing domestic ones were doing the

³⁸<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/hero-motocorp-can-the-two-wheeler-brand-stay-on-top-while-honda-and-bajaj-auto-claw-into-its-market-share/articleshow/msid-20300453,curpg-2.cms>, May 28, 2013

³⁹ Author estimate

⁴⁰<http://www.livemint.com/Companies/R3MaB89j3j6u6n974pAZNK/Hero-retains-ambition-in-solo-ride.html>, April 15, 2013

'catch up' work through the introduction of a wide range of consumer friendly high tech gizmos and applications as standard features and at competitive prices. Whether or not the big three, that is, Hero Motor Corp, Honda, and Bajaj would face an erosion in market share or whether these entrants would cater to a smaller niche market was a matter on which experts were debating.

Dealer and Customer views and confusion

Dealers and customers viewed Hero Honda as a 'trouble free' brand - and these consumer and dealer memories had been built up over 25 years. However, Hero did not have an image of a performance bike maker. Some consumers believed that the battle was not between Hero and Honda, instead it was between the Indian company and the Japanese company. The biggest confusion was that Hero Honda had a very good recall value and Hero Honda's Splendor was a decade old motorcycle brand which was a very successful brand. However, few consumers believed that the focus had always been in promoting their Hero Honda's Splendor which was their bestselling motorcycle brand. The brand 'Impulse' which was introduced at the time of the spilt was not promoted as much. Consumers believed that the company should also be focusing on their high end brands in order to create an image of a superior performance bike maker.

On the other hand, the annual surveys that Hero Honda had been running for the 10 years to 2014 suggested that Hero Honda was strongly embedded as a brand in the memory of consumers. For example, Raman, in Varanasi, had fond memories of his Hero Honda bike which was used on his way to the job interview that gave him his first job and that he used regularly to meet clients; Vipul learnt to drive a bike using Hero Honda bikes and has had a Hero Honda motorcycle ever since for offering tuitions to Class 12 students in Chandigarh; for him his bike is his livelihood and a means of feeding his family. Soban had bought his first Hero Honda CD100 bike in Bhopal seven years ago and had travelled a lot on the bike and its successor with his wife and then family on many emotionally memorable occasions such as outings with friends and had recently upgraded to Passion Pro.

Hero as a brand name had connected with the common man especially with the rural consumers and did convey warmth and a good feeling of being an Indian brand, which Honda lacked. Some sample customer observations of owners of Hero Honda in March 2010 are given in Exhibit 10.

It was also true that, there was a general perception among customers that it was Honda's technology that made it a Hero. But there were also some customers who remained unaffected by the de-merger and still opted to choose Hero especially in the scooter segment because Hero Pleasure was lighter in weight and had no waiting period like the Honda active had in scooter segment. It was indeed a challenge to make prospective consumers understand that Hero without Honda was still the Hero Honda of the past; the consumer memory for the Hero Honda name was strong and it was not clear that the rebranding campaign had been enough to overlay the memories of the old Hero Honda brand with new memories of the Hero brand. This was reflected in some of the surveys, which reported that there were consumers who were asking the dealer for older stock of motorcycles with the Hero Honda badge and were even ready to pay a premium for it. For a lot of Indians, Hero was synonymous with cycles while Honda was more associated as the brand in the two wheeler space especially because of its scooter Honda Activa. Interestingly, some analysts thought that Hero had the reputation of being a company that understood the pulse of Indian consumers, while Honda was perceived as lacking this understanding and was

unable to connect with the masses. Even though Hero had moved on, there were constant concerns prevailing in the minds of dealers and consumers that Hero did not have R&D of its own.

The Hero Brand Portfolio: The Road Ahead

Analysts believed that the years to 2016 would be crucial for Hero as the firm transitioned from using Honda technology till 2014 to its own technology. As a company, Hero Honda (HH) had a consistent history of breakout models, like CD100 in 1984, Splendor in 1994, and Passion in 2001. However, Hero needed to refresh the portfolio and bring in new launches in order to survive and prosper. Though Hero was allowed to use the Honda technology till 2014, Hero had moved ahead and tied up with three overseas companies: Engines Engineering of Italy for new designs, AVL of Austria for engines, and Erik Buell Racing of the US for premium bikes. Since Hero had decided to work with multiple partners, it was indeed a challenge, as which partner would bring out what product brand and in which segment needed to be very clear, otherwise it was difficult to get a successful brand.

Hero wanted to be a bigger player in the premium segment (150cc and above), which was projected to grow from 2 million units in 2010 to 4.5 million units in 2015.⁴¹ However, this segment was ruled by Bajaj, which had a 43 per cent share, led by Pulsar, and was completely focused on it.⁴² Rajiv Bajaj, MD and CEO of Bajaj Auto believed that one day everybody would buy powerful bikes. He said it might take five years or 15, but the whole organisation needed to be focused in that direction. Hero, by comparison, had a 13 per cent share in the premium segment. So, on the one hand, Hero was under attack from Honda in the entry-level segment, and on the other hand, in the premium segment, Hero was yet to mark itself out as a serious challenger to Bajaj's dominance (Exhibit 9: Print advertisement of competitors- Bajaj and Honda).

Some industry analysts pointed out that Hero was not known as a premium segment bike maker. It had to shed off the image of being a commuter only two wheeler company. It was believed that the new technology partnerships were a key ingredient in the future for Hero. That was the reason why Munjal wanted to observe young customers and interact with young employees - so that fresh and path breaking ideas could be generated. The road ahead for Hero would to be worth watching.

In June 2014, Hero launched a new model of its bestselling Splendor. The new model featured "3Si" technology that let the engine switch off automatically while idling and then restart at the press of the clutch - a technology designed to appeal to the fuel efficiency conscious mass segment consumer. The market grapevine suggested that more technology supported launches of other models were on the way.

Data suggested that Hero had made the transition from Hero Honda to the Hero brand name with some measure of success. Munjal needed to assess whether the transition had been made, especially for a well-established brand and how it worked in the consumer's mind from the perspective of brand memories and perceptions. What were the key aspects

⁴¹<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/hero-motocorp-can-the-two-wheeler-brand-stay-on-top-while-honda-and-bajaj-auto-claw-into-its-market-share/articleshow/msid-20300453,curpg-4.cms>, May 28, 2013

⁴²<http://m.economictimes.com/news/news-by-industry/auto/two-wheelers/hero-motocorp-can-the-two-wheeler-brand-stay-on-top-while-honda-and-bajaj-auto-claw-into-its-market-share/articleshow/msid-20300453,curpg-4.cms>, May 28, 2013

related to smooth transition required when going in for corporate re-branding or a makeover in terms of creating new customer perceptions and memories or reinforcing old ones and filling in the lacuna caused by the withdrawal of a known brand? Had Hero been successful here? Finally, how would Hero now manage the transition to a brand that was more than a commuter vehicle and could aspire to compete with the best motorcycle brands in India over the five years to 2018? How would this be implemented in the different segments that Hero operated in?

Exhibit 1: Price point of Top Three Players in the Two Wheeler Market in Delhi

Hero MotoCorp Model	Ex-Showroom Price (Rs.)	Honda Model	Ex-Showroom Price (Rs.)	Bajaj Auto	Ex-Showroom Price (Rs.)
Passion X Pro-SPOKE KICK	47,300	VT 1300CX	1299643	Avenger 220	77,390
Passion X Pro-CAST KICK	48,300	CB Unicorn	64638	Pulsar 200NS	85,706
Passion X Pro-SPOKE SELF	49,300	Activa DLX	47204	Pulsar 220F DTS-i	81,967
Passion X Pro-CAST SELF	50,300	VFR 1200 F	1762938	Pulsar 180F DTS-i	70,854
Passion X Pro-DISC SELF	52,300	CBF STUNNER Self-Disc-Alloy	56908	Pulsar 150F DTS-i	67,643
Ignitor-DRS	57,200	DIO DLX	44718	Pulsar 135F LS	59,492
Ignitor-DSS	59,200	CBR1000RR - WHITE	1546479	Discover 125 ST	56,026
Maestro-DRUM	46,900	CBR1000RR - REPSOL	1546479	Discover 125 Disc	51,373
Impulse-SINGLE DISC	70,500	CBR1000RR - BLACK	1521479	Discover 125 Drum	49,336
HF-Dawn-KICK START	37,350	CB Shine Self-Disc-Alloy	55316	Discover 100	43,820
HF-Deluxe-KICK SPOKE	39,750	CB Shine Kick-Drum-Spoke	48523	Discover 100T	50,530
HF-Deluxe-KICK CAST	41,500	CB Shine Self-Drum-Alloy	52172	Platina	39,814
HF-Deluxe-SELF SPOKE	42,100	CB TWISTER KICK DRUM ALLOY	45159		
HF-Deluxe-CAST SELF	43,000	CB TWISTER SELF DRUM ALLOY	48713		
Pleasure	43,100	CB TWISTER SELF DISK ALLOY	51856		
Splendor Plus-SPOKE	43,750	Dream Yuga (Kick-Drum-Alloy)	46607		
Splendor Plus-CAST	44,750	Dream Yuga (Kick-Drum-Spoke)	45101		
Splendor NXG-KICK SPOKE	42,750	Dream Yuga (Self-Drum-Alloy)	48619		
Splendor NXG-CAST	44,250	Aviator DLX	53547		
Splendor NXG-SELF SPOKE	45,450	Aviator STD	48229		
Splendor NXG-SELF	46,450	Dream NEO (Kick-Drum-Spoke)	43150		
Passion Pro-SPOKE KICK	45,850	Dream NEO (Kick-Drum-Alloy)	44150		
Passion Pro-CAST KICK	46,850	Dream NEO (Self-Drum-Alloy)	47240		
Passion Pro-SPOKE SELF	47,850	Activa i	44200		

Hero MotoCorp Model	Ex-Showroom Price (Rs.)	Honda Model	Ex-Showroom Price (Rs.)	Bajaj Auto	Ex-Showroom Price (Rs.)
Passion Pro-CAST SELF	48,850	CB Trigger-STD	67384		
Passion Pro-DISC SELF	50,850	CB Trigger-DLX	70384		
Super Splendor-CAST SELF	51,150	CB Trigger-CBS	76884		
Glamour-CAST DRS	53,525	CB1000R	997875		
Glamour-	55,525	CBR 250R STD TRICOLOR	151377		
Splendor Pro-KICK SPOKE	44,650	CBR 250R STD	150358		
Splendor Pro-KICK CAST	45,650	CBR 250R ABS	176462		
Splendor Pro-SELF SPOKE	46,650	CBR 250R ABS TRICOLOR	177481		
Splendor Pro-SELF CAST	47,650	CBR 150RC-DLX	121342		
Glamour PGM FI-CAST DSS	62,650	CBR 150RC-STD	120319		
Achiever-DSS	59,425	CB UNICORN DAZZLER	66740		
Xtreme-DSS	66,275	CB UNICORN DAZZLER DLX [Dual Color]	67759		
Xtreme-DDS	71,275				
Hunk-DSS	67,125				
Hunk-DDS	70,125				
Karizma-	80,100				
Karizma ZMR FI	100,300				

Source: Compiled by the author from company website as on 13 June 2013

Exhibit 2: Sales by Competitor 2008-2013
Two-wheelers - Player and segment-wise production

layer	Segment	2008-09	2009-10	2010-11	2011-12	2012-13
Hero MotoCorp Ltd	Motorcycle	3,566,666	4,383,494	5,040,414	5,805,068	5,467,261
	Scooter	156,736	212,751	360,435	461,448	568,296
Hero MotoCorp Ltd (total)		3,723,402	4,596,245	5,400,849	6,266,516	6,035,557
Bajaj Auto Ltd	Motorcycle	1,888,891	2,513,903	3,404,103	3,849,163	3,739,871
	Scooter	11,613	4,982	-	-	-
Bajaj Auto Ltd (total)		1,900,504	2,518,885	3,404,103	3,849,163	3,739,871
TVS Motor Company Ltd	Motorcycle	634,852	636,876	844,935	819,681	749,794
	Scooter	237,970	312,556	463,589	520,747	448,320
	Moped	401,434	571,070	704,575	785,523	791,954
	Electric scooter	8,149	9	-	-	-
TVS Motor Company Ltd (total)		1,282,405	1,520,511	2,013,099	2,125,951	1,990,068
Honda Motorcycle & Scooter	Motorcycle	405,361	524,660	743,869	864,884	1,293,978
India (Pvt) Ltd	Scooter	666,011	753,517	906,324	1,246,853	1,462,658
Honda Motorcycle & Scooter India (Pvt) Ltd (total)		1,071,372	1,278,177	1,650,193	2,111,737	2,756,636
Kinetic Engineering Ltd	Motorcycle	-	-	-	-	-
	Moped	-	-	-	-	-
Kinetic Engineering Ltd (total)		-	-	-	-	-
Kinetic Motors Ltd	Motorcycle	84	-	-	-	-
	Scooter	3,104	-	-	-	-
	Moped	581	-	-	-	-
Kinetic Motors Ltd (total)		3,769	-	-	-	-
Majestic Auto Ltd	Motorcycle	-	-	-	-	-
	Scooter	-	-	-	-	-
	Moped	-	-	-	-	-
Majestic Auto Ltd (total)		-	-	-	-	-

layer	Segment	2008-09	2009-10	2010-11	2011-12	2012-13
Mahindra and Mahindra Ltd.	Motorcycle	-	-	8,507	-	7,878
	Scooter	-	69,772	173,135	140,689	101,391
Mahindra and Mahindra Ltd. (total)		-	69,772	181,642	140,689	109,269
Piaggio Vehicles Pvt Ltd	Motorcycle	-	-	-	-	39,836
Piaggio Vehicles Pvt Ltd Total		-	-	-	-	39,836
Royal Enfield Motors	Motorcycle	44,103	52,780	57,351	83,254	125,598
Royal Enfield Motors (total)		44,103	52,780	57,351	83,254	125,598
Yamaha Motors Ltd	Motorcycle	213,759	283,971	362,345	502,936	431,138
	Scooter	-	-	-	-	71,004
Yamaha Motors Ltd (total)		213,759	283,971	362,345	502,936	502,142
Suzuki Motorcycle India Pvt	Motorcycle	48,248	49,168	51,648	57,585	85,581
Ltd	Scooter	81,998	141,353	230,718	289,603	333,509
Suzuki Motorcycle India Pvt Ltd (total)		130,246	190,521	282,366	347,188	419,090
Harley-Davidson (H-D Motor Company India Pvt. Ltd)	Motorcycle	-	-	-	98	1,231
Harley-Davidson (H-D Motor Company India Pvt. Ltd) (total)		-	-	-	98	1,231
Electrotherm (India) Ltd	Electric Scooter	15,568	2,549	-	-	-
Electrotherm (India) Ltd (total)		15,568	2,549	-	-	-
Grand total		8,385,128	10,513,411	13,351,948	15,427,532	15,719,298

Source: SIAM, CRISIL Research

Exhibit 3: Motorcycles: Segment wise player wise model wise estimated domestic market shares

Player	Model	May 2013	May 2012
Economy		21.2	18.8
Bajaj Auto Ltd.	CT 100	0.0	0.0
	Platina 100/125	27.3	27.3
Hero MotoCorp Ltd.	Cd Dawn	2.2	2.9
	Cd Dawn Dlx	53.0	47.2
TVS Motor Company Ltd.	Max 100 R	0.2	0.3
	Star	16.0	20.4
India Yamaha Motor Pvt. Ltd.	Crux R	1.3	1.8
Executive		63.4	65.6
Bajaj Auto Ltd.	Discover 100	9.1	9.8
	DISCOVER-100 T	4.3	0.0
	Discover 125	5.3	6.4
	Discover 150	0.0	1.1
	Boxer 150	0.0	0.0
Hero MotoCorp Ltd.	Glamour-125	7.3	4.7
	Passion PLUS	23.9	21.5
	Splendor	35.3	42.6
Honda Motorcycle & Scooter India (Pvt) Ltd	CB Twister	0.9	1.5
	CBF Stunner	0.2	0.5
	Dream Yuga	0.9	0.7
	Shine	9.9	9.2
India Yamaha Motor Pvt. Ltd.	Gladiator	0.2	0.3
	YBR 110	0.2	0.3
	YD 125	0.0	0.0
Mahindra & Mahindra Ltd.	Pantero	0.2	0.0
	Stallio	0.0	0.0
Suzuki Motorcycle India Pvt. Ltd.	Hayate	0.9	1.0
	Sling Shot	0.1	0.2
TVS Motor Company Ltd.	TVS Phoenix	1.3	0.0
	Flame	0.0	0.0
	Jive	0.0	0.0
	Victor 125	0.0	0.0
Premium		15.5	15.7
Bajaj Auto Ltd.	Avenger	2.5	1.8
	KTM 1190	0.0	0.0
	KTM 125	0.0	0.0
	KTM 200	0.4	0.5
	Ninja	0.1	0.0
	Pulsar	38.8	41.1
Hero MotoCorp Ltd.	CBZ X-TREME	4.8	7.5

Player	Model	May 2013	May 2012
	Hunk	2.3	2.7
	Impulse	0.0	0.8
	Ignitor	3.6	0.1
	Karizma	2.5	2.4
Honda Motorcycle & Scooter India (Pvt) Ltd	CB TRIGGER	1.5	0.0
	CBR 150	0.6	0.7
	CBR 250	0.3	0.3
	Unicorn	11.8	12.3
India Yamaha Motor Pvt. Ltd.	Fazer	1.9	2.2
	FZ 1	0.0	0.0
	FZ 16	7.8	6.6
	R1	0.0	0.0
	SZ	1.7	3.2
	V Max	0.0	0.0
	YBR 125 SS	0.0	0.0
	YZF R15	1.6	2.0
Royal Enfield Motors	Enfield	9.6	6.3
Suzuki Motorcycle India Pvt. Ltd.	GS 150	0.3	0.3
TVS Motor Company Ltd.	Apache	8.1	9.1
<p>Note:</p> <ol style="list-style-type: none"> 1. Market share figures for Passion include all variants of Passion (Passion Plus and Passion Pro) 2. Market share figures for Splendor include all variants of Splendor (Splendor Plus, Splendor NXG and Super Splendor) 3. Market share figures for Pulsar include all variants of Pulsar (Pulsar 135 DTSi, Pulsar 150 DTSi, Pulsar 180 DTSi, Pulsar 200, Pulsar 220 DTSi) 4. Market share figures for Unicorn include all variants of Unicorn (Unicorn, CB Unicorn Dazzler) 5. Market share figures for Apache include all variants of Apache (Apache, Apache Fi RTR, Apache RTR 160, Apache RTR 180) For previous monthly figures of current financial year, download excel <p>Source: Industry</p>			

Source: SIAM, CRISIL Research

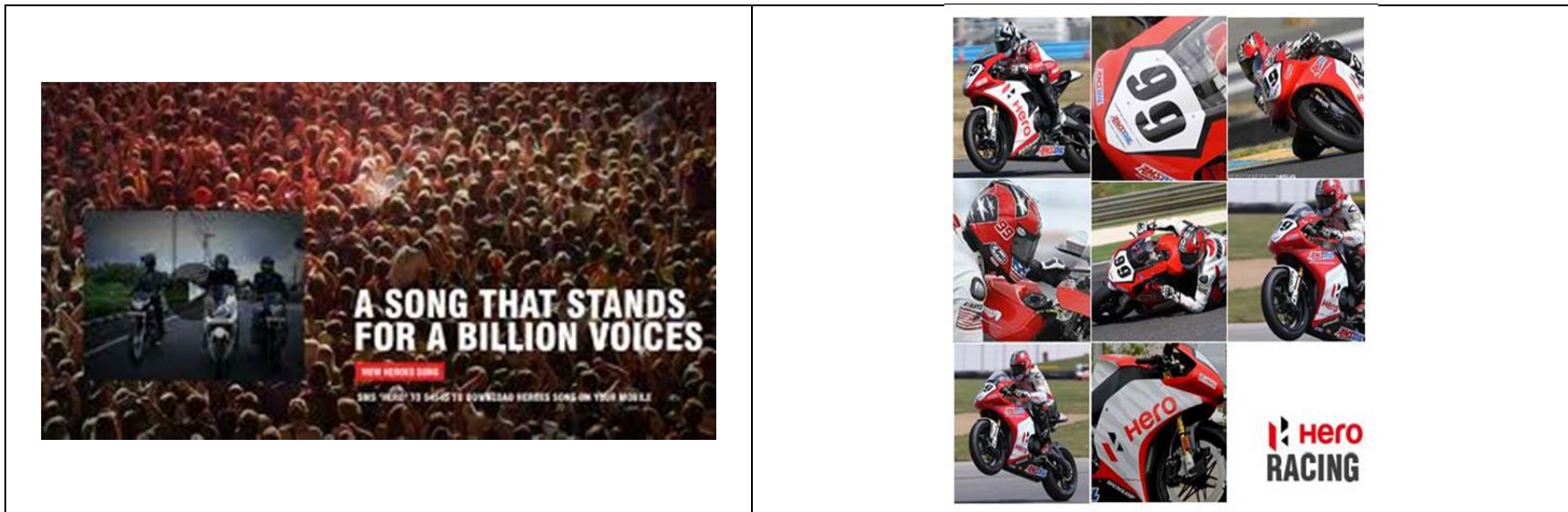
Exhibit 4: Player-wise exports share

Segment	Player	2008-09	2009-10	2010-11	2011-12	2012-13	
Motorcycle	Bajaj Auto Ltd.	65.0	65.7	65.9	67.7	69.3	
	Harley-Davidson (H-D Motor Company India Pvt. Ltd)	-	-	-	-	-	
	Hero MotoCorp Ltd.	8.1	8.3	7.8	8.1	7.3	
	Honda Motorcycle & Scooter India (Pvt) Ltd	4.3	6.2	6.1	4.9	5.6	
	India Yamaha Motor Pvt. Ltd.	4.0	5.9	6.1	6.9	7.3	
	Kinetic Engineering Ltd.	-	-	-	-	-	
	Kinetic Motors Ltd.	0.1	-	-	-	-	
	Mahindra & Mahindra Ltd.	-	-	0.0	-	0.0	
	Royal Enfield Motors	0.2	0.2	0.2	0.2	0.2	
	Suzuki Motorcycle India Pvt. Ltd.	0.0	0.2	0.0	0.4	0.1	
	TVS Motor Company Ltd.	18.3	13.5	13.9	11.8	10.3	
	Motorcycle total		100.0	100.0	100.0	100.0	100.0
	Scooter	Bajaj Auto Ltd.	8.0	4.4	-	-	-
Hero MotoCorp Ltd.		11.7	19.2	36.5	43.6	26.9	
Honda Motorcycle & Scooter India (Pvt) Ltd		46.5	37.5	27.2	19.6	47.2	
India Yamaha Motor Pvt. Ltd.		-	-	-	-	0.4	
Kinetic Motors Ltd.		1.3	-	-	-	-	
Mahindra & Mahindra Ltd.		-	5.2	3.2	2.5	5.4	
Piaggio Vehicles Pvt Ltd		-	-	-	-	0.0	
Suzuki Motorcycle India Pvt. Ltd.		0.4	0.5	0.3	0.1	1.1	
TVS Motor Company Ltd.		32.1	33.1	32.8	34.1	19.1	
Scooter total		100.0	100.0	100.0	100.0	100.0	
Moped	TVS Motor Company Ltd	96.4	100.0	100.0	100.0	100.0	
	Kinetic Motors Ltd	3.6	-	-	-	-	
	Majestic Auto Ltd	-	-	-	-	-	
Moped total		100.0	100.0	100.0	100.0	100.0	

Source: CRISIL Research



Source: <http://businesstoday.intoday.in/story/hero-new-ad-hero-motocorp-branding-hum-mein-hein-hero/1/22005.html>, January 30, 2012



Hero

When you want to pick up your best friend from the station, it'll be there.
 When you need to get home on time, it'll be there.
 When you want that moment of freedom, it'll be there.
 When you want to feel loved, it'll be there.

This Valentine's
 begin an unforgettable journey
 with your Hero Pleasure

Pleasure
 160cc - Power Start - Gearless
 Maintenance free battery
 Tube with Puncture Resistance

Why should boys have all the fun?

- Stunning console
- Stylish tail light
- Striking graphics

For further information call our toll-free no. 1800-260-0218 from 8224-ATM, landline or visit www.herovehicles.com. Regd. Office: HERO MOTOR CORP. LTD.-34, Community Center, Sector 14, Gurgaon (Haryana), New Delhi - 110027.

Hero

Over 2 lakh Maestro boys rule the roads

With over 2 lakh Maestro sold, the boys are definitely ruling the roads. Are you riding one yet?

SUCH A BOY THING MAESTRO

- 100 or powerful new conventional engine with ABS technology
- Checkered Racing Design
- Tube with puncture resistance
- Digital analog console meter console

Hero 5 WARRANTY

*Conditions apply. Warranty valid for 5 years or 70,000 km on motorcycles / 50,000 km on scooters whichever is earlier. 5 year warranty applicable on all two-wheelers purchased on or after 13th April, 2015. For further information, call our toll-free no. 1800-260-0218 from 8224-ATM, landline or visit www.herovehicles.com. Regd. Office: Hero Motor Corp. Ltd., 34, Community Center, Sector 14, Gurgaon (Haryana), New Delhi - 110027. [YouTube](http://www.youtube.com/heroindia) [Facebook](http://www.facebook.com/heroindia) [Twitter](http://www.twitter.com/heroindia)

Authorized Dealers: Andhra - Rishi Hero - 26691695, 9830119028; Assam - Anik Hero - 2274211, 2274874, 2274287; Bankura - Dutta Hero - 250524, 259787; Barasat - Cynosure Hero - 25387954, 25390419 / 53; Bangalore - Sri Krishna Hero - 9143078508 / 24202006; Bar - Das Hero - 228561, 228192; Bihar - Golden Hero - 251297, 252297; Burdwan - Rudra Hero - 2657877, 2656876; Chinnai - Sur Hero - 26864029, 26868294; Cochin - Sankar Hero - 228979; Dhanu - Auto Palace Hero - 03212-230796, 275215; Durgapur - Hero - 2542963, 2542928, 2543996; Howrah - Amit Hero - 26412946, 25028756; Kolkata - Prince Anwar Shah Road - Amit Hero - 24224303, 24178079, 32607289; Baguhati - Yashine Hero - 9330416206 / 01 / 08 / 09, D H Road - Balaj Hero - 9330007531 / 32 / 33 / 34; K - Velline Hero - 9007074406, 81 Road - Raja Hero - 2533443253; Kharagpur - Samath Hero - 226655, 226644; Krishnagiri - G.P. Hero - 252278, 254925; Madia - Durga Hero - 253557, 254534; Madhav - Palco Hero - 271626, 271628, 271630; Nalhati - Nalhati H - 25883653, 25885977, 933365100101; Purulia - Azeem Hero - 222292; Raiganj - Shankar Hero - 252026, 254805; Rangaj - Pradip Hero - 2449595, 2445466; Raptarayanpur - S. M. Hero - 2522115, 2522853; Siliguri - Bheekay Hero - 2547004, 2542217, 2543007; Dudge Hero - 2503097, 2502214; Suri - International Hero - 255874, 253513; Tamuk - Supreme Hero - 267508, 266834; Tarakeswar - Super Hero - 276450, 9434026200.

Hero

INTRODUCES
INDIA'S FIRST
5
YEAR
WARRANTY
ON ALL ITS TWO-WHEELERS

**OUR TECHNOLOGY IS BUILT TO LAST.
SO IS OUR WARRANTY.**

12
YEARS IN A ROW
WORLD NO. 1
TWO-WHEELER COMPANY

You want more out of everything. Which is what Hero delivers. And now thanks to its world class quality and best-in-class technology, Hero brings the first ever 5 year warranty*. Now that's a first, expected only from a company that is the World No. 1 for 12 years in a row.

TECHNOLOGY THAT GIVES YOU MORE THAN EXTRA

SUPERB MILEAGE → TRUSTWORTHY PERFORMANCE → UNMATCHED STYLE → LOW MAINTENANCE → GREAT RESALE VALUE →

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Source: <http://www.indiatvnews.com/business/india/hero-motocorp-now-offers-years-warranty-on-all-models-5339.html>, April 17, 2013

Exhibit 6: Storyboards reinforcing the fuel efficient nature of the Hero Honda bikes



The guy gets a message on his mobile phone. He smiles at the message and grabs the key of his bike.



He hits the road in his Hero Honda bike.



The guy rings the door bell of his girlfriend's house. She opens the door and asks him how he managed to come from a long distance.



The guy shows the girl her SMS saying Good night and tells her, "Reply *toh karna hi tha na*. Good Night."



VO: "Hero Honda *de itna mileage ke pyaar ke beech kabhi petrol na kam pade*."



As the guy returns home he receives another message from his girlfriend and gets up to leave once again.



VO: "Hero Honda. Fill It, Shut it, Forget it."

Source: <http://www.afaqs.com/advertising/storyboard/index.html?id=3014>

Exhibit 7: Storyboard for Hero Honda Splendor explaining philosophy of the 'blind faith'



"Chameli meri jaan, gulabo jalan se la!" says a blind man taking care of his flowers in the garden



Smelling something that's not part of the garden. He exclaims, "gairnda, tu kahan se aaya!" and goes towards a bike.



The blind man removes the garland from the brand new bike. As his son comes, he questions him, "arey, tune Splendor chhod di?"



Even when he comes to know that it's a self-start and "powerful" bike, he still scolds his son for getting rid of the Splendor.



"125 CC, Quantum Core engine" with a better mileage, informs the son about the new bike. He makes the father more comfortable...



...when he tells him that he has bought a Super Splendor. Cut to the shot of the father who now comes in a surprisingly new get-up.



As the father and son go on the new Super Splendor, the VO...



...plays: "New 125 CC Super Splendor Generation nayi, bharosa wahi."

Source: <http://www.afaqs.com/advertising/storyboard/index.html?id=2222>

Exhibit 8: Print Advertisement for Hero Honda Pleasure

HERO HONDA
Leading the way

Just4her
The scooter showroom only for girls

Where every girl is a celebrity.

Test ride
A Pleasure at Just4her and get a Kirishk Audio CD signed by Kirishk Rashee*

Pleasure

All Hero Honda, we were inspired by someone special when we created the scooter Pleasure - You. And it is the same inspiration that has enabled us to design exclusive scooter showrooms across the country called *Just4her*, where you can celebrate being a girl and feel like a celebrity.

<p>Know your PLEASURE</p> <ul style="list-style-type: none"> • 100cc, self start & gearless VarioMetric Transmission • Easy to manoeuvre light ABS body • Easy to get on stand • Puncture resistant Tuff-up tubes • 8 bright & attractive colours • Spacious glove box & under-seat storage 	<p>Only at Just4her</p> <ul style="list-style-type: none"> • All female staff with undivided attention • Comfortable & contemporary seating just for you • Easy accessible locations • Emergency assistance with Anytime Service • Amazing offers with the exclusive Lady Rider Club
--	--

Just4her
The scooter showroom only for girls

For further information call our toll free no. 1800-180-8878 from 022/022/022, tollfree or visit www.herohonda.com

*This offer is valid only for the ladies' gender. Maximum one audio CD will be given to the lucky customer.

Just4her: Aato Needs, 158/159, Master Block, Shakarpur, New Delhi. Ph: (011) 22026966, 22026967.

Exhibit 9: Print Advertisement for Honda and Bajaj

HONDA
The Power of Dreams

KYONKI APNI FILM KA **SUPERSTAR** MAIN HOON

INTRODUCING **SACHIN** IN & ON **Dream NEO**

★ DAMDAAR 110cc ENGINE ★ TEZ-TARRAAR POWER ★ TANA-TANI TUBELESS TYRES
★ FAHHAATEDAAR PICK UP ★ MAST LAMBI SEAT ★ 74 kmpl* KI KAMAAL MILEAGE

DELAHISH DAAR ₹43,150/-*

सा नर दैवत सयन

HONDA

HONDA
The Power of Dreams

EK NAYA DREAM, EK NAYA YUG

Dream Yuga

www.carblogger.com

सा नर दैवत सयन

HONDA

BAJAJ
Definitely Ahead

DISCOVER 125
CHALTA NAHI DAUDTA HAI

Top speed of 100 km/hr xxx Superior DTS-i engine
11 Ps power xxx 5 speed gearbox

STARTS FROM ₹48,400*

BEST FINANCE SCHEMES	Period	EMI (₹)	Down Payment
	18	3128	
	24	2590	₹10399
	30	2125	

BEST OFFER Exchange your two wheeler. Any make. Any model. Best price guaranteed.

DISCOVER 125
CHALTA NAHI, DAUDTA HAI

* Scheme from BFL in select locations. Call 1800 233 2453 (toll free) or visit www.bajajauto.com

BANGALORE: BOMMANAHALLI 99807 22228 HSR LAYOUT 95385 02499 BTM LAYOUT 97397 03204 MADIWALA 99450 00048 DOMMASANDRA 87222 97009 CHANDAPURA 97400 89356 BOMMASANDRA 93420 27003 ELECTRONIC CITY 90083 09005 MEKHRI CIRCLE 94498 49614 YELAHANKA 94498 49612 MATHIKERE 99862 73356 KASTURBA ROAD 78293 94616 INDIRANAGAR 99860 50330 WHITEFIELD 81977 02327 BANASWADI 96633 66982 HESSARGHATTA 98450 31752 BANNERGHATTA ROAD 99451 43860 JAYANAGAR 98861 71953 BANASHANKARI 77609 67839 KORAMANGALA 77609 67838 UTTARHALLI 99720 95890 KONANKUNTE 98801 85156 RAMNAGARA 77609 67832 KANAKAPURA 99725 33890 MYSORE ROAD 99005 63399 CHANDRA LAYOUT 97439 24041 KENGERI 90088 83382 GIHI NAGAR 98862 97132 RAJAJINAGAR 98808 30387 COTTONPET 97319 53800 TUMKUR: 0816 2278353 / 323

BAJAJ
Definitely Ahead

Discover DTS-i

DISCOVER INDIA WITH THE POWER OF 1 LITRE

Discover Shantisingapur

SHANISINGAPUR - BIN DARWAZAO KA GAON
Its overwhelming to experience the power of faith. It is said that any attempt to just doors etc has always ended into some or other kind of misfortune for the person trying to do so. People believe that no theft or decoy can ever occur in the place as miscreants have to bear wrath of Shan Dev. About 100 kms from Pune or just 1 litre away on your new Bajaj Discover DTS-i.

All rights reserved by Bajaj Auto Ltd. Copyright 2009

www.bajajauto.com?wheeler/new_discover/index.html

Exhibit 10: Views about Hero from current Owners of Hero Honda

1. Hero has moved on quickly to rebrand itself. Quality has improved even after separating from Honda. Hero is still able to maintain and capture market share even after the break up with Honda.
2. It is good that Hero has taken the step to go ahead on its own. But honestly speaking as a customer, I would have my apprehensions to go ahead and buy a Hero product as I as a customer have doubts about the engine. With Honda's exit, Hero has lost its charm. I have concerns with regard to quality aspects of Hero.
3. It is good that both the companies separated. Because of the separation there is no clash of interest now. Would still prefer Bajaj and handling is better. First 5 years only one can take to showroom for maintenance. More over Hero Does not have any good product after the separation. Concerns from customer point of view are that Hero's does not have its own R&D.
4. As a customer, don't understand much difference between the quality of Hero Honda and Hero as a stand alone brand. Hero has a good recall value and is associated with bicycles in India. Splendor gives good mileage, easy on pocket, silent engine.
5. From companies point of view it is great and positive as now they don't have to share the profits. Quality also there is no difference after separation.
6. From customers' point of view extremely negative especially when it comes to serving of bikes. Maintenance is a concern. Dealers and showroom people don't entertain Hero Honda bikes. If I have to recommend to someone then I say no for Hero and probably say yes for Honda.
After the demerger, Hero has become 100 per cent an Indian brand. So as a customer, a feeling of nationality and loyalty goes for this brand. Moreover, there is no difference in quality, mileage and product value. Splendor has been hugely successful brand and the perception is really good of this product
7. Neutral feeling even after de-merger. Had previous good experience with Hero Honda so when I wanted to buy a scooter for my family, I opted Hero Pleasure instead of Activa for two reason as Hero Pleasure was light and there was waiting period for Activa. Because of ads of hero continues, they have changed the perception of from bicycle to bike maker...
8. Even though Hero Honda is known for value for money brand. It gives a perception that the bike is for rural India as rural India requires studier bikes. It somehow does not give a high end image bike especially after Honda has withdrawn its technology
9. It is good in a way that they have separated as Hero gets an opportunity to prove it single handedly that an Indian company too can have a name build for itself. Anyways, consumers have good memories associated with Hero Honda brand. So one can build on whatever positive memories one has of the brand.