

Royal enfield



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Royal Enfield – Brand Rejuvenation of Motorcycle in India

The year 2000 could have been decisive. That was when the board of directors at Eicher Motors decided to either shut down or sell off Royal Enfield - the company's Chennai-based motorcycle division, which manufactured the iconic Bullet motorbikes. For all its reputation, the sales of the bike was down to 2, 000 units a month against the plant's installed capacity of 6, 000; losses had been mounting for years. Just one person stood up to the board, insisting Royal Enfield should get another chance.

He was Siddhartha Lal, a third generation member of the Delhi-based Lal family, promoters of the Eicher group of companies. Lal, then 26, was an unabashed Bullet fan: he even rode a red coloured Bullet while leading the baraat (procession) to his wedding venue, instead of the traditional horse. "The board agreed to give me a chance," says Lal. "It was not because of its confidence in me, but because the business was doing so badly it could hardly get any worse." Lal felt Royal Enfield could still be saved. The bike had its reputation, a cult following, an instantly recognisable build, and aspirational value.

Changes had to be made to keep up with the times and make the bike more acceptable, and there in lay the problem. Royal Enfield fans liked the bikes exactly the way they had always been. "We needed changes to attract new customers but by doing so risked losing existing ones," says R. L. Ravichandran, whom Lal brought in as CEO in 2005 as part of his revival effort. Ravichandran had earlier worked with both TVS Motor and Bajaj Auto. "We were in a peculiar situation," he adds. Rejuvenating Times The change had to be a calibrated one.

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The mistaken notions of prospective customers had to be addressed, and any reservations about Bullet and Thunderbird, which was launched in 2002, removed. At the same time, Lal and Ravichandran were clear that the individuality of Royal Enfield bikes should not be compromised. " We did not want to go down the commuter route, but instead looked at the leisure segment," says Ravichandran. Retaining the bikes' rugged looks was a given, including the build, the design of the head lamp and the petrol tank. But should the gears be shifted close to the rider's left foot - as in most bikes - or retained on the right side?

The question gave Lal and his team many sleepless nights, since long time users were dead opposed to the change. The engine was another thorny question. The old cast iron engine was a relic of the past. Its separate gear box and oil sump design made it prone to oil leaks and it seized up very often. Its ability to meet increasingly strict emission norms was also suspect. A modern aluminium engine would eliminate these problems, but it would lack the old engine's pronounced vibrations and beat - which Royal Enfield customers loved.

Laws of physics made it impossible to replicate these with the new engine. The new engine had 30 per cent fewer parts and produced 30 per cent more power than the old, with better fuel efficiency. By 2010, all Royal Enfield models had begun to use the new engine. Two other problems needed to be addressed: the quality of some of the components Royal Enfield bikes were using, and the sales experience. The case is prepared by Prof. Sanjay Patro and Aby Abraham, XLRI Jamshedpur for academic purpose only. It is not to illustrate either effective or ineffective handling of a business situation To

tackle the first, shop floor process were fine tuned, while suppliers were exhorted to be urged to improve quality levels. Royal Enfield also embarked on a large scale inter exercise to tone general performance. " We declared 2006 as the year of getting back to the basics," says Ravichandra " We also formed a five quality rapid action force to bridge the gap between customer expectations and the reality. " Slowly, the tide turned. Engine related problems and oil leakage in the bikes were tackled first.

By 2008 dealers were reporting lower workloads in the workshops. Warranty claims fell sharply too. Royal Enfield also began conducting marquee rides to promote leisure biking. " Such steps removed the fears about our product reliability some customers may have had," says Venki Padmanabhan, who succeeded Ravichandran as CEO in earlier this year after Ravichandra was elevated to the board of Eicher Motors. To improve sales experience new expanded company-owned showrooms were launched and dealerships

In October 2008, Royal Enfield launched in Germany its newly designed 500cc Classic model - inspired by J2, a modified 1950 model Bullet - with the new engine. It was a success, though admired for its performance and fuel economy. Emboldened to launch it in India, India in November 2009 initially as a 350 cc bike, priced at Rs 1.20 lakh. This proved a hit too. " Now, our capacity utilisation is 100 per cent. Yet there is a six month waiting period for his deliveries," says Venki " We plan to double our capacity soon to 1.5 lakh bikes. " Changing Times According to industry body, the Society of Indian Automobile Manufacturers, the Indian

Two-wheeler industry is expected to post an annual growth of 11-12 per cent, and the market is expected to double every four years till 2020. According to data from Nomura and Crisil, as of 2011-12, 6.5 million two-wheelers were sold in India. The executive cycle segment forms the bulk of sales at 6.5 million, followed by the economy segment (1.8 million) and premium segment (1 million). The recent series of hike in the price of petrol has played a significant role in the sale of two-wheelers, according to SSIAM, as many first-time four-wheeler buyers in rural India and tier II and tier III cities have deferred their purchases. Two-wheelers account for a very high 76 per cent of market share in the automobile sector in Asia's third-largest economy. Passenger vehicles account for 16.2 per cent. According to a recent Human Development Report by UNDP, India is one of the youngest nations with the median age being 29 yrs by the year 2020.

Urbanization figures of 35% in urban and 14% in rural indicate that there is going to be a period of growth in the two-wheeler market. Challenging Times The competition in high 'cc' two-wheeler segment is heating up. Bajaj (Pulsar 350 NS, Rs 1.75 lakh), Yamaha (Sports bike FZ1, a 998cc motorcycle, at a price tag of Rs 8.7 lakh), and Kawasaki Ninja 650, etc are burning the rubber to enthrall Indian youths. Rajiv Bajaj, Managing Director of Bajaj Auto, the 2nd Largest Motorcycle manufacturing Company of India, said " We have recognized the different needs of the customers of our high end bikes.

To cater to these needs we have established separate stores called as " Bajaj Probiking Showrooms at in the major cities across the country. The Kawasaki

Bajaj Ninja is available exclusively through Probiking Showrooms. " Bajaj has joined hands with KTM of Austria a bike manufacturer since 1934 and has brought higher end motorcycles in India under the brand KTM Duke. Hero Moto Corp after separation of its ties with Honda has become more aggressive. Honda charting out its solo journey wants to bring the best of the world to one of the fastest growing market of India. These are the few competitors to name.

Many more will follow. Entry of Harley Davidson into India added new flavour to the higher end segment. HarleyDavidson India commenced operations in August 2009 and appointed the first dealership in July 2010. Since early 2011, Harley-Davidson has been assembling motorcycles in India at its CKD (Completely-Knocked-Down) assembly unit at Bawal in Haryana. India is the second country where Harley-Davidson has CKD assembly operations outside the US, after Brazil. Harley-Davidson currently offers a range of 14 models from each of its 5 families - Sportster, Dyna, Softail, V-Rod and Touring.

Each of the five Harley-Davidson motorcycle families boasts of a distinct character and caters to the varied sensibilities of the broad range of customers. Road Ahead Siddharth Lal observed that it grew at 42% and could sell 74, 626 bikes during the year 2011. Venki is excited about the fact that demand has more than doubled and Enfield can supply and he is not bothered about the market share figures as they see themselves in a different league. In his words 'it is more about the context of the product', the product-market '. " Royal Enfield is a leisure brand that it enables customer to enjoy leisure". It is an involving and engaging motor cycle" . The bike demands for continued caring kind of interaction from its riders that

leads them to develop an emotional bond. Today, Royal Enfield's problems are of a different kind. It needs to scale up without diluting brand equity. From being the most expensive bike on Indian roads, today it faces challenges from iconic global brands such as Harley-Davidson which has entered the Indian market. With other competitors getting battle ready, how can it hold on to customers through the waiting period of six to eight months.

Driving change when the chips are down is easy, when there is no other option. In Royal Enfield's case the? What would be your recommendations to Mr. Venki Padmambhan, CEO, with regard to its future roadmap, Product strategy, Brand Management /engagement and Marketing strategy?