

COVID-19 Impact on Motor-cycle Market

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MOTOR-CYCLE SALES AND STOCKS TO WITNESS A SLUMP AMID COVID-19 PANDEMIC

The global pandemic of COVID-19 has severely impacted economies of numerous countries, and the probability of a recession shortly is extremely high, with effects that are anticipated to surpass the economic recession of 2008. As the movement of people has been severely curtailed with nationwide lockdowns around the world, the manufacturing sector is highly likely to be impacted by such an adverse economic fallout. The global automotive sector is expected to be hit even harder [1].

The global motorcycle industry has already been struggling with several challenges, such as an overall decline in sales, inconvenience associated with the conventional dealership system, and the imminent arrival of autonomous vehicles. Also, the baby-boomer consumer demographic which until now has been a mainstay for the industry is phasing out. The motorcycle industry has not managed to build up interest among millennials, women, and minorities.

RESTRICTIONS ON SALES AND BOOKINGS TO INCREASE UNCERTAINTY

Numerous customers have canceled on bookings, which were made before the crisis. Also, two-wheelers, which have been sold cannot undergo the registration process for usage, owing to lockdowns. The current situation is an unprecedented one for the industry. Concern over the lack of clarity has been issued by major two-wheeler manufacturers from around the world.

Major premium motorcycle brands such as Harley Davidson and Ducati have already had to shut down a number of their production facilities. The lockdown is expected to impact not only the manufacturers and dealers in the industry but also other businesses in the supply chain including large- and small-scale manufacturers of motorcycle components [2].

DEALERSHIPS AND MOTORCYCLE EVENTS UNDER MAJOR THREAT

The summer has always been a good time for motorcycle sales. However, with the pandemic, buyers have been shut out of dealerships. Manufacturers have also continued to bar their dealers from making online sales, although continuing with parts and accessories. Most dealers will not be getting new 2020 model

motorcycles, as most factory workers have been put on temporary layoffs. Currently, the fate of the dealership after the coronavirus crisis is very uncertain. Dealerships with minimal debt or mortgages are more likely to survive the outbreak [3].

Also, several prominent riding events have been canceled or postponed, which is an essential selling ground amidst motorcycle enthusiasts. BMW has already announced that it will not be taking part in the InterMot and Eicma shows in Cologne and Milan. The coronavirus outbreak has also impacted the motorbike sports sector. So far, the ACU and MCRCB have announced the suspension of all motorcycle circuit racing events till the end of May. Other events such as the Isle of Mann TT, the North West 200, and the Qatar round of the MotoGP have been postponed [4].

THE ASIA PACIFIC TO FACE THE BRUNT OF RESTRICTIONS

Many essential motorcycle components such as electronics, brake systems, and tires, are not produced by OEMs. Instead, these parts are sourced from other vendors. For premium motorcycle models, parts are sourced from major brands such as Showa and Ohlins. In terms of tires, Ceat, Pirelli, and Dunlop are major contributors. Brake systems are manufactured by Nissin and Bosch. As lockdowns and transport restrictions continue, the production of motorcycles as well as the components are expected to be hit severely.

The Asia Pacific is the leading market for two-wheelers, accounting for the largest number of motorcycles on the road. While premium brands continue to struggle to make major inroads in the region, analysts have been predicting optimistic growth prospects before the coronavirus outbreak. Now, however, with problems of liquidity and cash flow among potential buyers, the Asia Pacific market is expected to be hit [5].

India, China, and Japan have been hit the hardest. However, manufacturers are optimistic that following the end of the lockdown period, commuters will be more likely to avoid public transport, boosting the demand for private vehicles, including bikes, which in turn could increase demand by the end of the year.

MANUFACTURERS FORCED TO HALT PRODUCTION AS DEMAND PLUMMETS

Many of the major motorcycle component production facilities

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are currently located in China, the epicenter of the pandemic. Consequently, the COVID-19 outbreak is now projected to cut into the planned production numbers of motorcycle manufacturers. The severity of the impact on production is dependent on the speed of recovery in China. Currently, at least 10% of the average monthly production numbers are expected to be delayed.

On the other hand, the Chinese government has started to ease restrictions in many provinces across the country. Manufacturing activity has been estimated to have already surpassed 70% of the pre-virus levels. Also, wholesale component dispatches to dealers is likely to be minimally impacted during this period.

MARKETING AND PROMOTION ACTIVITIES TAKE A BACKSEAT

Although the motorcycle industry does not require significant changes in terms of product design, the current advertising and marketing methods are less likely to attract new buyers, as the focus of the campaigns continues to be veteran riders. A general issue for the industry currently has been a general lack of public interest in riding motorcycles.

The motorcycle industry has failed to appeal to the female demographic. Dealership promotions are also using outdated business approaches, ignoring the needs of entry-level riders. Such lackluster marketing campaigns are likely to contribute to the declining demand for motorcycles, even after the pandemic subsides.

MOTORCYCLE STOCKS DIP AS SALES SLUMP

Following the outbreak, investors have been very hesitant to put in new resources in the motorcycle market. Most motorcycle companies have posted a fall in the stock values, some of them, in double digits. The slump has continued at a slower rate since.

The destabilization of the supply chain, scarcity of workforce, and production facility closures, coupled with the volatile economy

are key factors that can be attributed as an obstacle to growth. A sustained pandemic could impact the market not only in maintaining supply chains but also in the supply and demand from dealerships.

CONCLUSION: THE ROAD TO RECOVERY

Essential products and services such as healthcare, essentials, and jobs will remain at a higher priority over motorcycles and cars for the short term. In the months ahead as the world comes out of the coronavirus crisis, consumer sentiment for motorcycle purchases is likely to remain low, which will hit manufacturers in the industry hard. Western markets such as Europe and North America will be hit harder, as motorcycles are used for leisure rather than for daily commutes.

To deal with the outbreak, manufacturers are focusing on the integration of new technologies in production processes. They are also taking measures to develop alternative sources for the procurement of essential components, which could revamp production and restart growth.

If the duration of the coronavirus pandemic is prolonged, the global economy is expected to be hit harder, resulting in a shortage of liquidity and credit. While the Asia Pacific region will be able to recover faster, the recovery in western markets is likely to be slower.

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