

Harley to Ride Indian Growth

By ERIC BELLMAN

NEW DELHI -- Harley-Davidson Inc., the maker of iconic motorcycles, is at last ready to ride India's rugged roads.

For India, the Harleys represent another milestone in the growth of the high-end consumer market. Jaguar and Land Rover have recently opened showrooms in India to compete with other automobile luxury brands already here, such as Audi, Mercedes-Benz and Rolls-Royce.

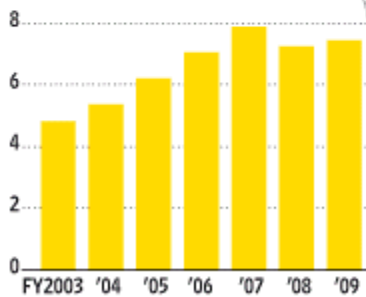
The small but fast-growing luxury market in India might help Harley-Davidson offset tough times at home. Shrinking demand for its expensive motorcycles, and troubles at its financing arm, pushed its second-quarter profit down 91% and has forced it to slash close to 2,000 jobs in the U.S.

Harley-Davidson's international sales, which make up about 30% of its total revenue, have also slipped but haven't been as hard hit. While retail sales fell 35% in the U.S., they only weakened 18% in international markets during the second quarter.



On wheels

Two-wheeler sales in India, in millions of units



Note: Fiscal years end March 31 of year shown
Source: Society of Indian Automobile manufacturers; Bloomberg News, Harley-Davidson (photos)

Harley-Davidson plans to start selling motorcycles like the Ultra Classic Electra Glide (below) in India. Above, motorcycles and scooters on a street in central Mumbai.



In India, Harley-Davidson is betting on sales from motorcycle enthusiasts, who say they revel in the iconic motorcycle's low rumble.

"It's very manly; it's powerful," says Karun Menon, an owner of a 180cc-engine motorcycle from India's Bajaj Auto Ltd. "Of course, it makes no sense if you are going to be squeezing through traffic and potholes," adds the 23-year old resident from Pune in the western state of Maharashtra. "But if you can afford to buy a Harley, you can afford to use it when you feel like."

Until recently, government restrictions and high tariffs made it difficult to get a Harley-Davidson into India.

Instead, Indian enthusiasts sometimes imported Harley-Davidson parts into the country and later assembled the full motorcycle themselves. Some Indians who worked abroad also brought their motorcycles back with them.

But from the first half of next year, Indian consumers will be able to buy 12 Harley-Davidson models from the five dealerships the company plans to open in big cities across India, Anoop Prakash, the newly appointed managing director of Harley-Davidson India, said Thursday.

Few auto industry analysts expect a rush of orders for the big motorcycles. With a price tag of more than \$15,000 for the least expensive models, Harley-Davidson ownership will be confined to the country's wealthy consumers.

For most commuters in this country -- where the average annual salary is less than \$1,000 -- a motorcycle is a step between a bicycle and a car. Motorcycles remain one of the cheapest forms of motorized transportation in India, able to carry entire families.

So while Indians bought more than 7.4 million two-wheelers in the year ended March -- more than 50% more than they bought six years earlier -- most of those motorcycles and scooters cost less than \$1,500. (For comparison, about 1.5 million passenger cars were sold in India in the same year.)

Honda Motor Co. and local companies like Bajaj Auto target the Indian consumer by sticking to inexpensive models with engine capacities of less than 150cc. The market for expensive bikes with capacities of over 500cc -- the Harley models range from 800cc to 1500cc -- is less than one thousand vehicles a year, analysts said.

That's not a problem for Harley-Davidson, the company's executives said. It isn't targeting the cost-conscious rider, and it says the high-end is experiencing more growth anyhow.

During a 2007 visit to India, former President George W. Bush paved the way for the Milwaukee, Wis.-based company to enter India through a trade deal that allowed Indian mangos into the U.S.

In turn, India agreed to change its emission requirements so the big-engine bikes could enter the market here. But high import tariffs of about 90%, which drive the price of Harley-Davidson motorcycles to almost twice their price in the U.S., slowed the company's entry into the market.

Now, Harley-Davidson executives say the company sees strong demand in India for its two-wheelers despite the high price.

"We think there is tremendous potential in the Indian market," Matt Levatich, the president and chief operating officer of Harley-Davidson told reporters in New Delhi Thursday. "The numbers may be small initially, but growing with the market is very important."

"The luxury market is actually growing now," said Darius Lam, a Mumbai-based assistant editor of Autocar Professional, an industry magazine. Potential Harley buyers, he said "are people that already have a Mercedes and maybe another car and are looking for something different. It is definitely not your average bike buyer in India." Mr. Lam says luxury auto sales are up around 15% this year.

To mark the arrival of the bikes in India, Mr. Levatich and more than 20 others are scheduled to rumble around New Delhi on their Harleys Sunday morning. The one-hour ride will end with a beer and barbecue brunch attended by the Indian capital's social elite.

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