

Motorcycle Industry in Vietnam, Thailand and Indonesia

Kohei Mishima

Ph. D. candidate

Graduate School of Economics and Management, Tohoku University

a2em1015@student.econ.tohoku.ac.jp

Abstract:

This presentation is an empirical research about motorcycle industry in Southeast Asian countries on the basis of interview and factory tour at Japanese motorcycle makers and parts makers of Vietnam, Thailand and Indonesia. The following points will be discussed in this presentation.

At first, a survey about overview of motorcycle industry will be done. Now a day, China is the largest country in terms of the quantity of production, in use and sales. India is the next largest country, followed by Japan, Indonesia and so on. Considering the economic development and penetration rate, the growth of quantity of motorcycle production and sales is expected to continue in developing countries, especially in Asian countries.

The latest features of motorcycle industries are that the size of sales market itself is growing because of demand boosted by low price Chinese motorcycle and, based on this, the quantity of production is growing too. In response to this situation, Japanese motorcycle makers try to cut their cost down and then recover from a setback. Though in case of automobile industry, those makers of developed countries compete with other developed country makers for the market of developed countries, but, in case of motorcycle industry, developed country producers like Japanese makers compete with developing country producers like Chinese makers for the market in developing countries. This is an important feature of motorcycle industry.

In the second phase, the motorcycle industry's supply-demand relationship in Vietnam, Thailand and Indonesia will be argued. In Vietnam, motorcycle knock down parts sets are imported from China and Vietnamese makers assemble motorcycles by knockdown production system (Those motorcycles are called Chinese motorcycles in Vietnam). The quantity of Chinese motorcycles in Vietnam is increasing rapidly since 2000. Chinese motorcycles grabbed the market share of Japanese makers' and make the market itself expanded based on their low price. As a result of rapid increase of Chinese

motorcycles, many social problems like traffic congestions, traffic accidents and environmental degradations were arisen and the government was bound to adopt total amount control strategy in the form of registration control from 2003. In such a situation Honda sells low price motorcycles and Yamaha sells high-value added motorcycles, and these Japanese maker may retake market share and achieve some results.

At the same time, Japanese makers' market share in Thailand exceeded more than 95%. There are two reasons behind the failure of Chinese motorcycle to penetrate in the Thailand market. Firstly, the customs levied on complete motorcycles and CKD set are high. Secondly, Japanese makers have been in Thailand for a long time, more than 30 years, and that why their ability about quality, cost and delivery are better and that why there are many parts makers. Besides, in Thailand automobile industry has already developed to some extent. This has a positive influence to the accumulation of the basic industrial skills and agglomeration of parts makers. Japanese makers moved to their R&D faculty to Thailand and now they started developing motorcycle from scratch. Here from point of view, Thailand reached to a stage of accomplishing the localization of motorcycle industry in the true sense.

In Indonesia, Japanese makers' market share is high, about 90%. The demand for Chinese motorcycle remains a constant volume, about 200,000 per year. The remarkable feature of Indonesia is that the retail prices are higher than those of Vietnam and Thailand and the price competition is not so stiff. In Indonesia on the one hand the influence of China is smaller than Vietnam, on the other that of India is bigger than Vietnam and Thailand.

In the third phase, the production, R&D system and supplier system of Japanese motorcycle makers in Vietnam, Thailand and Indonesia will be analyzed. The Japanese makers' cycle time in Southeast Asian countries are almost the same level as those in Japan, but it depends on fewer models they product in Southeast Asian countries than in Japan. So, their production ability of Southeast Asian countries has not yet been at the same level as in Japan and they are still in growth process. The Japanese makers' procure sources are often Japanese parts makers, but for cost down some makers send their orders out for price bidding or to Chinese makers and others adopt global procure system. In case of R&D, transfer of R&D facility to Thailand is in high gear so that motorcycles which are developed in Thailand are going to be produced and sold in Thailand as well.

Honda's R&D and production system and Yamaha's global procure are some examples in this regard. Honda is absolutely engaged in a price-cutting war with Chinese motorcycle. Yamaha stayed away from price war and explored a third way. Based on these things, motorcycles made by each maker are classified by the distribution of parts which are to make or to buy and by the degree of suppliers' dependence on assembler's R&D facility. As a result, Japanese makers' business

architecture in Southeast Asia is not similar to Chinese one where makers put together multipurpose parts, rather, Japanese makers, like as past, have been placing a special emphasis on total quality, and Japanese motorcycle maker and supplier work together from R&D phase with taking account of whole balance of motorcycle.

In the last phase, the deregulation of trade in today's economical wind will be considered. In response to the acceleration on affiliation to WTO and conclusion of FTA, in case of developing countries, which are main markets of motorcycle, Japanese makers will probably go ahead with cost cutting and on the other hand Chinese makers will probably improve the quality of their products which in turn may resulted to increased competition in a comprehensive way at not only price but also R&D and production. But the case in Vietnam suggests that though initially overwhelming share of Chinese motorcycle may be seen, but unless Chinese motorcycle's quality is improved, Japanese makers may strongly catch up with Chinese soon. Thailand's case indicates that Japanese makers have been already competitive at cost and hence it is not easy for Chinese motorcycle to get big share. From the above given description, it may be expected that in long term Japanese makers will be able to maintain competition with advantage.