



NMDA

DEALER ATTITUDE SURVEY

AUTUMN 2017

RESULTS ANALYSIS OVERVIEW

Introduction

National Motorcycle Dealers Association (NMDA) is pleased to announce the results of the Dealer Attitude Survey - Autumn 2017. In this latest edition, a clear view of the industry and dealer-manufacturer relations can be assessed. With a response rate of 36%, a new high, NMDA continues to provide dealers with a voice to discuss their interactions with manufacturers.

Last year, NMDA introduced a 15% response rate rule for a brand to be included in the results of the survey. This ensures that the survey accurately represents the views of the dealer network and can be used as a supportive tool for manufacturers when enhancing their dealer relationships. Regrettably, in this latest edition of the survey three manufacturers are not included. This latest questionnaire was open to 568 dealers. NMDA received 207 responses, a 15% increase in response numbers. We hope to see this continue rising, as well as the inclusion of all manufacturers.

To date, 2017 has seen a decline of 15.5% in motorcycle registrations. This evidences that last year's market of 128,000 powered two-wheelers (PTW) registrations, was a high-water mark. The public is currently suffering from a lack of consumer confidence, demonstrated by consumer reluctance to purchase big ticket items as they assess their financial security. This uncertainty is affecting motorcycle dealers, especially as the fall in Sterling has driven up prices and the first interest rate rise in a decade indicated that ultra-low rates have ended.

The motorcycle industry is not alone in suffering from weakening consumer confidence or cautious consumer behaviour. The decline in motorcycle sales mirrors the slowing of car and van sales. It should be remembered that a number of last year's registrations were forced pre-registrations, used to clear out Euro 3 stock by year-end. The impact of pre-registered motorcycles has been two-fold; they not only raised registration figures for last year but have also suppressed this year's sales.

Although overall figures may make dealers feel like the market is under severe pressure, when looking deeper, the sales of higher priced over 650cc machines have held almost exactly constant. In the year to date, there have been 44,233 motorcycles over 650cc sold compared to 44,428 (this time last year). As more expensive bikes are seeing sales hold steady, this is an indication that established riders feel more confident about the short-term economic uncertainties, over commuters, who are typically purchasing smaller bikes, looking for cheaper methods of transportation.

As we leave this difficult year, we must be optimistic about 2018 and look for new opportunities to retain loyal customers with innovations in finance offerings and greater customer service.

National Motorcycle Dealers Association Autumn 2017

Tel: Stephen Latham: 07515 975157

Email: Stephen.latham@rmif.co.uk

Survey Analysis

The Product

The product's price and value against other brands

Average: 3.5 – Top performers: Harley Davidson: 4.0; Triumph, Honda, KTM: 3.8

This category remains unchanged from the last survey and continues to have a relatively strong result. This is in line with the fact that while the manufacturer product offering is on average as competitive as ever, the fall in PTW sales is driven by external factors, mainly consumer confidence. The biggest increases were from Honda and KTM which both increased 0.2 points, securing joint second position with Triumph. Yamaha saw the biggest decrease, 0.5 points. Piaggio's downwards trend has continued and they remain the lowest ranked manufacturer at 2.0.

The brand image

Average: 4 – Top performers: Harley Davidson: 4.8; Triumph: 4.5; KTM, Ducati: 4.4

There has been very little movement in the brand image question, with the average unchanged from the last survey at a high 4.0. Harley Davidson has maintained its impressive score from the last survey at a strong 4.8. The largest gains were 0.1 increases from Ducati and KTM. The largest decrease came from Piaggio, at 0.4 points. Despite dropping 0.2 points, Triumph's strong brand image kept it as the second highest rated brand.

Frequency of introduction of new models

Average: 3.7 – Top performers: Harley Davidson: 4.5; Triumph: 4.2; Ducati: 4.1

The average score for the frequency of introduction of new models is unchanged from the last survey. There were no large upwards movements from any manufacturers. Triumph and Ducati saw the largest decreases, 0.5 points and 0.6 points respectively, but still managed to stay in the top three. Unlike the other top performing brands of the last survey, Harley Davidson saw a marginal increase in their score, 0.1 points, and now has moved up to the highest ranking.

Manufacturer Policy for Dealers

Your manufacturer's policy for the supply and stocking of motorcycles

Average: 3.1 – Top performers: Harley Davidson: 4.3; Honda: 3.5; Kawasaki: 3.3

The average score for manufacture supply and stocking policies, saw a small increase of 0.1 from the last survey. This increase was driven by Honda and Harley Davidson who saw strong increases of 0.5 and 0.4 points respectively. This suggests that these firms have satisfactorily resolved the supply issues, created from the transition to Euro 4. The biggest decrease was KTM which dropped 0.7 points and dropped out of the top three. The second largest decrease was Triumph; this reversed a positive trend which had seen Triumph's score gradually building. At the bottom, Piaggio continued to worsen with their score dropping another 0.1 to 2.1.

How realistic is your target and performance related bonus in terms of achievement?

Average: 2.9 – Top performers: Harley Davidson: 4.1; KTM: 3.3; Suzuki: 3.2

The average score for how realistic target and performance bonuses are, decreased by 0.1. The majority of manufacturers, 67%, saw a decrease in their scores. This suggests that most manufacturers' targets have failed to adjust to the realities of this year's motorcycle market. Only Ducati, Harley Davidson, and Piaggio saw increases in their scores. Ducati was especially impressive as it is the only manufacturer to now improve in both this survey and in Spring 2017. Conversely, Yamaha and Triumph saw the largest reductions, 0.7 and 0.6 points respectively. This puts Triumph only 0.1 ahead of Piaggio, which currently holds the lowest ranking but continues to improve.

Retail sales incentives and promotions

Average: 3.4 – Top performers: Harley Davidson: 4.3; Honda, Triumph: 3.8

The average score for dealer satisfaction with incentives and promotions, has improved by 0.1, to a strong 3.4. The movement was focused on three brands, with Harley Davidson and Honda seeing strong increases and Kawasaki experiencing a sharp decline. Other brands moved negligible amounts or not at all, suggesting that incentives and promotions have largely kept pace with market conditions. Honda and Harley Davidsons', 0.5 and 0.4 point increases, suggest that dealers are particularly happy with how they have responded to the tightening market. Kawasaki's 0.5 decrease suggests the inverse and despite the strongest levels of satisfaction in the last survey, appear not to have been responsive to market conditions.

The effectiveness of your manufacturer's retail finance programme

Average: 3.5 – Top performers: Harley Davidson: 4.5; Honda: 3.9; Kawasaki: 3.9

Retail finance programmes have been the drivers of growth in the motorcycle market, especially for smaller PTWs. With the small PTW market under extreme pressure, it is vital that dealers are happy with manufacturer offerings. It is disappointing to see that the average score has continued to decline from the last survey and decrease by another 0.1. The majority of manufacturers saw a decrease in their scores, with only Harley Davidson, Honda, and Ducati improving. The biggest decrease was Yamaha, which dropped 0.4 points.

Timely and fair settlement of warranty claims

Average: 3.6 – Top performers: Harley Davidson: 4.9; Kawasaki, Yamaha: 3.9

Timely warranty claim settlement is crucial for dealer cash flow and is unchanged from the last survey. While the majority of the dealer network saw a decrease in their scores, Harley Davidson and Piaggio both saw strong improvements. Harley Davidson is particularly impressive with an increase of 1.2 points to 4.9. Conversely, Kawasaki saw the largest decline, down 0.4, which at 3.9 brought it into joint second place with Yamaha.

Dealer – Manufacturer Interaction

Your new motorcycle target negotiating process

Average: 2.7 – Top performers: Harley Davidson: 4.0; Kawasaki: 3.8; Suzuki: 3.3

Overall the target negotiating process has slightly decreased, moving 0.1 points down to 2.7. The biggest movers were Kawasaki and Ducati, with Kawasaki increasing by 1.0 and Ducati decreasing by 0.6. This has reversed some of the very strong gains Ducati made in the last survey and cemented Harley Davidson as the top-rated manufacturer. The majority of dealers, 67%, saw a decrease in their satisfaction and the low average score of 2.7, shows that many dealers feel there is an increasing need to improve how target negotiations occur in the tightening market.

That the management of your manufacturer takes dealers' views and opinions into account

Average: 2.9 – Top performers: Harley Davidson: 4.5; Honda, KTM: 3.2

In this critical question, the average score has declined 0.1 from the last survey. Harley Davidson recovered from the decrease it experienced in the last survey and reinforced its position as the top-rated manufacturer, with a significantly higher score than even those in second place. Ducati was the only other manufacturer to improve, by a strong 1.0, suggesting positive improvements in communications. The biggest declines were for Yamaha and Triumph, 0.6 and 0.5 respectively. Both now hold the low score of 2.4. Piaggio remains the lowest, with a score of 1.9.

Your ability to do business with your manufacturer on a day-to-day basis

Average: 3.3 – Top performers: Harley Davidson: 4.8; Kawasaki: 3.7; KTM: 3.7

Continuing the trend in the communication questions, vital for dealer-manufacturer relations, the average score for the ability to do day-to-day business decreased by 0.1 from the last survey. A majority of manufacturers, 56%, saw a decline. Harley Davidson experienced the biggest increase and Triumph the biggest decrease, both by 0.7. Harley Davidson has reclaimed its position as the top-rated manufacturer for dealers to do business with, while Triumph has dropped out of the top three. Piaggio has been unable to reverse its downwards trend and has again lost 0.2 points and stays the lowest rated manufacturer at 2.1.

Costs and Profitability

How satisfied or dissatisfied are you with the profit return by representing your franchise?

Average: 3.0 – Top performers: Harley Davidson: 4.2; KTM: 3.5; Triumph: 3.4

This question gives an insight into the health of dealer businesses and as would be expected in the current PTW market, the average score is down 0.2. All but one manufacturer, have seen their scores decline. The one manufacturer that increased was Harley Davidson, which went up 0.5 and reclaimed its position as the manufacturer with dealers most satisfied with profits. Ducati, Suzuki, and Triumph all saw declines of 0.4 points, the largest of any manufacturer.

The future profitability of your business

Average: 3.1 – Top performers: Harley Davidson: 4.3; KTM: 3.7; Triumph: 3.5

All dealers continue to be more positive about the future profitability of their businesses, than they are satisfied with their current profit returns. This is despite the average level of confidence in future profits, dropping a significant 0.3 points from the last survey. The top three rated manufacturers are unchanged, although the only two manufacturers who saw increases in their scores were Harley Davidson and Ducati, both by 0.3 points. The largest falls came from Honda and Suzuki, both by 0.5. The biggest difference in satisfaction between current profit return and future profitably was Ducati, where dealers have 0.7 points more satisfaction with future prospects than the present, suggesting dealers are confident of the direction Ducati is going.

How realistic do you feel your manufacturer's standards are compared with the return on investment/reward?

Average: 2.7 – Top performers: Harley Davidson: 4.2; KTM: 3.3; Suzuki: 3.0

The dealer average decreased by 0.1 for how realistic standards are compared to returns on investment. While only Harley Davidson and Ducati improved, they both increased by a small 0.2. The biggest movers were Yamaha and Triumph which saw declines of 0.7 and 0.4 points respectively. These continuing low and decreasing scores, are a concern for dealers and manufacturers. Without the required returns from their capital outlays, dealers will struggle to continue to raise standards in line with their franchise agreements.

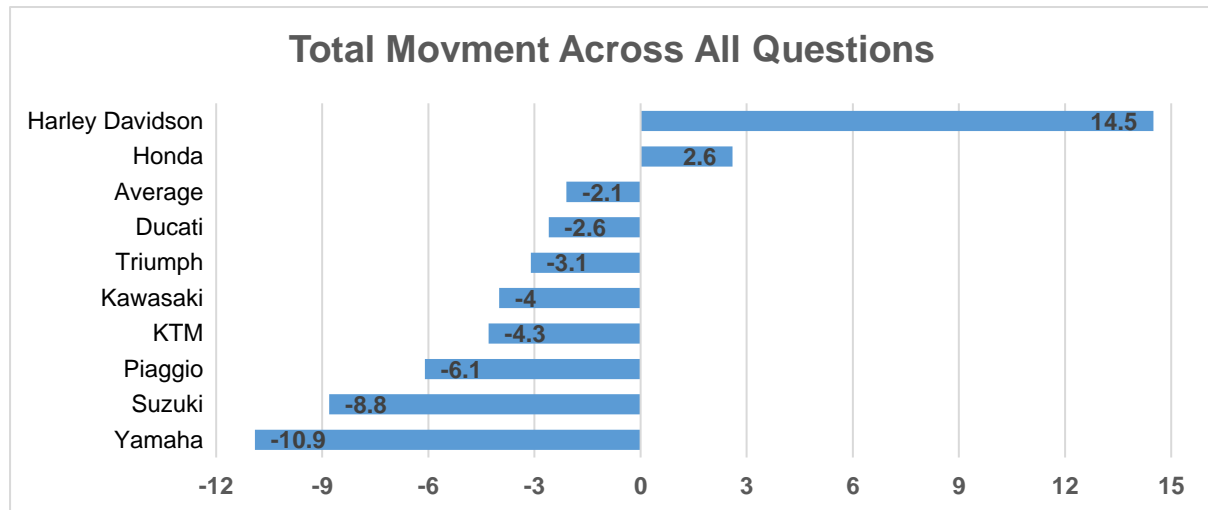
Overall, how do you rate the value of holding your motorcycle franchise?

Average: 6.3 – Top performers: Harley Davidson: 9.0; KTM: 7.3; Triumph: 7.2

In this most crucial question, which evaluates the overall value of holding a motorcycle franchise, the average score dropped a significant 0.5 points, with every single manufacturer seeing a decrease in its score. The sharp decline in average value, suggests that the market downturn is starting to bite. With weak consumer confidence and inflation and interest rates increasing, dealers are not expecting the market to recover in the near to medium term. Harley Davidson continues to stand out as the only manufacturer with a score of 9 or over, despite moving down from 9.2 to 9.0. Both Yamaha and Triumph saw big decreases of 1.5 and 1.0 respectively, moving Triumph from second to third position.

Conclusion

Looking at the total difference in scores between this survey and the Spring 2017 survey, shows a stark picture. While the average has only declined slightly by 2.1 points across all questions, only two manufacturers have seen their score across all questions improve. These manufacturers are Harley Davidson and Honda. Harley Davidson's massive increase of 14.5 points across all questions stands out as the only manufacturer making significant positive progress in the eyes of their dealers.



The image of the product and brand, continues to be a key area where dealer networks are on average, most satisfied with their manufacturers. The introduction of new models and the timely settlement of warranty claims (key for dealer cash flow), were other areas where dealers were particularly satisfied.

Dealers continue to be on average, least satisfied with the replacement parts policies of manufactures. The other two areas where dealers are particularly dissatisfied, are the target negotiations process and how realistic the returns on investment are for maintaining franchise standards. Both of these areas have seen declines in dealer satisfaction, a worrying trend given their already low scores.

The greatest positive movement in scores was in dealer satisfaction with warranty labour rates, an important element of underlying dealer profitability. Stocking plans, new model introduction, current and future profitability, saw the largest overall decreases. The decreases in satisfaction with current and future profitability are to be expected, given the negative trends in the smaller PTW market at the moment.

The dealer network which across all questions consistently ranked their manufacturers highest were Harley Davidson, KTM, and Triumph; with Suzuki dropping out of the top three from the last survey. This ranking mirrors their positions in the ranks for the question on the overall value dealers ascribe to holding a franchise with that manufacturer. Again, mirroring those scores, Harley Davidson stood out, where on average it ranked almost 0.9 points higher per question than the second highest manufacturer, KTM, a significant gap.