

Royal Enfield's Highway to Success

Executive summary

At the turn of the millennium, the iconic Royal Enfield was staring at a loss of Rs. 20 crores and had to turn it around or risk shutdown. They had only one chance to get it right, and wanted to modernize their range of bikes but doing so risked alienating their loyal audience that defined the brand. It was a challenge they had to meet, and did so in style.

Key challenges

Royal Enfield was an iconic name in the Indian biking industry, but they were staring at a loss of Rs. 20 crores on account of reliability and Quality Control issues, falling sales and changing perceptions around the brand. Modernizing the bikes to appeal to a wider, newer customer base, was the solution, but doing so could alienate existing Royal Enfield customers. This made negotiating a brand makeover challenging.

Strategy and Solutions

It was a new millennium that they entered, but it was the same old challenge that Royal Enfield faced. Royal Enfield was squarely staring at a loss of Rs. 20 crores. They knew that they had one last chance to turn it around, and if they got it wrong they would surely be doomed to a shutdown. They faced a battle on many fronts. Their bikes had Quality Control issues; complaints about engine seizures, accelerator or clutch cables snapping, electrical failures and oil leakages had become commonplace. Casual and die-hard customers also agreed that the bikes were too heavy, difficult to maintain, had questionable ergonomics and a daunting kick-start mechanism. For an iconic brand that has been around for over 100 years, making them the longest running motorcycle brand in the world, riding into a new millennium was proving to be a bumpy road.

Royal Enfield was repeatedly incurring losses and sales had dropped to 2,000 units a month against the plant's installed capacity of 6,000. The losses were mounting, and the situation was becoming untenable. It took the will of one loyal fan that counted to make a difference. Siddhartha Lal, a member of the Delhi-based Lal family and promoter of the Eicher group of companies, vociferously stated that Royal Enfield deserved another chance, and the board reluctantly agreed! In Lal's own words, the board gave him a chance because "the business was doing so badly it could hardly get any worse."

By modernizing the bikes to appeal to a wider, newer customer base, the brand could thrive in a new era. But by doing so, existing Royal Enfield customers could well be alienated since they wanted their Bullets to be just the way they had always been. The Royal Enfield desperately needed a makeover, but many elements made them unique, such as its cast Iron engine that created its distinctive sound and thrum. However, its ancient architecture was also responsible for oil leaks and subsequent seizing, issues a modern aluminum engine would solve. Critically, making the move would see the character of the old engine vanish, which Royal Enfield customers loved.

For the greater good, the move to migrate to newer-generation engines was made while retaining the look of the iconic bike. International sound mapping experts were consulted and over 1,000 hours, they recreated the feel of the original engine but more importantly, the new engine was more reliable, 30% more fuel efficient and 30% more powerful too. It was an instant hit. The Royal Enfield team kicked on and shop floor processes were fine tuned, while suppliers were exhorted to improve quality levels in an effort to improve the ownership experience. Slowly, the tide turned. Reliability improved and by 2008 dealers were reporting lower workloads and warranty claims fell sharply too. Malfunctioning of the sprag clutch, for instance, dropped from 5% in 2005/06 to 0.2% in 2010/11. Royal Enfield also began conducting marquee rides to promote leisure biking as they positioned the bike distinctively.

Outcome

The results have been miraculous. They sold 74,600 motorcycles in 2011, a 40 % increase in sales from the previous year and were operating at 100% capacity, yet weren't able to fulfill all the demand for their bikes. In order to meet demand, Royal Enfield announced an investment of Rs 150 crore in a new facility in Chennai, which would see its production capacity beyond 1.5 lakh units per annum.

Royal Enfield's turnaround is a classic case study in product planning, process and brand management. Driving change can be difficult, but in Royal Enfield's case they have rode off into the sunset on the back of a happy ending.

THE PROBLEM

Despite the bikes' fan following, the motorcycle division was bleeding

THE WAY OUT

Appealing to a wider base, making the products more reliable

THE CHALLENGE

Modernising the bikes without taking away their unique identity

THE SUCCESS

Modern technology used, but vintage look retained; improved management practices