

Socialist Republic of Vietnam

Socialist Republic of Vietnam
Survey on Electronic Motorcycle Business
(Cooperation with SME)
Report

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O. Executive Summary

In the booming Vietnam, motorcycles are still used so often. The Vietnam motorcycle market is 3 million sales yearly and the penetration ration is one third. Terra Motors got the No.1 market share in Japan. We have a plan to provide our new electric bike in the Vietnam market with our professional manufacturing and service quality that we experienced in the Japanese severe market.

We investigate the electric bike market, the insight of the customer, and motorcycle market from the macro perspective. As a result, we formulate a market entry strategy. Then, we report the business model which is from the production schedule to the after service on the figure bases.

Firstly, We state how attractive the Vietnam market is. We predict that the Vietnam market is absolutely attractive due to the population growth, young population composition and disposable income increase in the urban era even though the economy is recently depressing. It is expected that the Vietnam population will exceed 100 million in 10 years so we can say that the Vietnam market will grow like the equal market as Japan.

Secondly, here are the report of the motorcycle and electric bike market situations. Repeatedly, the Vietnam marker is over the 3 million sales yearly and motorcycles are common transportations. In 2012, the number of the motorcycle sales decreased until 2.8 million sales due to the economic depression but it is anticipated that the growth rate of the motorcycles will keep 5% because of the economic recovery and automotive taxes.

YAMAHA and HONDA are so strong in Vietnam that they get 80 % market share. They develop the strong marketing strategy to build the brand image such as 'Fashionable' and 'Sporty'. We differentiate from the motorcycle from 'Performance', 'Cost efficiency' and 'Innovative design' On the other hand, the electric bike market is not developed and the perception of the electric bike is negative due to the Chinese imported bad quality electric bike. We can create the new market as the authentic innovative electric bike even though this situation.

We establish the 100% Terra Motors Japan capital subsidiary in Vietnam. We have some resident officers and send some managers from Japan to develop the market in the foundations time. We will fund from the Japanese headquarters office to expand the

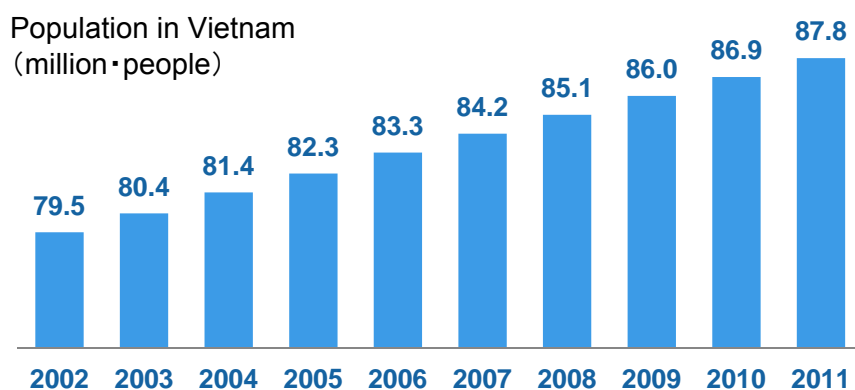
business in Vietnam.

Firstly, We develop our own showroom and focus on the marketing strategy to build the Terra Motors brand as high brand. We closely evaluate the sales partner and choose the sophisticated partner to build the hinge brand image. Moreover, we improve the after service network to provide the reliable maintenance service for our customers.

1. Introduction

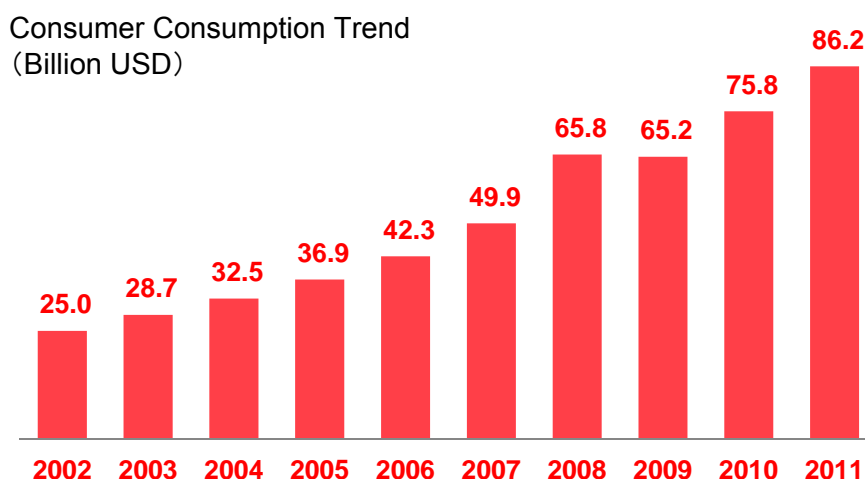
1.1 Background

Vietnam is hugely attractive market from the macro perspective since they have a steady population growth, a moderate GDP growth and an urbanization promotion. A population in Vietnam is 87.84 million people in 2011 and record the 1 million increase yearly.



Graph1 A Population in Vietnam

Source: Vietnam General Statistics Office



Graph2 Consumer Consumption Trend

Source: Vietnam General Statistics Office

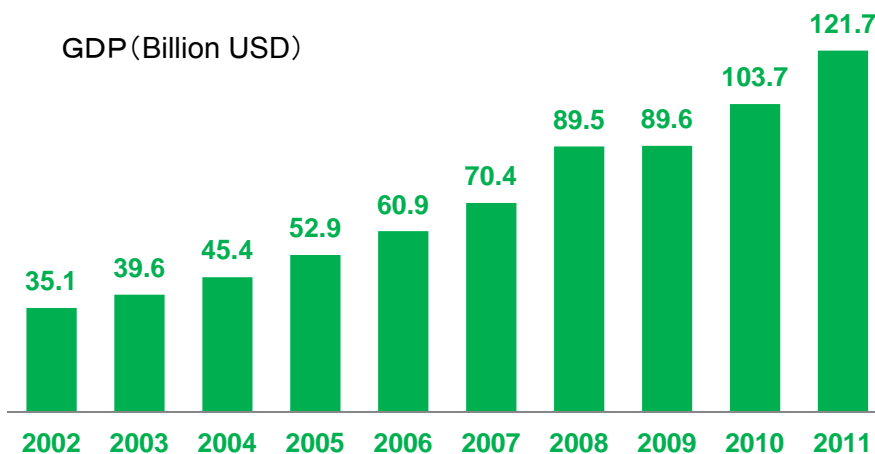
With the population growth, a consumer confidence also grows (13.1% increase yearly)

and make the 1,000 billion in the retail market approximately. In 2012, GDP is single-digit growth due to the monetary shock and the fiscal restraint caused by the false financial statement submission of the national company. However, it keeps the average 24.4% by 2011.



Graph3 GDP per person in Vietnam

Source: Vietnam General Statistics Office



Graph4 Trend of GDP in Vietnam

Source: Vietnam General Statistics Office

From 2002 to 2011, GDP growth is average 13.2% yearly. In 2010, it exceeds the 100 billion USD and 121.7 billion USD in 2011. In the past two decades of the GDP growth, Vietnam grows by an advantage of 7.2% per year after China in the Asia and it shows how

Vietnam economy is powerful. Moreover, Vietnam economy is more than the one from the publish data since the overseas Vietnamese send a huge amounts of remittance.

In 2012, there is a small decrease in the motorcycle market due to the economic depression however the market is about 3.2 million units per year which is so huge comparing with the one in Japan (0.3 million units per year). As a result, the penetration of the motorcycle is about one third. Taking the Vietnamese average age which is late 20s into consideration, most of the adult own the motorcycle as a daily usage. It is expected that the motorcycle market expand more due to the increase of the middle class and the progress of urbanization. Comparing with the Asian countries, there is an escalation tendency for the motorcycle market in Vietnam since there is some regulations policy for the automotive as a solution of the traffic jam.

On the other hand, there is also air pollution problem besides the traffic problem, so the electric bike is valuable for the CSR and government usage. It is quit low possibility for the Japanese motorcycle manufacturing to go into the electric bike market because of their business model. So we are quite sure that we absolutely can solve the air pollution problem in Vietnam with our Japanese quality electric bike. Also, we can expand our business if we success in the South East Asian motorcycle market. That is why we decided to go into the South East Asian market.

1.2 Purpose

Our company operates in Japan. We got No1 market share in Japan with our sales capabilities and brilliant product only 2 years after it was founded. However, the Japanese motorcycle market is rapidly shrinking and we cannot see the good future for this market. But there are still a lot of opportunities in the booming South East Asia and it is absolutely imperative for us to go into the South East Asia market. We would like to be a successful case study as a Japanese start up company which goes into Asia market. It is quite valuable for Japan to contribute to the further development of South East Asia with the technology and service which are Japanese company strength. We have three benefits for Vietnam mainly.

- Environment improvement

The exhaust gas causes the terrible air pollution problem especially in the urban era.

Recently the number of the motorcycle is increasing because of the urbanization. Most of the motorcycle drivers put the mask on and keep the exhaust gas away. Our product solves this situation.

- Job creation

Our business is not only to sell the product wholesale but also to manufacture and open the show room. Regarding the manufacturing, we can commit to the development of the export industry and job creation since we will sell the product in Vietnam as well as do near Vietnam. Also, we transfer the technology knowledge and Japanese service way to Vietnamese workers.

- New value proposition

Our electric bike connects the smart phone which is getting popular in Vietnam right now. Our applications platform is open to develop. For instance, we are now thinking to develop the new applications which people can upload the location information at the urban era which is still not developed. Moreover, we can provide the new communication way for the young people community and beneficial information for the local government through our mobility.

2. Motorcycle And Electric Bike Market

We want to explain about motorcycle market in Vietnam, general condition of electric bike market and position of electric bike in the market. We notice HONDA and YAMAHA which get more than 80% market share in the motorcycle market plus we refer to advertisement activity and marketing condition about HONDA and YAMAHA to make our strategy and plan.

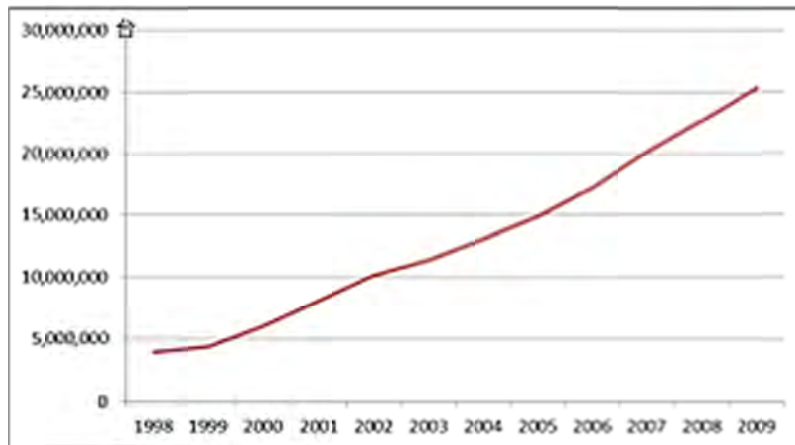
2. 1 Motorcycle Market

Vietnam has a unique characteristic compared to another South East Asia countries. There are many motorcycles in Vietnam. Normally, as economy is grower there are many cars. But people in Vietnam often use motorcycle by transport. The reason is road condition is bad and road is narrow. So using car is inconvenient. Government in Vietnam charges much tax because they are afraid that traffic jam is getting worse. In addition, there is the present condition that motorcycle is more popular than car because of lack of parking area for car and transportation as train. According to “world two-wheeled vehicle general condition” by HONDA, there are twenty five millions and four hundred ten thousands motorcycles registered in Vietnam in 2009 and the number still is increasing.



Picture1 The Scene in HCMC

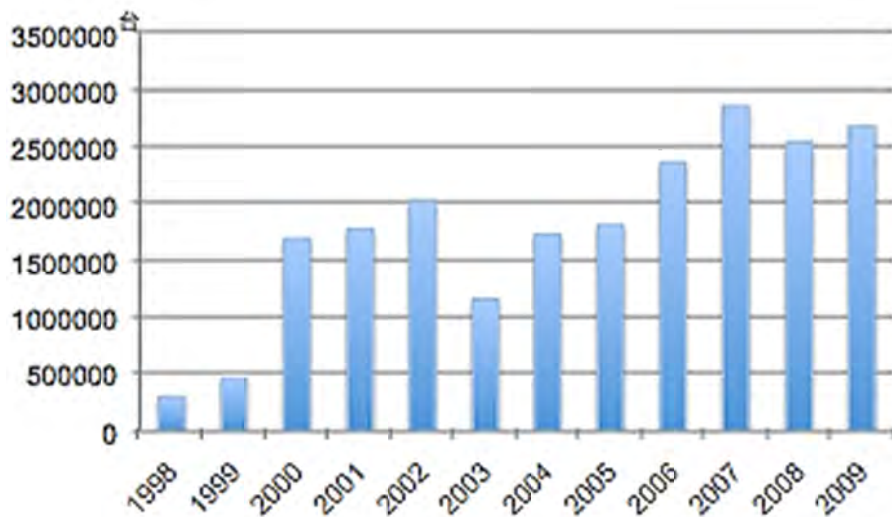
Taken by : Terra Motors



Graph5 Recorded number of Motorcycle in Vietnam

Source : 「world two-wheeled vehicle general condition」 by HONDA

According to HONDA Motor "world two-wheeled vehicle general condition", selling number is still increasing and we know that there were near three millions motorcycles in 2009.

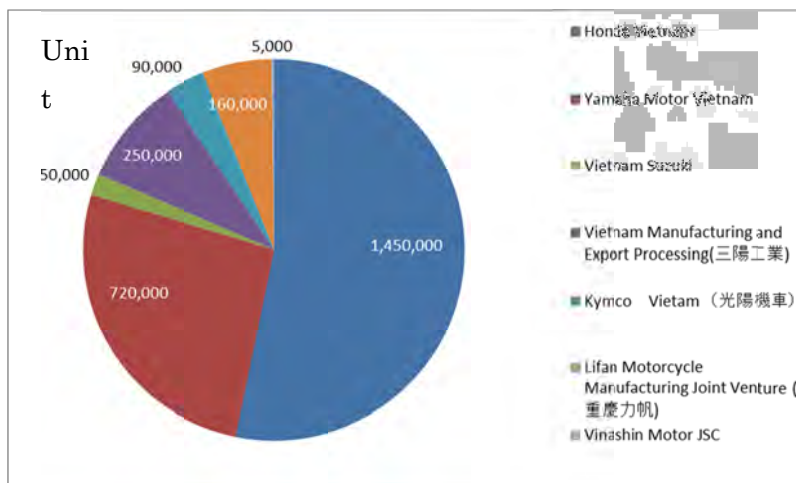


Graph6 The motorcycle sales number of Vietnam

Source : 「world two-wheeled vehicle general condition」 by HONDA

And according to "Asia two-wheeled vehicle industry 2011" by Census-of-manufacturing research institute, we can know every company' s product number. And there are about a million and four hundred fifty thousands units in HONDA and seven hundreds twenty

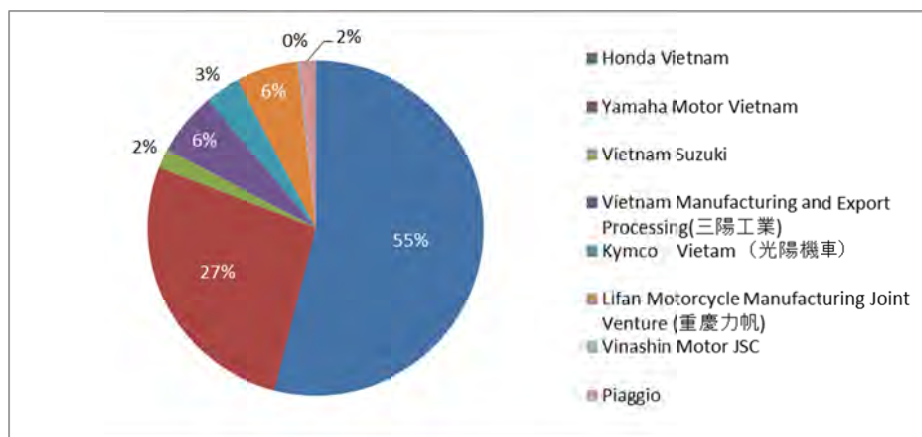
thousands units in YAMAHA. These companies share more than 80 % in motorcycle market and contribute much employment for Vietnam.



Graph 7 Volume of motorcycle production classified by maker (2010)

Source: Census-of-manufacturing research institute
 "Asia two-wheeled vehicle industry 2011"

Equally Japanese makers get far much share in selling market, HONDA has 55%, YAMAHA has 27% and SUZUKI has a few percentage. Japanese makers get 84 % share in selling market. This fact proves that Japanese makers in Vietnam have very advantages. In that HONDA gets very high share and it proves that people in Vietnam called bikes 'HONDA' until quite recently. SYM (Taiwanese company) gets third share because SYM offers products like HONDA and YAMAHA design but cheaper, but shop design and service quality is very worse than Japanese makers.



Graph 8 Sales share classified by maker (2010)

Source: Census-of-manufacturing research institute

"Asia two-wheeled vehicle industry 2011"

From viewpoint of market, motorcycle price is usually about from 1,000 to USD1,500 (e. x. HONDA wave series: USD1,000~1,250, YAMAHA Sirius: USD 1,050 etc. On the other hand, HONDA SH series: USD 3,000~5,000 and Spacy: USD 2,800, Piaggio USD 3,200 etc. Motorcycles of high price are sold constantly.) Estimated market size in every price is below.

Market size estimation (000 units)		Actual	Actual	Actual	Actual	Actual	Actual	Estimation	Estimation	Estimation	Estimation
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Market Growth % (Per price zone)			37%	6%	20%	10%	20%	-10%	5%	5%	5%
Over 5000 USD	1%	14	19	20	24	27	32	29	30	32	33
3000 USD~5000USD	4%	56	77	81	97	107	128	115	121	127	133
2000USD~3000USD	30%	421	577	610	731	801	960	864	907	953	1,000
1000USD~2000USD	65%	912	1,250	1,321	1,583	1,736	2,080	1,872	1,966	2,064	2,167
1000 USD	0%	0	0	0	0	0	0	0	0	0	0
TTL Market		1,403	1,923	2,032	2,436	2,670	3,200	2,880	3,024	3,175	3,334

Table1 Market share according to price range (2011)

Source : Terra Motors

According to the research by W&S market research company, people who is living in HCMC on the web in 2011 , motorcycle types which are ridden the most in HCMC is Wave of HONDA (1,607 out of answer 5,441). the second types is Super Dream of HONDA (431), and the third is Sirius of YAMAHA (374). On the other hand, if we total motorcycle market share of high price (USD3,000) , there are more than 3% and if we total motorcycle market share of USD 2,500, there are more than 5%. The market size is not small.

Maker	Model	Answer	%	Price
HONDA	Wave	1607	29.5%	\$750-1250
HONDA	Super Dream	431	7.9%	\$750
YAMAHA	Sirius	374	6.9%	\$938
HONDA	Lead	330	6.1%	\$1,560
HONDA	Air Blade	264	4.9%	\$1,550
HONDA	Future	244	4.5%	\$1,250
YAMAHA	Nouvo	165	3.0%	\$1,588
YAMAHA	Jupiter	134	2.5%	\$1,063
HONDA	Vision	133	2.4%	\$1,362
YAMAHA	Mio	128	2.4%	\$1,075
HONDA	Click Exceed 2010	118	2.2%	\$1,237
YAMAHA	Exciter	105	1.9%	\$1,663
HONDA	Spacy	85	1.6%	\$2,875
SYM	Shark	83	1.5%	\$2,163
HONDA	Super Dream Delux	81	1.5%	\$750
HONDA	Click Play 2010	74	1.4%	\$1,262
YAMAHA	Taurus	68	1.2%	\$750
HONDA	SH125 / 150 cc	63	1.2%	\$5,862
PIAGGIO	Vespa	61	1.1%	\$3,238
HONDA	PCX	53	1.0%	\$2,400
Others		840	15.4%	-

Table2 Popular model and price range (all the 5,441 units)

Source : W&S 社 Motorcycle Sub-Panel

And, we searched the condition of brands about fuel efficiency which is the most important next to price. For Vietnam people, fuel efficiency is one of the most important point because they certainly need motorcycle daily. All makers focus their power to improve fuel efficiency. Wave series of HONDA is far famous for good fuel efficiency. HONDA has captured many of market shares of Vietnam can be said to be related with not only a price and quality but also the merit of this fuel consumption. On the other hand, Vespa which is the representation model of Piaggio which is in the high price category is very low fuel efficiency. Moreover, the fuel consumption of SYM of the Taiwan is not as good as HONDA or YAMAHA, either.

No	Maker	Model	Efficiency (km/L)
1	HONDA	Future 125 FI	69
2		Air Blade FI	58
3		VISION	58
4		Future125	55
5		Wave RSX FIAT	55
6		Super Dream	55
7		Wave 110S	55
8		Wave α	55
9		SH 150CC	52
10		SH125CC	52
11		PCX	52
12		LEAD	47
13	YAMAHA	Lexam	59
14		Taurus	59
15		Sirius	59
16		Sirius RL	59
17		Jupiter MX	59
18		Gravita 2012	59
19		Jupiter RC 2012	59
20		Nozza(FI)	52
21		Cuxi	50
22		Exciter R 2011	45
23		Mio Classico	37
24		Luvias	37
25		Nouvo LX 135cc	37
26	PIAGGIO	VESPA LX 150	36
27	SYM	Attila Elisabeth	43

Table3 Fuel consumption of each brand

Source: Terra Motors

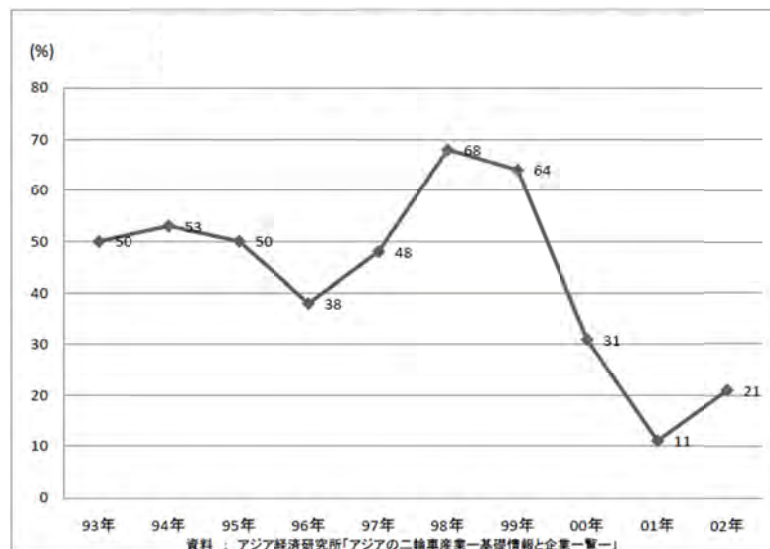
Consumers' motorcycle basis of selection serves as price, brand, fuel consumption, quality, design, and service. It is mentioned above in the consumer behavior forecasting. In terms of fuel consumption (eco and cost effectiveness) and price (high added value), our company thinks we stand as following in the market. We are sure that we can solicit to many customers by switching to electric bikes not only with a design or a function but sufficient fuel consumption.



Graph10 Positioning map of each company

Source : Terra Motors

Then, We would like to summarize the past trend of the Japanese motorcycle makers. Although Japanese motorcycle makers, such as HONDA and YAMAHA, had established the brand just at the present, there was time on which the share was dropped greatly temporarily in the 1990s.



Graph.11 Market share of Vietnam of HONDA

Source: Institute of Developing Economies "two-wheeled vehicle industrial-basic intelligence of Asia, and company list -"

HONDA has the time on which the share was temporarily dropped to the level around 10% from 1999 to 2001. This is because the large amount of the motorcycle was imported from China. Referring to the "Motor Cycle Industry in Asia -general data and company list- by the Institute of Developing Economies, at the time the motorcycle of HONDA was very expensive and ordinary people couldn't buy them. Big amount of the cheap Chinese-made motorcycle was about USD500, which price was less than half of HONDA products at that time. They were poured into the market. Then, HONDA dropped the market share rapidly. Then, HONDA analyzed the Chinese-made vehicles thoroughly, and aimed at the cost cut. As a result, the Wave series of HONDA was produced. The Chinese companies were in difficulty to have the power in the market, because they couldn't realize enough quality and service in the price which around USD1,000. In 2002 and afterwards, HONDA established their brand called HONDA and their market share was large return. Even now, the standard in Vietnam is the Wave series of HONDA as mentioned above.



Picture2 The masterpiece of the HONDA Wave series, Wave α

Source : WEB

Both HONDA and YAMAHA have a huge shop network. HONDA is developing about 600 shops, YAMAHA is developing about 450 shops in Vietnam. Since SYM is about 150 shops and Piaggio is about 100 shops. The number of shops is huge and we can see those shops anywhere. The appearance is good and we can also see that makers control shops very well. Moreover, YAMAHA owns a flagship shop called YAMAHA Town at the place of main road in Vietnam, and

it is soliciting the brand image of YAMAHA.



Picture 3 HONDA Shop

Source : WEB



Picture 4 YAMAHA Town

Source : WEB

The brand is very powerful even though Piaggio which is developing high-end motorcycle model. Piaggio has about 100 shops. A brand called especially Vespa is proud of the greatest popularity, and this is one of the yearning of the Vietnamese. Piaggio has taken the form of the unique sales network. Usually, although Japanese motorcycle makers, such as HONDA and YAMAHA, have the sale in use the local company which holds one shop or at most 5 shops per company. But Piaggio signed the exclusive contract with four local companies, and each company manages several 10 shops. Plus Piaggio had extended around

100 shops rapidly in the past several years. Although there are no signs that especially number of shops has increased recently, the business development speed is very quickly. Moreover, although expansion of number of shops was as important as it said that Vietnamese people can not buy a motorcycle if there is no shop near by their houses before. But thanks to development of the Internet, the shop can be investigated and we can visit there these days. Therefore, we think the number of shops like HONDA or YAMAHA is less necessary. All makers are considering of reduction and control number of shops from now on.

Next, I would like to summarize motorcycle advertising situation. As mentioned above, here are four big motorcycle makers in Vietnam. They are HONDA, YAMAHA, SYM, and Piaggio. Especially HONDA and YAMAHA have high reliability in the market and about 80% of market share by them. SYM has dropped the market share these days, and Piaggio gets attention by the original brand. Advertising activities of each company, generally speaking, are developed focusing on mass advertisements, such as TV, newspaper, and magazine. It seems that the people of ad industry say that especially the advertising effectiveness of TV are high. Since there is still little viewership measurement, there is little amusement in Vietnam and actual measurement cannot be performed plus it is common to see TV with a family in the local place especially in the evening and night like Showa Era of Japan. It is surmised that TV advertising effectiveness has a very high value. However it is mentioned that an event on the street is also very prosperous as a feature of the sales promotion technique of Vietnam. There are two main contents in it.



Picture5 Motor Cycle Show

Source : WEB



Picture 6 Concert with famous musicians

Source : WEB

Moreover, these days, each company' s power is put also into web marketing. They are the advertising in SNS, such as development of banner advertising to famous WEB site, SEO, Facebook. A WEB site is also always updated and the refined impression is received. We would like to observe the examples below, the two major makers, HONDA and YAMAHA.

HONDA : HONDA supplies the advertising expenses presumed 1 billion yen in a year, and leads the motorcycle market of Vietnam.

(TV CM)

We can see TV CM of HONDA anytime, so that you may certainly see when TV is on. We could assume how big investment in TV advertisement of HONDA is. Moreover, there is a special channel of HONDA, such as 12 ca ting and An toan giao thong, etc.



Picture 7 WEB site of the special channel of HONDA

Source : WEB

(Event)

In the special event for the first 100 buyers of highest-class motorcycle SH model in HONDA, the TOP actors, actress and models of Vietnam etc. were invited there. The large ship was engaged, and carrying Japanese-style dish in the celebrity Party. Total expense is estimated 5 million yen or more.



Picture 8 The scene of SH series announcement event

Source : WEB

(Web SNS)

There is no Facebook page of its company, but fans are gathering for the Facebook page of a special TV channel.

<http://www.facebook.com/12catinh>



Picture 9 Facebook page of the special channel of HONDA

Source : WEB

(Be U Campaign)

HONDA is developing a campaign called Be U as not only a promotion but also branding from 2007. They visit rural areas and hold the concert of the song and dance. It is held every year, 12 places (2009 track record). It's similar to the amateur singing competition in Japan. A champion has a prize and there is also a convention which gathered each champion at the end of the year. The prize is such as traveling etc. in a concert. That event is very famous and is gathered 7,000 persons or more.





Picture10 The scene of Be U campaign

Source : WEB

YAMAHA: YAMAHA also invests about billions of yen advertising expenses per year. It is almost same as HONDA. And YAMAHA has the 2nd market share in Vietnam.

(TV CM)

Their power is put into TV CM as well as HONDA. Moreover, advertising development is positively performed in the advertisement before the show of a movie theater.

(Event)

The motorcycle show of YAMAHA has many acrobatic actions. The sportiness which is one of the concept of YAMAHA is solicited.



Picture11 The scene of motor cycle show

Source : WEB

(WEB promotion)

Many banner advertising in famous WEB media are developed.



Picture12 Banner-advertisement

Source : WEB

Moreover, the campaign of Cuxi for young women in the popular SNS of Vietnam was successful. Young 100 female monitoring was invited from Vietnam, and the campaign was performed.



Picture13 Cuxi which is popular with a young woman

Source : WEB

(WEB SNS)

YAMAHA is going to put strength into a Facebook page too. In the following communities, 50,000 or more Like(s) are already collected.



Picture14 Facebook page of YAMAHA

Source : WEB

(Launching event)

A famous actress is appointed and it is said that all creative photography was performed in Japan. YAMAHA is focusing their power on creativeness.



Picture15 The Launching event of Nozza by which the sales start was carried out in photograph 15 2011

Source : WEB

(Sponsorship)

YAMAHA sponsored USD250,000 every year to the Vietnam national soccer team.



Picture16 Vietnam national football team

Source : WEB

(MORE YAMAHA Campaign)

The Be U campaign of HONDA is for local young persons and it is an event of a participatory type like an amateur singing contest, however the MORE YAMAHA campaign invites a famous singer, and holds a concert etc. They are the same promotion activity in the same country,

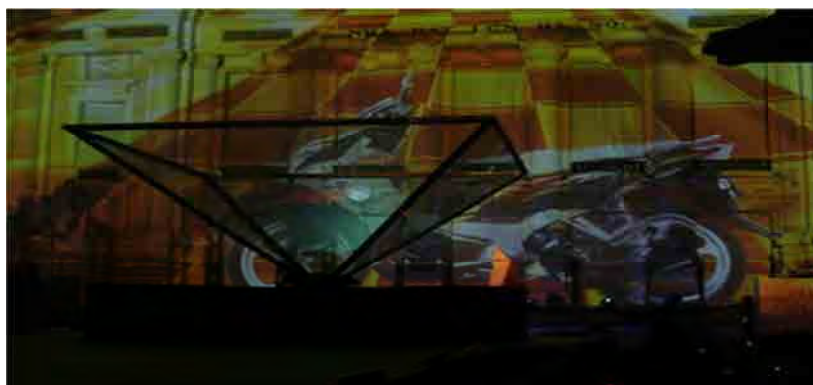
but they are a little techniques differ.



Picture17 MORE YAMAHA Campaign

Source : WEB

Moreover, there are much art, collaboration with a fashion show, etc. as a feature of YAMAHA. HONDA' s way seems a common way but YAMAHA changed their idea a little and has pushed out fashion and unique nature. It really seems YAMAHA' s way is the strategy of No. 2 company.







Picture18 Art Show of YAMAHA

Source : WEB

2. 2 Electric Bike Market

if you say electric bike, there are two type of electric bike in Vietnam. One is electric bicycle with 2 pedals, the other one is scooter design and 100% operated by electricity. In Vietnam, almost all of electric bikes are electric bicycle type now. In this

investigation, we searched electric bike market from past until now. In this investigation, a lot of electric bikes were imported from china around 2007 as below. The price was around 500–800USD, some model price was more than 1,000USD. Specification of scooter is almost same and almost all designs are copied from Japanese motorcycle makers.

Name	VNGT01	VNGT06	Olympic	TIGER02
Weight	76kg	76kg	76kg	79kg
Max Speed	40-45km/h	40-45km/h	40-45km/h	40-45km/h
Range	50-80km	50-80km	50-80km	50-60km
Charging Time	4-6 hours	4-6 hours	4-6 hours	4-6 hours
Battery Type	Pb Battery	Pb Battery	Pb Battery	Pb Battery
				

Sheet7 Price and spec of Chinese electric bike

Source : Terra Motors

The situation of competitors is described below. As mentioned above, large amount of electric bikes were imported from China. However due to the many troubles will be mentioned in the later section, electric bikes were disappeared from the market. Right after that, electric motor assist bikes became popular. When it comes to electric motor assist bikes, many think of the Japanese motor assist bicycles. However, Vietnamese assist means the electric bikes with pedals that are used during battery shortage. In general, price range is between 300 to 500 USD. In addition to the price, it does not require driving license and a helmet. Therefore electric bikes are popular among high school and junior high school students.



Picture20 Chinese electric bikes

Taken by : Terra Motors

First company that is a competitor for these electric bikes company is ASAMA. There is no concrete data on market share. However, ASAMA is often mentioned in the conversation in Vietnam when it comes to electric bike market. ASAMA is the Taiwan capital company that has a factory in Binh Duong province near HCMC. It started its factory operation in 2000. In addition to the domestic sales, it seems to export their products to Taiwan and Europe. Apart from ASAMA, there are other electric bike manufacturers such as HITASA and JILI. However, their brand names are not well known at the moment. In conclusion, any brand has not been established in the electric bike industry. We could say as a conclusion, different brands and different customer segments, such as those found in the market price range motorcycle has not been established yet.

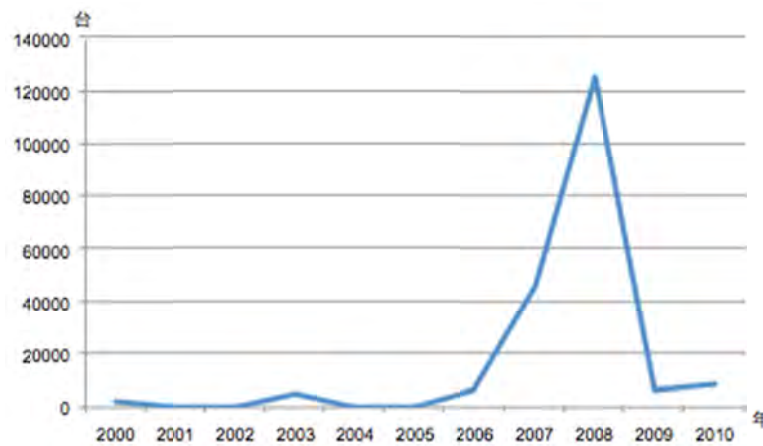
The situation of distribution channel of electric bikes is that we can see a lot of shops in Vo Thi Sau street in the first district of HCMC. There are a cloth street and a motorcycle street in the Vietnam where most of the shops sell the same kind of products. As we showed in the pictures below, shop design, customer support, and after service of motorcycle is very different from Japanese makers. Electric bike street in the HCMC is only the Vo Thi Sau street. Apart from HCMC, there are several shops that can be seen. It is also the case in Hanoi. There are individual shop and shop street. However, the accurate number of the shops is not founded.



Picture21 Electric bike shop

Taken by : Terra Motors

Past trend of Chinese companies is as follows. Graph 12 shows that from 2006 to 2008, electric bikes were imported into Vietnam from China. On the other hand, the volume reduces in the year 2008-2009. The volume comes down to the point that is almost equal to zero in 2012. Import volume has increased a little in 2012, but this is that the demand for electric bikes due to high oil prices. It is a little growth that can be ignored as the quantity.



Graph12 shift in the volume of import of electric bike from China to Vietnam

Source : Comtrade in World Nation

Volume of electric bikes imported from China was increased rapidly, due to the saturation of sales of electric bikes in China at the time. Therefore, distributors went out to Asian markets. In addition, market access was achieved very easily because there

products were cheap. As a result of it, import of electric bikes rose sharply. Three are also three important points from that surveys that explains the sharp decline in import. The first point is the quality. In the news website at the year of 2007–2009, it is often found that there was a major problem in quality. It seems there was a problem with the battery, among other things. Typically, lead–acid batteries that Chinese companies often used can last as least for one year, even though 2–3 years normally. However the news websites show that battery shortage after one moth use and a few months. Each component and part was also inferior to Japanese makers in terms of its quality. The failure rate was considerably higher. The second point is water–proof measures. Road environment of Vietnam is poorer compared to Japan, it is common to see the situation shown in the picture below. When rain comes up to the motor, motor sometimes become useless. Because water–proof measures are not taken by the Chinese companies, its reliability fell rapidly when it is broken in the rain.

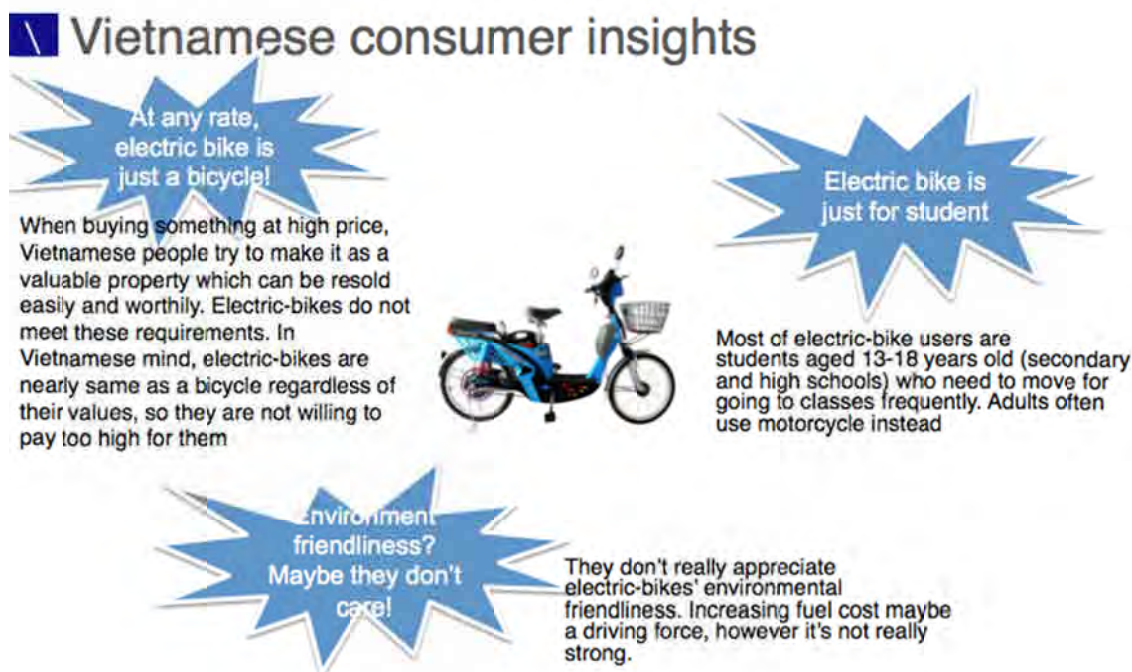


Picture22 Flood in HCMC

Source : WEB

At last, Chinese makers don' t have after service network. The first problem was battery and second problem was no water–proof, because of these 2 problem, of course the after service is often needed, then, customers have to repair that. Chinese importers only engaged in selling products but they never try to make after service network that is easy to change light, tire and so on. Because these products don' t have enough local spare parts. But, there are no shops which could treat battery, motor and some special parts for electric bikes. That is why, if these parts are broken, almost all customers had to throw their electric bikes away.

The recognition of electric bikes is really limited. According to the local PR and Marketing company investigation, electric bike is recognized as electric bicycle not as motorcycle. This means this stream is not changing from motorcycle to electric bike but shows people who cannot get license like students bought electric bikes. If students use electric bike for a few years, after they graduate from school, they start to use motorcycle. Like this, electric bike customer is not changing from motorcycle customer. People who cannot get license like students buy and ride for few years. And people are thinking it is cheap and if they can use for few years, it is fine. If I compare with other electric vehicle in the world, the image of electric bike in Vietnam is really bad.



Graph 13 Vietnamese customer insights

Source : Biz Tequila marketing data.

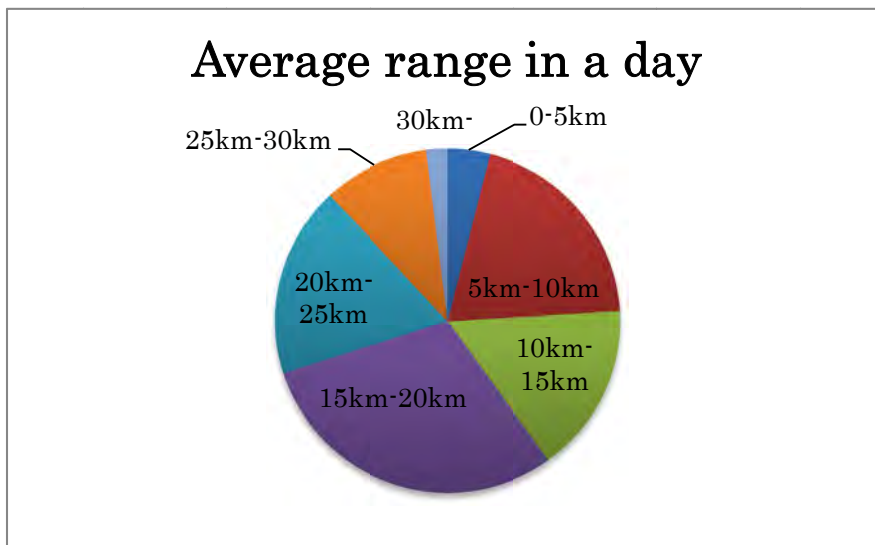
An advertising situation of electric bike is difficult to be grasped. Regarding to the investigation until now, almost all electric bikes are imported from China and main shops are managed by individual local people so, it is very difficult to find mass advertisement and magazine advertisement by electric bikes company. Moreover, there are no signs that large-scale promotion activity and PR activities are also performed. Therefore, a major advertising agency does not have data, and I could not get advertising situation.

3. Customer Trend

The previous research shows that Vietnam has a huge market for motorcycles and the sales are increasing. However, electric bike evaluation is still low and the sales have difficulties. We conducted questioner investigation to see the customer trend because there is no data regarding customer insight in Vietnam. 50 users of motorcycles answered about gender, age, income, type of motorcycles they have, and price of them, how they use them, average range in a day, and criteria when they buy them.

The first characteristic point in the Vietnam market is that there is no visible relationship between the income and the price of motorcycles. Some people even buy motorcycles costing USD3,000 though he earns USD300 per month. This is because they people in Vietnam often have side businesses, and they gather money from their family members when they purchase motorcycles. The data indicates that though focusing on high-income group should be considered as standard tactics, the most important thing is to be in tune with customer tastes.

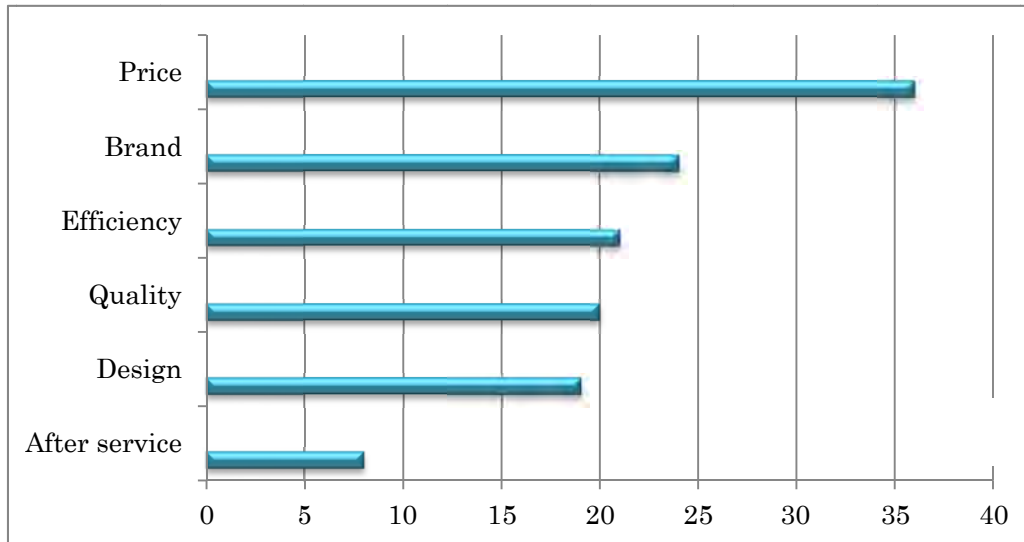
When it comes to the running distance which always is a challenge for electric bikes, 49 out of 50 people answered that the average running distance per day is within 30 km. 20 People answered the average running distance is 15km per day. HCMC is 15 km radius. According to the data below, distance will not be a major problem in Vietnam.



Graph14 Average range in a day

Source : questionnaire

Buying motive consists of Quality, Brand, Price, and After service. One person could choose more than 2 aspects. The result is below.



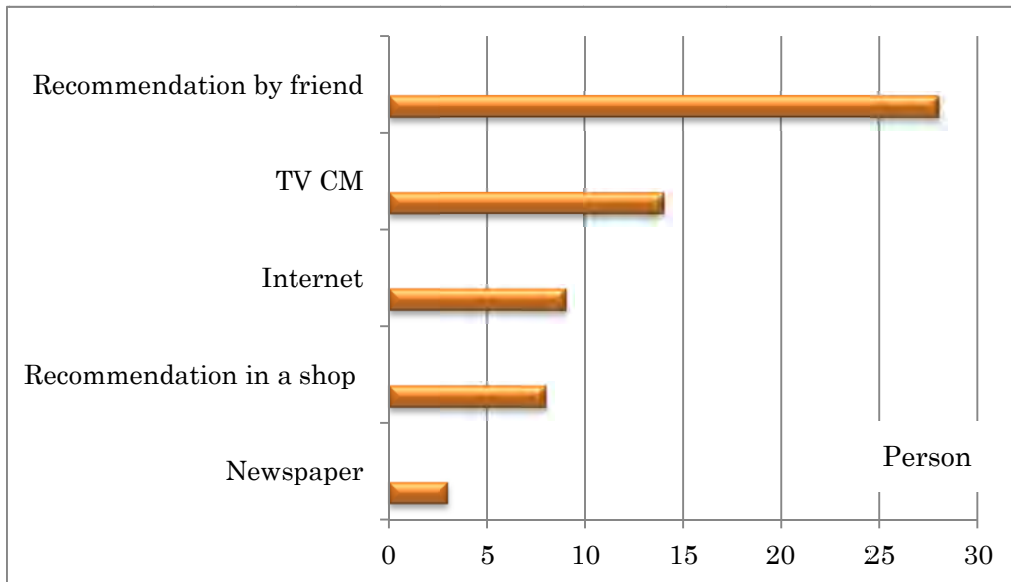
Graph15 Motivation of purchasing motorcycle

Source : questionnaire

The outcome shows that Vietnamese customers are most conscious on the price when they choose a motorcycle. 36 out of 50 people answered that the price is the most important factor. Even some members have HONDA SH series (Approximately USD5,000), and Piaggio Vespa (Approximately USD3,000), they also take the price as the first priority and compare the price with competitors. The second most important factor is the brand. This is a uniqueness of Vietnam market that they are more conscious on Brand than Quality. The one reason for this is because Vietnamese people are confident in Japanese motorcycle's quality and it is difficult to find low-quality motorcycle. Building a brand image such as secure, cutting-edge, enjoyable for our electric bikes is very important as the people are brand-conscious in Vietnam. Fuel consumption is also an important factor for the customers. Though people who buy expensive motorcycle do not take it important, people who buy middle-low price model motorcycles are still conscious on the price. When it comes to the after service, most people have low priority on it. This is not because people do not care about the after service, but after service is taken as basic service when they buy motorcycles because YAMAHA and HONDA already provide high-quality after service to the customers.

The chart below shows that how customers knew about motorcycles they bought. Options

are Commercials on TV, Recommendation by friends, Recommendation in a shop, Internet, and Newspapers.



Graph16 The option of noticing the motorcycle

Source : questionnaire

Recommendation by friends is very effective among all ages. Also, while majority of 20s get information from internet, people who acquire information from newspapers are older than 30' s. This result indicates that mass-media-advertising such as TV commercial or newspaper is surely effective, but buzz marketing is more important especially in a small city like HCMC. Test-drive event in public places, using social networking service, or PR involving many media outlets will be highly effective. We should focus on buzz marketing by experience-based advertisement when we launch the business in Vietnam

4. Law - Regulation

We ordered the law firm named Tam & Associates in Vietnam (Address : 4th floor, TSC Ben Thanh Building) to research the law/regulation regarding manufacturing/selling/advertising of electric bike. We write down the main point taken from the concrete report.

The electric bike we manufacturing is categorized as Electric Motorcycle (Electronic Motorcycle : Motorcycle driving with motor and exceeding the top speed 50km/h.) And we have to follow the all regulation under this category. On the other hand, electric bike is recognized as one category of a motorcycle which means it is also recognized as a tractor, 3wheels vehicle, moped. Thus the electric bike should follow the regulation not related to electric bike. The Law/Regulation for electric bike is not decided yet in this situation.

4.1 Law/Regulation for the company and product their business is manufacturing electric bike (including motorcycle)

We have to follow these items under the announcement from Ministry of Industry and Trade.

<Related to the company>

- The Company must make investment on its own or enter into joint ventures for investment in manufacturing motorcycle details and/or detail assemblies so as to attain the minimum localization rate of 20%
- The Company must make investment in technological equipment systems to manufacture details and/or detail assemblies on its own; the motorcycle assembly and quality control chains must ensure technical requirements and conform to the designed assembly capacity
- Workshops, warehouses and storing yards, offices and auxiliary works of the Company must be built on land areas leased for long-term use for 15 years or more under the localities' industrial development planning.
- The motorcycle accessories manufacturing zones must be arranged separately from the motorcycle assembling zones, with a sufficient ground area for arrangement of manufacturing technological chains.
- The workshops floor must be covered with anti-slip paint, painted with boundary lines to show safe passages and production technological sites.

<Related to manufacturing>

- Motorcycles must be assembled on conveyor belts in strict compliance with the technological process with adequate fixing and specialized inspection equipment
- The lined-off motorcycles must be wholly checked regarding their general norms Enterprises must test their motorcycles by letting at least 1% of the lined-off ones run on the road.
- The results of quality inspection of the lined-off motorcycles must be filed for at least 3 years.
- The Company is required to follow the inspection of the technical quality, safety, and environment protection Ministry of Transport.
 - Inspection of Manufacturing and lined-off motorcycles
 - The producer / assembler may only commence the production or assembly of a product after being issued with the Certificate.
 - To maintain the product quality during mass production and grasp the rate of defective ratio.
 - To recall their products in case of being needed.

<Related to employment>

- The Company must obtain certificates of the ISO 9001-2000 quality control system.
- The Company must make the roles and formation about manager, designer, engineer, sells staffs clearly and write down them
- The Company must write down the explanation regarding the warranty related to products and content of warranty on the warranty document.

<Related to the labor standard>

- The limit of employing foreigner in Vietnam (the number of foreigner employee should be less than 3% of all employments were banned in March in 2008
- The labor must be more than 15 years old and able to working. They should make labor contract.
- Working time is at most 8 hours in a day and 48 hours in a week basically.
- Retirement age is 60 years for men and 55 years for women.

<Related to importing>

- The spare parts bought and imported into Vietnam must have lawful origins, including names and addresses of the manufacturer, the importer or the supplier

of such spare parts.

- The imported spare parts should be manufactured by factories which have been recognized by ISO 9000 or QS 9000 Standards
- Saving the regulation related to Importing lined-off motorcycle

4. 2 Law/Regulation for selling electric bike

Within the permitted scope of manufacturing electric bikes as provided for in the Investment Certificate, the Company is legally allow to distribute its assembled, manufactured electric bikes to dealers, end users and in showroom within the entire territory of Vietnam.

*The showroom is required to be registered with the provincial licensing authority and incorporate into the Investment Certificate.

- Organizing conferences and seminars involving the display and introduction of goods and/or services
- Displaying and introducing goods and/or services online and in other forms specified by law.
- Agency

*Agency relations are established based on agency contracts which must be made in writing or in other forms of equivalent legal validity. The principal is the owner of goods or money delivered to the agency

*Where principals fix goods purchase or sale prices or service charge rates, agents shall enjoy commissions calculated in percentage of such goods purchase or sale prices or service charge rates.

*Saving another regulation because they are quite common.

4. 3 Law/Regulation for promotion and commercial advertisement

We recognize there are no special regulations regarding the promotion and Ad for electric bike. And these are similar to another country' s common ones. However we have to care following these items.

- The company who do Ad should be the company or Joint Venture established in Vietnam. The Representative Office cannot do it.
- Ad regarding Alcohol and Cigarette is banned. Thus we have to check when we do some promotion activity with those kinds of products.

- WE have to register from the traders and submit the permission sheets to do promotion activity.
 - Giving samples of goods or providing samples of services to customers for trial use free of charge. Plus traders must set aside and remit 50% of the value of the prizes already announced into the state budget in cases where there is no prize-winner
 - Sells Promotion as the price less than cost.

4. 4 Other Law/Regulation

Mr. Hayashi, General Director of Terra Motors VN has already gotten Working Visa. So that is not a serious issue. Long Hau industrial park is caring about the condition under the law regarding the regulation of factory environment. As we mention below, we have already passed the inspection of environment. Plus we have already gotten an investment license with no matter too.

5. Final Summary

Motorcycle market in Vietnam will grow because the market is not only big but also it has a special situation of traffic system and population. However e-bikes have still very bad image because of Chinese electric bikes even though the air pollution is bad. We believe in that our electric bike has potential to change the image toward Chinese electric bike and switch from motorcycle to electric bike. Our sells volume will not big due to high price model in the first year however we will achieve a few percent of market share after reducing the price every year. And then we convinced that we can contribute to the issues of traffic system and environment with the next model "hybrid electric bike" and cheaper electric bike. Plus we also know we can contribute to Vietnam to create new employment, improving the technology related to electric vehicles and education people after we will set the factory in Vietnam and hire many staffs there.