



ERIC PAPACEK  
Solutions Consultant  
eric\_papacek@polk.com

## The Changing U.S. Motorcycle Market

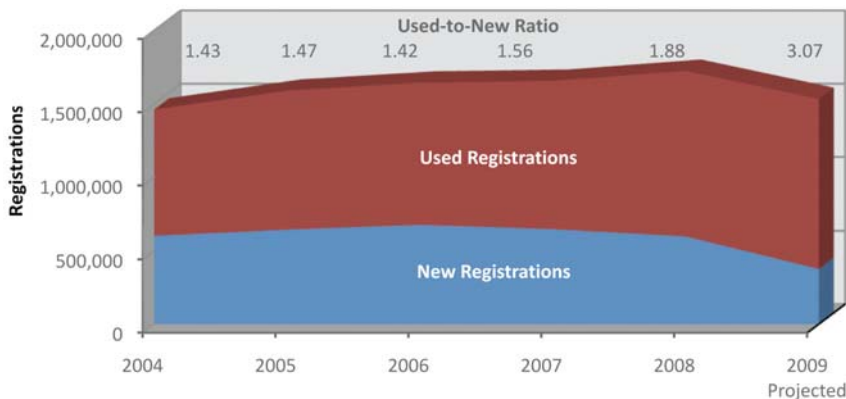
The economic slump has led to a shift in consumer buying patterns in the motorcycle industry. Registrations of new on-road motorcycles are falling dramatically while registrations of used motorcycles are on the rise.

Registrations of new on-road motorcycles fell 38.6 percent from Q1 2008 to Q1 2009. If this trend continues, 2009 new motorcycle volumes will be 376,000, a 37.1 percent decrease from 2008. And, 2009 is expected to mark the third straight year that new motorcycle volumes have declined from a high of 678,000 in 2006.

The opposite trend can be seen in the used on-road motorcycle market. From Q1 2008 to Q1 2009, registrations of used bikes rose one percent... a slight but positive increase. More significantly, 2009 is projected to be the fourth consecutive year that used motorcycle volumes have risen and the third straight year of unit sales topping one million.

As shown in Figure 1, the uptick in used motorcycle sales, combined with the faltering new motorcycle market, has led to a huge change in a key metric in the motorcycle market: the used-to-new ratio. Historically, this ratio has been around 1.45, meaning that used motorcycle registrations top new motorcycle registrations by 45 percent. In 2008, the ratio rose to 1.88 and is on track to reach 3.07 in 2009.

Figure 1  
**Comparison of New and Used On-Road Motorcycle Registrations**



In some markets, sales of used motorcycles outpace sales of new units even more. Below is a list of Designated Market Areas (DMA®) with the highest used-to-new ratios from April 2008 to March 2009.

Figure 2  
**DMAs with Highest Used-to-New Ratios**

DMA®	Used-to-New Motorcycle Ratio
Cincinnati, OH	3.10
Grand Rapids, MI	2.89
Louisville, KY	2.84
Greenville, SC	2.83
Dayton, OH	2.75
Knoxville, TN	2.73

Note: Only markets with at least 2,000 new registrations from April 2008–March 2009 were included.

### New Motorcycle Sales Plummet from Last Year

Overall, new motorcycle registrations fell 38.6 percent from Q1 2008 to Q1 2009, a drop of more than 44,000 units. Market leader Harley-Davidson, which accounted for nearly 59 percent of new, on-road motorcycle sales in Q1 2009, saw an 11.9 percent decrease in registrations of new bikes. This decrease pales in comparison to declines suffered by Honda and Suzuki, which combined accounted for about 17 percent of new bike sales in Q1 2009. Honda's new motorcycle sales dropped 59.2 percent, while Suzuki experienced a sales decrease of 63.7 percent.

From Q1 2008 to Q1 2009, only four DMAs saw an increase in new on-road motorcycle registrations:

Figure 3  
**Top Markets for New Motorcycles**

DMA®	Increase in New Motorcycle Registrations – Q1 2008 to Q1 2009
Burlington, VT	19.5%
Rochester, NY	9.3%
Buffalo, NY	4.3%
Cedar Rapids, IA	2.7%

Note: Only markets with more than 100 new registrations in Q1 2009 were included.

continued



“Suzuki had an increase of 5% in year-over-year used motorcycle sales.”

### Hot Markets for Used Motorcycles

As mentioned previously, year-over-year used motorcycle registrations increased one percent compared to a year-over-year decline of 39 percent for new sales. According to a study by the Motorcycle Industry Council, transportation is now the second most popular reason that people ride motorcycles<sup>1</sup>. It may be that consumers who want to save commuting costs by travelling to and from work by motorcycle are choosing used motorcycles based on economic factors, or are experimenting with a used motorcycle before buying a new one.

In some geographic regions, growth in used motorcycle sales greatly outperforms the national average. In fact, six areas saw used bike registrations rise by 20 percent or more in one year.

Figure 4  
Top Markets for Used Motorcycles

DMA®	Increase in Used Motorcycle Registrations – Q1 2008 to Q1 2009
Nashville, TN	23.9%
Indianapolis, IN	23.0%
Louisville, KY	22.6%
Chicago, IL	22.6%
Dayton, OH	21.4%
Cincinnati, OH	20.1%

Note: Only markets with more than 1,000 used registrations in Q1 2009 were included.

Higher sales of used motorcycles may be good news for motorcycle retailers. According to a 2007 PowerSports Business survey, 71 percent of 150 surveyed dealers said that the profit margin on used bikes was higher than that on new ones<sup>2</sup>, which is also a pattern in the car/truck market.

Some brands fared better with used motorcycle sales than others. Harley-Davidson, which had almost 30 percent of the used bike market in Q1 2009, saw its sales remain level year-over-year. Honda, with 23.2 percent of the used market, fell by 3.5 percent. On the other hand, Suzuki, with 16.2 percent of the used motorcycle market in Q1 2009, saw a 5 percent year-over-year sales increase.

### Implications

The decline in new motorcycle sales, combined with the increase in sales of pre-owned bikes, has implications for both dealerships and manufacturers, who should:

- **Strive to maintain market share:** Manufacturers and dealers should be cognizant of used-to-new ratios in specific dealer, region and zone market trade areas and consider necessary efforts to hold market share in those geographies.
- **Build consumer loyalty:** The purchase of a used motorcycle can be a lower risk introduction to a brand, and every customer who buys a used motorcycle has the potential to eventually buy a new one. Also, dealers who provide a positive and memorable sales experience may win the customer's service business.
- **Work harder and smarter to make each new motorcycle sale:** In the current environment, dealers need to work harder to sell each new motorcycle, which reinforces the importance of mining the in-house dealer database. Dealers can identify which customers are the best candidates for parts, service and accessories, or for another new or used bike purchase (based on life events or recent new or used vehicle purchase).
- **Measure marketing:** Manufacturers and dealers are reviewing all costs and eliminating unnecessary expenses. Marketing and promotion investment is critical and should be measured to determine its effectiveness.
- **Assess aftersales needs:** The increase in used motorcycle sales should translate into additional aftersales opportunities, especially for dealers in geographic areas experiencing significant increases in used motorcycle sales.
- **Promote the fuel-efficient nature of motorcycles:** As gas prices fluctuate, both used and new motorcycles provide a more fuel-efficient alternative to cars and trucks, especially in markets where they can be ridden year-round. A 2008 study by Nationwide Insurance Company found that 35 percent of motorcycle riders planned to ride their bikes more due to rising gas prices<sup>3</sup>. Summer is an ideal time to promote motorcycles as a fuel-saving alternative method of transportation.

### About R. L. Polk & Co.

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<sup>1</sup> MIC 2008 Motorcycle/ATV Owner Survey

<sup>2</sup> Preowned Bike Sales Rising Across U.S., PowerSports Business, December 22, 2008

<sup>3</sup> Network of Employers for Traffic Safety, A Motorcycle Safety Resource Center for Employers