

HERO HONDA TO HERO MOTOCORP: A CASE OF REBRANDING

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Abstract

Hero group and Honda collaborated to manufacture motorcycles in year 1985 to create Hero Honda. The endeavor was very successful with the launch of reasonably priced and highly fuel efficient motorcycles. The company focused at entry level bikes resulting in capturing maximum market share. This profitable venture ended in year 2011 when both companies decided to part ways. The ending of partnership made company to create a new brand identity. This study has studied the process and reasons of rebranding of Hero Motocorp. The company launched a new brand with a new logo and slogan. The study has also examined customers' response towards new brand by evaluating the familiarity, attitude towards new logo and how new logo was different from old logo.

Keywords: *Rebranding, Familiarity and Attitude towards new logo, Brand Identity*

1. Introduction

Hero and Honda Group collaborated to do business in India in the year 1984 and were able to attain the position of market leader with a market share of 60% in motorcycles and 43% in two wheelers category. But, after 27 years joint venture between BM Munjal-owned Hero Group and Japanese origin Honda Group ended. Hero Honda had brought the concept of a two-wheeler in India's collective consciousness. A complete generation grew up riding over Hero Honda, aspiring for Hero Honda and in turn trusting Hero Honda. With a breakup Hero had to confront the problems of maintaining brand loyalty and customer faith. Thus, to create a distinct identity from Honda and still maintain customer credibility the Hero group decided to rebrand itself by changing its logo and slogan. Rebranding campaign is filled with dangers as public is not accustomed to new logo and their feelings are associated with old brand. This study has attempted to answer some of the questions related to rebranding such as reasons for breakup of such a successful

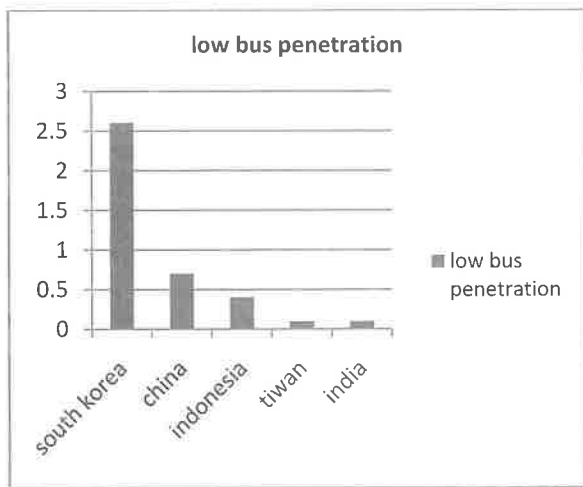
marriage, the process of rebranding and customers awareness towards new brand.

Background

A growing number of jobs in the service sector, favorable demographics, and increasing urbanization across towns ensured strong demand for two wheelers. The domestic two wheelers market grew at 26% during the year 2012-13. Two wheelers had become the standard mode of transportation in many India's large urban centers. The two wheelers were convenient and affordable in budget in the average Indian household. Industry watchers reported that India had a penetration rate of 10% as of the late 1990s (107 two wheelers for every 1000 adults) which has increased to about 140 over last few years. Adoption of two wheelers as a choice of transportation is helped by lack of efficient public transport. India has one of the lowest bus penetration among some of the developing countries (Fig.1). India which is the second largest producer of buses, accounting

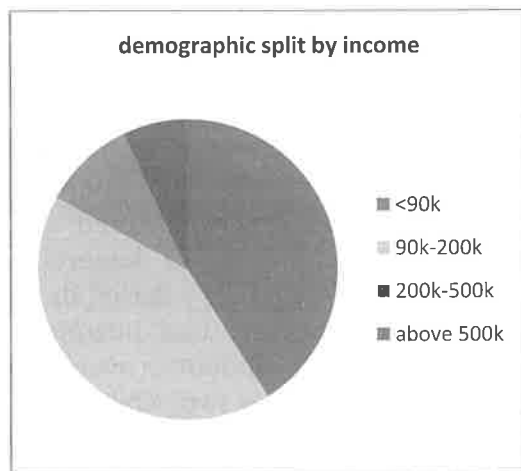
for 16 percent of world's total bus production has a bus penetration ratio anywhere between 0.4 to six buses per 1000 people. Demographics of the country is also fuelling the growth of two wheeler industry. Young population acquiring their first job earn approximately Rs. 90,000 and less per annum making two wheeler as primary and affordable source of transportation (Fig.2).

Fig. 1



Source: www.cseindia.org/userfiles/BEJanuary_16_31.pdf

Fig. 2



Source: www.censusindia.gov.in

About Hero Group

After the partition in 1947, the Munjal family migrated to India and started a small business of manufacturing bicycle components in Ludhiana, Punjab in North India. In 1956, Hero Cycles Ltd. started production in its Ludhiana plant to manufacture bicycles. By 1970's, Hero

cycles was the world largest bicycle manufacturing company. The brand became well known for its engineering capacity, strong distribution network, quality commitment and local field knowledge. The Hero group philosophy is to provide excellent transportation to the common man at easily affordable prices and to provide total satisfaction in all its spheres of activity. With largest dealer network (Fig.3) and centers (Fig. 4) across India the company has attained maximum share in two wheeler market (Fig.5). The company had about 800 dealers and 5000 touch points where customers from across India can select a Hero two wheeler. The company with 39% market share enjoyed major share of two wheeler.

Fig. 3

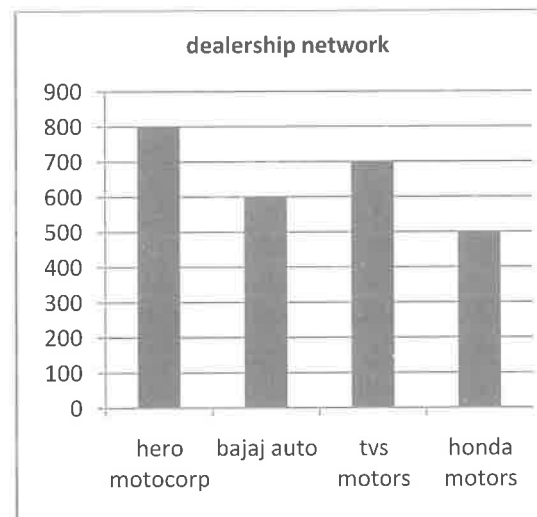


Fig. 4

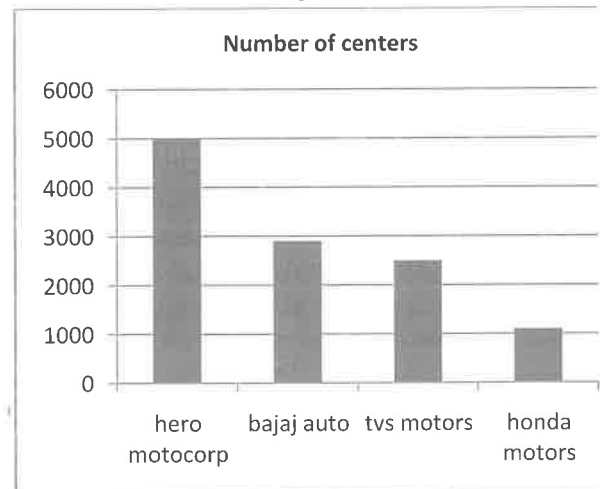
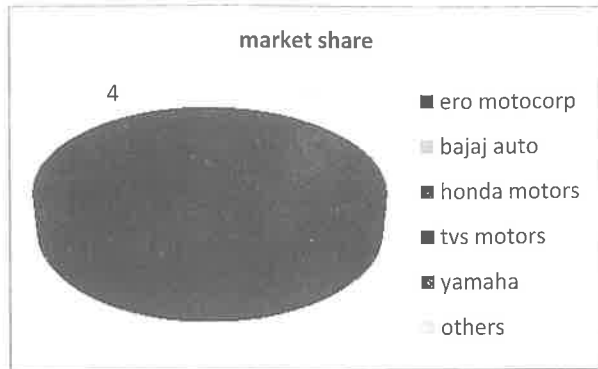


Fig. 5



Source: www.honda2wheelers.com, www.heromotocorp.com,
www.bajajauto.com, www.tvsmotor.in,
www.yamaha-motor-india.com

About Honda

Honda has been the world's largest motorcycle manufacturer since 1959, as well as the world's largest manufacturer of internal combustion engines measured by volume, producing more than 14 million internal combustion engines each year. Honda is the sixth largest automobile manufacturer in the world. At its peak in 1982, Honda manufactured almost 3 million motorcycles annually. By 2006 this figure had reduced to around 550,000 but was still higher than its three domestic competitors. The company's success has been attributed to a philosophy of seeking the toughest challenges and applying innovation, creativity and imagination to solve them. From its inception Honda had an international vision and the company committed itself in supplying efficient products at reasonable prices worldwide. Leveraging this principle Honda motorcycles ventured into India to sell its highly efficient motorbikes. This endeavor led them to scout for partners in the country during 1980s. After negotiating with various indigenous players Honda ultimately collaborated with Hero group for its motorcycle business.

The Deal

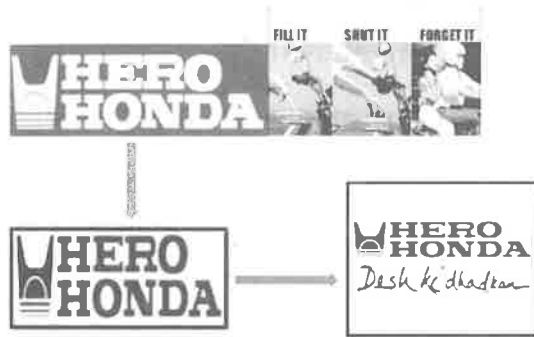
The winds of globalization started affecting Indian economy in 1980s. Major two wheeler players like Bajaj, Kinetic and Hero group were

looking for opportunities to expand and diversify their businesses in the industry. Kinetic collaborated with Honda to manufacture India's first gearless scooter called Kinetic Honda which was successful. Bajaj collaborated with Kawasaki to manufacture motorcycles. Honda after becoming world's No.1 motorcycle manufacturer wanted to expand its business in India and was looking for an able player. They started their scooter business with Kinetic which were unwilling to collaborate for motorbikes. Kinetic company entered into this business by taking into consideration the prevalent socio economic environment which was appropriate for scooter business. In 1980s primary mode of transport and first choice of two-wheeler was scooter. So, Honda group went to Hero group for their motorcycle business and B M Munjal the chairman of Hero Group who was looking for an appropriate partner to diversify its business captured this opportunity with enthusiasm. Thus, a deal was struck between Hero and Honda group to manufacture fuel efficient and reasonably -priced motorbikes targeted at growing middle classes. The deal occurred at almost the right time as India was starting to observe increased urbanization, higher employment in service sector and growing incomes amongst middle class of society. The two firms shared a common belief that India with its burgeoning population, low per capita income & unorganized public transport system would be in need of frugal means of personal transportation. Hero with its inherent knowledge of selling products in India was the champion in sales & marketing and Honda a leader in the two wheeler technologies worldwide.

Fig. 6



Fig. 7



CD100 was the first motorcycle to come out of Hero Honda stable in 1985 followed by many other models like Sleek, Splendor, Street and CBZ. With the huge success of Splendor model in year 2000 the company became world's largest seller of motorcycles. By the year 2004 company was selling approximately 10 million units per annum. These products were launched and promoted by a distinct logo (Fig. 6) and slogan. "Fill-it, shut-it and forget-it" and "Desh ki Dhadkan" were some of the most successful advertisement campaigns launched by company (Fig. 7).

The Break-up

Under the deal agreement Hero Honda motors limited (HHML) was not permitted to tap overseas markets, seek technology from any other company and even participate in large scale exports. The company had to pay Honda a royalty fee over every bike sold as technology used in the bikes came from Honda. With government deciding to implement Bharat-IV emission norms by 2015, the company would have required new technology from Honda and thus in return had to pay higher royalty on new technology. The Honda group had invested a lot into technology and R & D because at the same time in the west especially the European region, the movement has been onto the Euro-V norms. Now this up gradation means greater investment in technology and innovation. So, higher royalty were a drain on the profits of HHML. Moreover after investing heavily in

R&D Honda were unwilling to share it with HHML. Honda company under Honda Motorcycle & Scooter India (HMSI) were already selling two wheelers in India. Thus, with already established presence and possessing new technology Honda was willing to end their partnership with Hero. The divorce was also accepted by Hero group as after three decades in bike business Hero group had become quite conversant with bike manufacturing technology. The Hero Group will gain from dissolving the partnership with Honda Motor by being able to export more motorcycles and scooters around the world.

The break-up instigated by demerger of two companies made Hero to rebrand itself. To create an identity bereft of Honda and to appeal to masses with a new positioning the company chose the path of rebranding by changing the name and logo. A successful brand helps a company to create a unique identity by communicating a new position. To focus on changing demographics and to create a new positioning the company decided to adopt the challenging strategy of rebranding.

Rebranding Process

According to Aaker (1991) a company does undergo rebranding process to revitalize and reposition itself in response to changing business environment. Hero Motocorp communicated their new brand which involved a new name i.e. 'Hero' and logo (Fig. 8) on 15 August 2011. The name 'Hero' is tantamount with bicycles. So the strategy was to project an image that same company has extended itself into motorcycle segment which involved reinforcement of the brand and smooth transition from being "Hero Honda" to just "Hero". The benefit of extending bicycle company name to motorcycles was easy recall and brand association. A different name altogether would have projected an image of launch of a new company with different products. Hero Moto Corp's logo has been designed by Wolf Olson in London which

projects an image of 'trendiness', 'technological edge' and carries reminiscence of Hero Honda logo (red & black).

The word "Hero" was often used in ad campaigns of Hero Honda prior to demerger of Honda Motors and Hero Motors. Music always played a significant role in communicating effectively the brand identity. Pre demerger music coupled with "Hero" generated an emotional appeal of 'nationalism' and 'pride in oneself'. The slogan 'Desh ki Dhadkan' was a prime example of evoking such patriotic emotions. Post demerger, the word "hero" was again used with music to evoke emotional appeal in its viewers. But in the new jingle, the emotional appeal was shifted towards generating a feeling of 'pride in oneself' alone.

This was projected by using 'Hum mein hai hero' slogan which symbolized emotions of aspiring India where each individual wanted to achieve success on their own terms. The new advertisement with new jingle and logo was not drastically different from advertisement of Hero Honda which helped Hero Moto Corp in two ways. One, it gave viewers same feeling of watching a Hero Honda advertisement. Two, Rehman music got viewers hooked on to Hero Moto Corp's brand, creating a familiarity with the brand very quickly. The new brand exuded same feeling of belongingness, trust and familiarity with the brand ad with Hero Honda.

The new logo shows the letter 'H' in capital with a clear white background along with 'Hero' written beneath in red. The red color in the logo depicts energy, passion and confidence. The capital 'H' indicates that company is independent of Honda and is no longer dependent on foreign expertise for its brands. It will be focusing on its own engineering capabilities. While the black color in the logo stands for solidity. The logo even has a triangle, trapezoid and a parallelogram in the first letter of its name. The sharp edges depict style, engineering and innovation. The new logo was designed to relate to the youth and their 'can do'

spirit. The company came up with new anthem "Hum Mein Hai Hero" (there a winner in all of us) to project pride in an individuals' emotion.

Fig. 8



After establishing new brand the company reinforced it by launching various campaigns. One of them was 'Vroom Vroom' campaign which showcased fuel efficiency of Hero vehicles. This was followed by announcement of a 5-year warranty on its entire range with a spot that had a family breaking five coconuts instead of one, on the auspicious occasion of buying a new bike. 'Thoda Extra' campaign propagates a philosophy that drives the Indian consumer mindset. These campaigns helped company to present a differentiated image by bringing changes in brand identity. Rebranding achieved by bringing changes in brand identity facilitates representing a differentiated position in the mind frame of stakeholders and a distinctive identity from competitors (Muzellec et al. 2003).

The rebranding campaign and increasing competition has an effect on sales and income of the company. The sales have kept increasing but the pace of increase has slowed down. After rebranding the sales has increased by 15.4% whereas a year before it increased by 17.4% (Fig. 9). Total income has also shown similar trend. The income increase by 22.3% in year 2010-11 whereas it increased only by 21.6% in 2011-2012 (Fig.10). The reasons in fall of sales and total income could be attributed to aggressive competitors and fallout of new brand.

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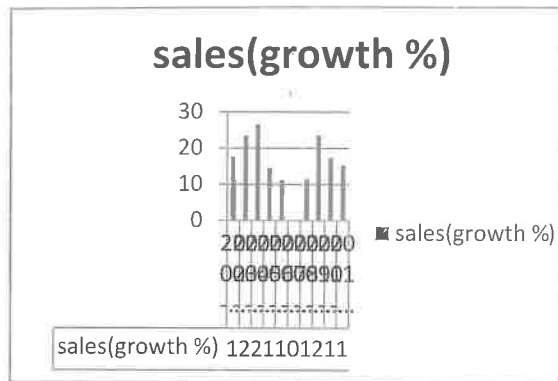
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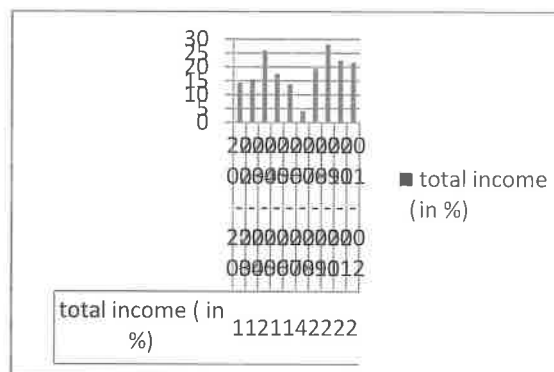
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Fig. 9 (Sales Growth %)



Source: Annual reports of Hero Honda 2006-07, 2007-08, 2008-09, 2009-10 and of Hero Motocorp 2010-11

Fig. 10 (Total Income %)



Source: Annual reports of Hero Honda 2006-07, 2007-08, 2008-09, 2009-10 and of Hero Motocorp 2010-11

Customers' response to rebranding

This study has examined the customers' reaction towards new brand with respect to old brand by conducting an elementary primary survey amongst consumers of motorbikes. The consumers were in the age category of 20-25 years.

Objectives:

- Firstly, to assess the familiarity and attitude of customers towards new and old logo of Hero group.
- Secondly, to assess the degree of acceptability among consumers by comparing the new logo with old logo.

Methodology:

The familiarity and attitude towards old and new logo of Hero were measured by using five point semantic differential scale. This scale is a bipolar scale measuring a particular attribute by using different statements. In this study familiarity was measured with respect to familiar/unfamiliar, experience/inexperienced and knowledgeable/not knowledgeable. Attitude was measured with respect to good/bad, like/dislike and favorable/unfavorable. The scale was constructed in a way that '1' represented negative end of a particular attribute and as scale moves toward '5' it represented positive end of attribute.

The old and new logo were compared by asking respondents to rate three dimensions, namely, whether new logo was better or worse than old logo, new logo led to positive change or negative change and lastly whether new logo was considered favorable or unfavorable on a five point semantic differential scale. The scale was constructed in a manner that lower score would imply acceptability of old logo to be more than new logo whereas higher score would imply otherwise.

Findings:

Logo of Hero Honda had been in business from its inception in 1985 till 2011 i.e. for 26 years. The logo had positioned itself strongly in the minds of Indian people. This was quite evident from Fig. 11 as customers of motorbikes were found to be more familiar with Hero Honda logo as respondents had more experience and knowledge about old logo. As the company had invested heavily in promotion of new logo so respondents were on an average indicated familiarity with it. But familiarity of Hero logo was found to be less than Hero Honda on a scale of 1 to 5 where '5' meant high familiarity.

Hero Honda had been synonymous with motorbikes and so people had emotional connect with the brand. The customers of motorbikes still had higher positive attitude towards Hero Honda brand than Hero brand as

it symbolized quality, trust and credibility. The respondents still liked and had more favorable perception towards old logo of the group than new logo (Fig. 12). Communication plays an important role in building or modifying customers' attitude towards product. The Dhak Dhak Go campaign of Hero Honda was found to be still remembered and more popular than 'Hum mein hai hero' campaign of Hero.

Somewhat mixed reactions were found when respondents were asked to rate the new logo in comparison to the old logo on three attributes (Fig.13). They were not quite sure whether it was better than old logo as their responses were bordering on '3' on the scale given. Similar response was obtained when favorableness of new logo was measured. But the users considered the change is a positive change as the theme of company really struck a positive chord with young population.

Fig.11 Familiarity of old and new logo

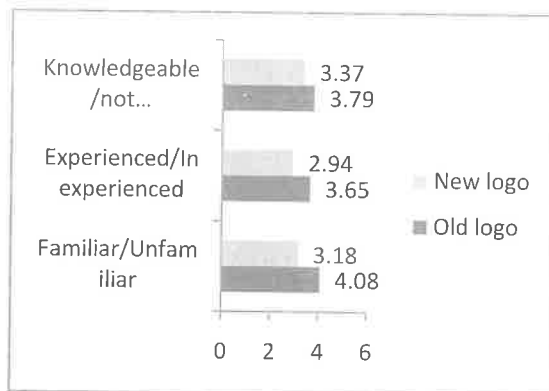


Fig.12 Attitude towards old and new logo

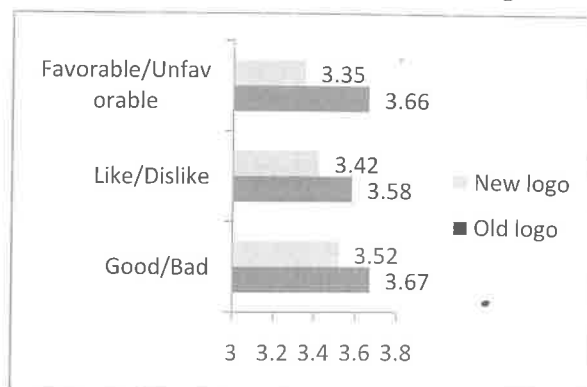
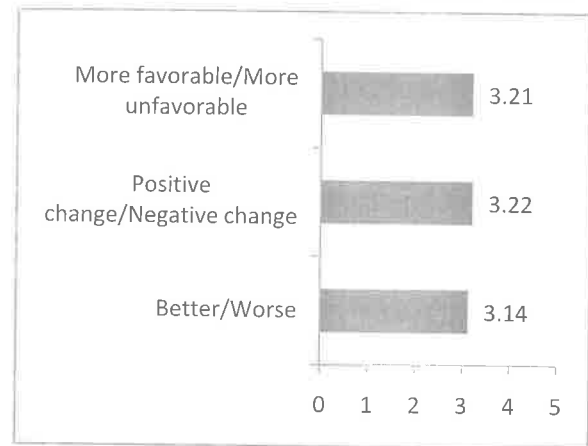


Fig.13 Rating of new logo in comparison to old logo



From the results it can be inferred that old logo (Hero Honda logo) was still impressed in the minds of consumers of motorbikes. The brand enjoyed very high recognition and jingle associated with it was still popular. The primary objective of launch of new logo was to produce an emotional connection with its old and new consumers. It should be seen as representing the attributes which are being projected in the marketing campaign. The new logo has quite successfully achieved this objective as average scores of new logo on familiarity and attitude towards new logo were not very far behind those of old logo. But another purpose of new brand was to surpass the feelings associated with the old brand by facilitating consumers to forget about the previous logo. The primary survey shows in a very fundamental way that new logo still has not replaced the old one. The liking for old logo and confusion about whether new branding was for worse or betterment of stakeholders resulted in skepticism among consumers. Skepticism creates negative attitudes (Cotte et al. 2005) towards brand and skeptics rely less on advertisement and more on emotional appeals (Obermiller et al. 2005).

So Hero's 100 crore rebranding exercise has created a challenge of emotional connect with new generation of customers without losing connection with existing customers by removing skepticism and negative curiosity.

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