

Based on the current market to analyze the factors affecting CFMOTO's expansion in U.S.

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Abstract. This article based on the current background of the whole motorcycle market analyzes the potential factors that could influence the performance of CFMOTO in its domestic market- China, and in one of its foreign market- The United States. It discusses the new consumer group, policy of using motorcycles, as well as the limitation under epidemic situation. It claims that because of the continuous recurrence of the epidemic, global supply chains have become less efficient as the exports and imports have been restricted. This is the factors that both of these two markets have to encounter. Meanwhile, because of the different demand of motorcycles in China and the US, the article suggests that CFMOTO's main competitors in the US market are American and Japanese brands. Although CFMOTO is now take up a small market share in the US, it would create a bright future because it now senses the trend that motorcycles will be electrified in the future. However, the article points out that in the process of exploring the US market, CFMOTO may be affected by uncertain factors such as the Sino-US trade war, logistics and transportation, and fluctuations in raw material prices.

Keywords: Epidemic, motorcycles, sales

1. Introduction

The motorcycle market has recently come back into the spotlight due to the implementation of the "motorcycle ban". In order to help CFMOTO reduce its risk and increase its profitability, this report will examine three factors in detail. The article will be divided into several sections, the current motorcycle market, an explanation of the research methodology and results, and a discussion of other external factors that affect sales.

CFMOTO is a brand which was established in 1989 and headquartered in Hangzhou, is a company that focuses on the development and manufacture of large displacement water-cooled power technology. In the beginning, CFMOTO was just a small company producing motorcycle parts. Later, thanks to years of technological innovation and accumulation, the company gradually developed, from motorcycle engines to complete motorcycle products. At that time, the mainstream of motorcycle engines on the market was air-cooled, but CFMOTO was committed to developing water-cooled engines, which filled the gap in the market. Now it seems that the company's decision at that time was very correct, which made the company's market competitiveness has been greatly improved [1].

Back then motorbikes were as common a means of transport for people as personal cars are today. In the 70s and 80s, almost every household had a motorbike. However, in 1985, a ban on motorcycles was imposed, which affected most areas. There were two main reasons for the ban. Firstly, it was difficult to ensure the safety of people driving motorbikes. Motorbikes do not have any safety precautions or devices, and the speed of motorbikes is generally high. In the event of an accident resulting in a collision, the consequences can be unimaginable. As a result, motorbike accidents have always accounted for a large proportion of road traffic accidents. According to statistics, from 2012 to 2014, a total of 1,315 motorbike accidents occurred in Wuhan, resulting in 1,434 injuries and 269 deaths [2]. Secondly, the noise and exhaust generated by motorbikes during their journey also have a

serious impact on the environment. Motorbike exhaust contains 150 to 200 different compounds, of which the most harmful are particulate matter such as carbon monoxide and hydrocarbons. A motorbike has 200 hydrocarbons, while a minivan has 72, or even three times as many, as a van [3]. These harmful gases spread into the air and cause pollution, which can increase the chances of people getting pneumonia significantly. For safety and environmental reasons, many people do not choose to buy a motorbike as a means of transport.

There are, of course, many other factors. For example, the development of public transport has given people more options. For contemporary people, the metro is an indispensable means of travel. The metro is so fast to travel that a journey that would take an hour by private car takes only 20 minutes by metro. And the underground travels underground, completely avoiding noise disturbance. Punctuality is also very high and there are no big traffic jams in the morning. There is also no pollution of the air with lots of exhaust fumes like motorbikes. There are also shared bicycles, which are very easy and efficient to operate. When borrowing or returning, all you need is your mobile phone to complete all functions. The bikes are easy to find, as each parking space has a location function. When traveling short distances, shared bikes are a very good option. It does not cause traffic congestion and is also low-carbon. People can also exercise while riding, which costs almost nothing. Of course, the most important factor is of course the new crown epidemic. The fact that various regions of China are under quarantine and that a large number of the world's component supply factories are located in China has made it impossible to effectively continue production and processing during the epidemic, leaving garages that are not in the epidemic area, also facing shutdowns. This, coupled with the loss of jobs and reduced incomes during the epidemic, led to inflation and a drop in per capita consumption.

2. Analysis of the whole motorcycle market

2.1 Investigating factors

The purpose is to analyze the sales from consumers, company and the social environment. In the investigation factors, having choose to analyze three factors. Consumer group, import and export policy and epidemic situation. According to the country's condition, the import and export policy is absolutely necessary. What is more, the epidemic has been going on for four years, so there is no doubt to analyze sales from epidemic.

2.1.1 Consumer group

With the development of the times, more and more people are fond of riding motorcycles. No matter young people or old people. In the early time, many motorcycle lovers are getting older. They are the old people who are loving motorcycles. And there are more and more young people to become the motorcycle lovers. In the end, every age has the lovers of the motorcycles. However, there are a lot of normal problems they will meet.

For the old people, first of all, The families of the old people will care about whether they are meeting the danger or not. So there is no doubt that most of them are not allow to ride motorcycle which need people have a health body. Because they also do not want to lose their parents because of this sports or see their parents have accident because of riding motorcycle. Secondly, obviously, riding motorcycles is a exciting sports, and as people get older, most of them will have plenty of normal diseases and they will doing things Inflexibly. Just like Heart disease which do not allow them to do that exciting sports.

For young people, the families of the young people are also worried about them. And they are not only worried about their safety, but also worried about their grades in the school. These two reasons are unavoidable, Because at this time parents are most concerned about the safety of their children's lives. Also, they think doing that will influence their grades much. In the some parents mind, this kind of things will influence their grades, will influence their future life, and in the end they will have no

work or other bad things. However, this is in line with common sense. Parents of the young people are also think too much for their future.

2.1.2 policy influence

The fact is that many cities are not allowed people to ride motorcycles. Because a lot of motorcycles will influence the cities' principle and safety of residents. For example, in the Zhu hai of China, riding an electric bicycle is not allowed. If they want to takeaway delivery, riding bike is the best way for them to do that. Why? Because Zhu hai is an important place for students or tourists to go to Macao, there are always lots of people there. If the people who takeaway delivery ride the electric bicycle, the traffic will not be control and it will happen plenty of accident easily. Also, riding motorcycle is limited has the same principle. There is no doubt that the government pays more attention to traffic order and safety in places where prosperity and development are fast. So the most easy and efficient method is to set a rule which prevents people from riding motorcycles

What is more, in the epidemic environment, announced policy shows many products can not sent to other countries to get more sales, and some parts of the motorcycles can not been lent to the factory which is used to product the motorcycle. This is also a reason for the company to decrease the sales of the company.

2.1.3 epidemic situation

Generally speaking, from 2019, the epidemic has started, the most directly affected by the epidemic is the tertiary industry, such as traveling, watching movies, dining out, shopping at shopping malls, attending large events including some business activities and so on. The operation of these industries is a lot of people to go offline place. The sales of motorcycles' have the same principle. The income of people related to these industries in the area where the epidemic occurred will definitely be affected [4].

First of all, the limited of riding in the epidemic. many motorcycle riders are through riding it to find the feeling of stimulate. However, when the epidemic worsens, the local government do not allow everyone to go out for play. Obviously, people can not go out to ride motorcycle to find the feeling they want. Secondly, plenty of works' salary become lower. some workers who must go to the real place will face the losing works problems. Then, their income will decrease a lot or have no income. In this situation, this kind of people will have no chance to buy the motorcycles, which means the sales from them of the company will also decrease strongly. However, analysis can not ignore the people who get salary online. With the epidemic situation continuing, this kind of people will get more money from this special situation. Why? Because people are all limited to go out to eat, play and buy something, the online shops are going to have better income than before. For them, it is easy and possible for them to buy it. Thirdly, production will decreases. In the company, now many things should people to operate the machines and do some current operation. However, people can not to arrive the site because of the epidemic situation, and the production will decrease obviously.

3. Adapt to the American market

3.1 Market demand

The United States is the fourth motorcycle market in the world. Distinctively different from the Chinese market, Leading Industry Research (2021) states that the large displacement motorcycles account for around 92 percent of the whole USA motorcycle market, which may due to their large geographic areas, higher per capita income, cheap fuel prices, etc. Based on these features, CFMOTO introduces seven types of motorcycle products into the United States in these years that are mainly large-displacement products. On the other hand, as developing the economy, global emissions is increasing continually [5]. So electric motorcycles would occupy the main market in the future. Meanwhile, the bar chart below from Statista (2020) illustrates that the overall environmental awareness of the American people has increased, especially among young people [6]. This implies

that although large-displacement motorcycles are currently popular, this is not a long-term trend, and environmentally friendly motorcycles will segment the market in the future. Therefore, in the long term run, CFMOTO could introduce practical electric motorcycles in the US. Moreover, from the perspective of the overall motorcycle market competitive pattern in the United States, it shows that Harley Davidson Dyson as one of the oldest American motorcycle brand, it has the largest market share in the US about 30% in 2020. Meanwhile, the remaining proportions are mainly be occupied by Japanese brands, like Suzuki, Honda, Yamaha. The popularity of those Japanese brand in America could partially attribute to American perception, which is the pursuit of practical function. This means that their obsession with flashy packaging or well-known brands is much lower than in China. This can also be confirmed in the par chart below, it shows that BMW as a famous brand only win about 3 percent market share among others [7]. Therefore, a motorcycle product with a low damage rate and high cost performance will be more favored by Americans.

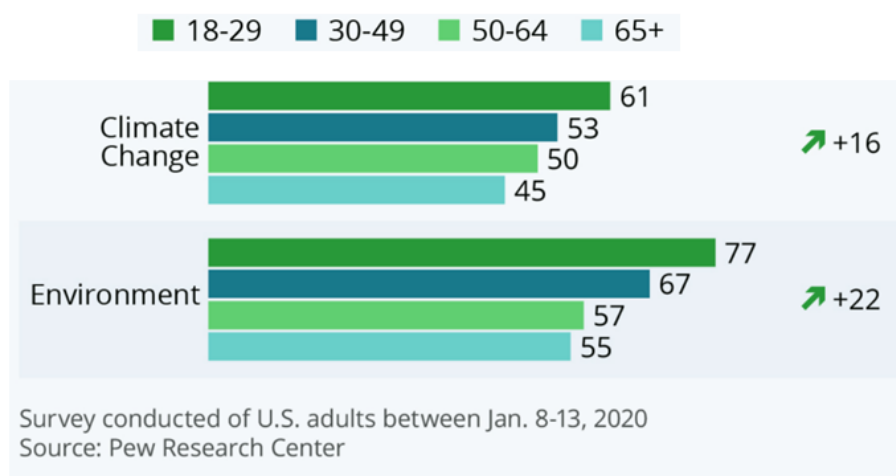


Fig 1. The raising environmental awareness among adults in US 2021

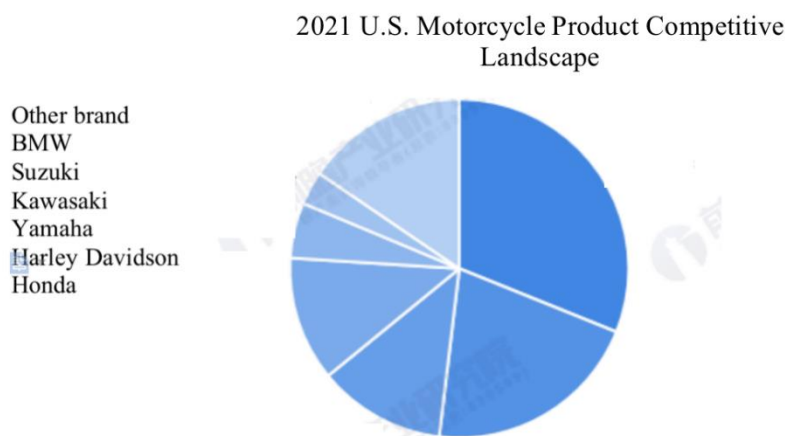


Fig 2. The motorcycle Product Competitive Landscape in U.S. in 2021

The name of brands on the left are arranged counterclockwise according to the picture 2020.

3.2 The competitive advantage of CFMOTO

CFMOTO brand has four types of liquid-refrigerated engines, which have low noise, high durability, and are relatively energy-efficient. In addition to this, CFMOTO has a research and development team of 200 people, with profound research and development skills. Electric Vehicle Industry Observer Website states that CFMOTO has formed an electrified and intelligent R&D team, from 0 to 1 full-stack self-developed, and at its press conference in September this year, CFMOTO will launch 6 models of fuel two-wheelers and 4 models of electric two-wheelers, a total of 10 new

models, with a fuel-electricity ratio close to five to five [8]. This shows that CFMOTO has keen market insight and turned to electrification technology earlier than other motorcycle brands. This means that it will accumulate sufficient scientific research experience and seize the future electric motorcycle market. Moreover, one of the most immediate advantages of this brand is its preferential price. According to its official website, the average price of its motorcycle products exported to the United States is around \$6,500, and is much lower than the average price published on Statista, which is around \$12,000. Therefore, compared with local American brands, CFMOTO's low price would prompt it to be accepted by the public.

3.3 Risk analysis

3.3.1 Sino-US trade friction

Wuxi International Chamber of Commerce in 2022 points out that the U.S. initiative to impose tariffs on goods imported from China in 2018 expired in July-August this year, and the USTR will review the tariffs on these goods. However, on March 23, 2022, the Office of the US Trade Representative announced that 352 Chinese imports of the 549 pending products had resumed tariff exemptions, but CFMOTO was not on the exemption list. In addition to this, one of this company's non-independent directors, Si wei, he claimed that only because of the additional tariffs on ATV products exported to the United States in 2021, the amount of net profit affected is about 16 million US dollars, nearly 100 million. This means that subsequent changes in tariffs will have a non-negligible impact on the export profits of CFMOTO. As a result, if the US continues to impose taxes on motorcycle products by the second half of this year, as in 2021, companies are probably to lose a similar amount of profit as mentioned above [9].

3.3.2 Logistics under the epidemic

Under the influence of the epidemic, the quantity of imports and exports has fallen. This means that CFMOTO will be hindered in importing raw materials and exporting finished products. According to European Chamber of Commerce report in 2022, over 92% of entities are being affected seriously by port closures, declining road freight volumes and high ocean freight rates, etc [10]. This may cause the finished goods in CFMOTO cannot be exported to US market. This would decrease sales, and the accumulation of inventory may also lead to incremental operating costs. This means that since the logistics chain has not fully recovered, CFMOTO's sales abroad may shrink.

3.3.3 The price of raw materials

Congestion at ports has led to inefficiencies in global supply chains due to repeated outbreaks. So the price of various raw materials would be much more probably to raise as the demand of them is at a low level. Based on the data from the company's annual report, it shows that the cost of raw materials is always take up around 90 percent of its total operating cost. This indicates that any change in the price of materials would existentially affect CFMOTO's profit.

4. Conclusion

In conclusion, this article analyzes and compares the potential factors that would fluctuate CFMOTO's domestic performance and its future development in the United States as well. It concludes that CFMOTO's sales would be primarily affected by the epidemic situation, political environment, and market competition. To be more competitive, CFMOTO decides to move toward electric motorcycles so as to follow the upcoming trend. This article believes that there is a promising future for CFMOTO as it is improving the specificity of its products and sharp capturing of market trends.

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