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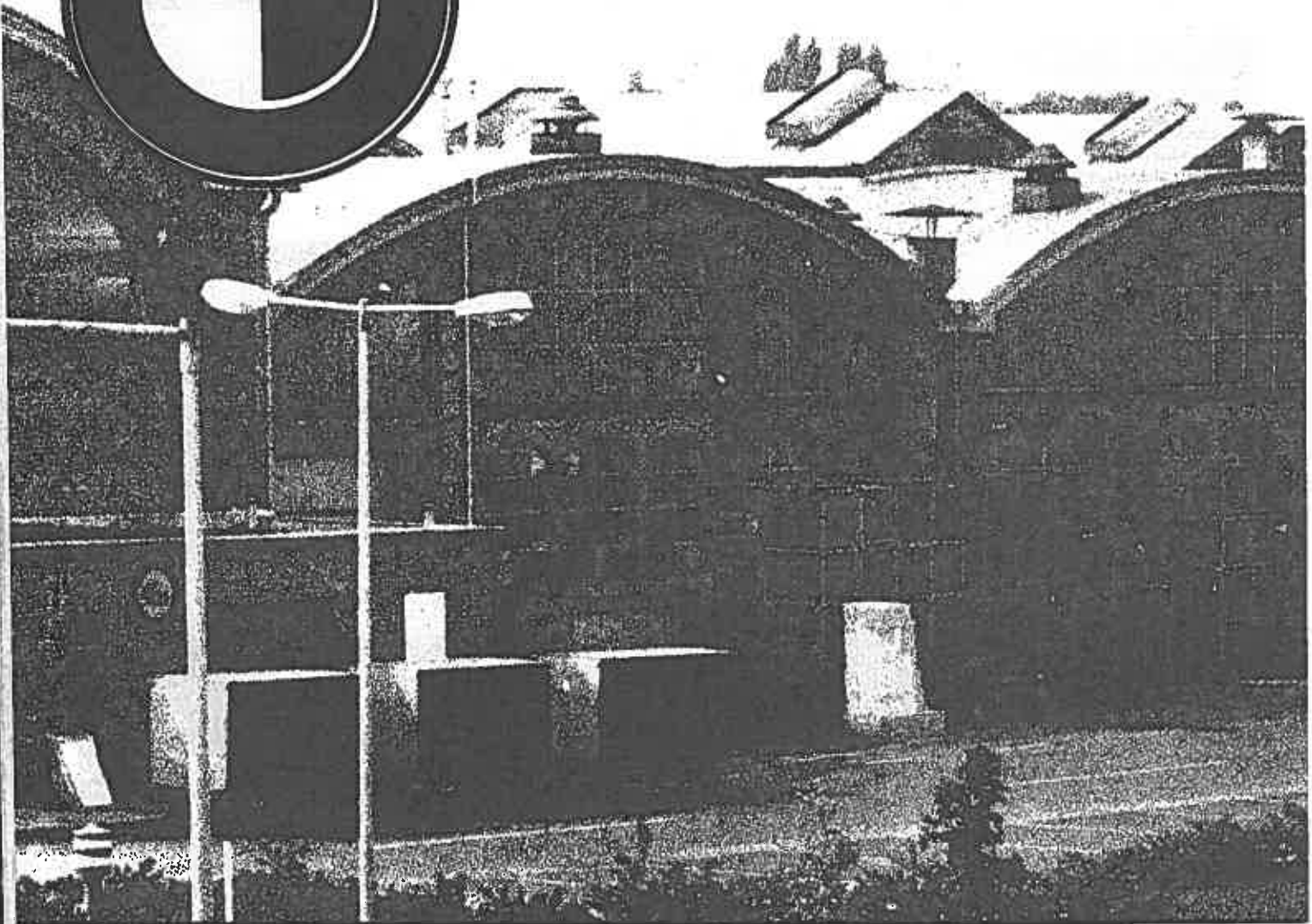
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**BMW: Where to from Here?**



# THE VIEW



**What does the future hold for BMW, now that the K series is off and running? DON COX recently spoke to Karl Gerlinger, the company's managing director in charge of sales and marketing, at its Munich headquarters.**

**A** YEAR after the introduction of the revolutionary new K-series, West German manufacturer BMW views its future with cautious optimism, and predicts continued growth in sales and market share for its motorcycle range.

And while the new four-cylinder K100s are proving popular on the world market, plans are well advanced for further development of its 60-year-old Boxer twin concept. BMW clearly believes there is a market where "high-tech" has become the buzz word in new model releases.

But what of the 750 cm<sup>3</sup> triple the company has developed in tandem with the new four-cylinder machines? Don't expect to see it for another year.

These were the major points made by Karl Gerlinger, managing director in charge of sales and marketing for MBW Motorrad when I spoke with him at length in Munich recently.

"In a stagnating world market, our estimate is a little on the optimistic side. The United States market has shown an upward tendency of five to ten percent, if we're lucky, and with that market alone accounting for two-thirds of world motorcycles sales, world-wide growth of one and a half to three percent should be possible in the next five years," Gerlinger said.

Gerlinger, a 46-year-old native of northern Bavaria, has held his post of motorcycle sales chief since 1979, through a period of landmark

# FROM MUNICH



The old exterior of the Berlin plant houses the most modern assembly line in Europe.

decisions and initiatives in motorcycle production of Bayerische Motoren Werke.

Four years ago, the Munich-headquartered firm was questioning its future in motorcycling. Since then, \$130 million has been invested in rebuilding the old BMW factory in Berlin, making it Europe's most modern motorcycle plant, with a projected annual output of 45,000 units. Good news, particularly to those who see a healthy European industry as a pre-requisite for the overall good of motorcycling and to provide a wider selection of design philosophies and machines.

Line-up wise, BMW has produced the award-winning K-series fours,

machines which have captured up to 30 percent of the big-bike markets in some countries. Gerlinger and his team might well be optimistic on those figures. But in a stagnant market, there's a big difference between market share and actual units sold. And there have been some hitches.

The biggest hitch was the six-week strike in May and June by Germany's metal workers, over a shorter working week. As Gerlinger emphasises, the BMW motorcycle division lost valuable sales.

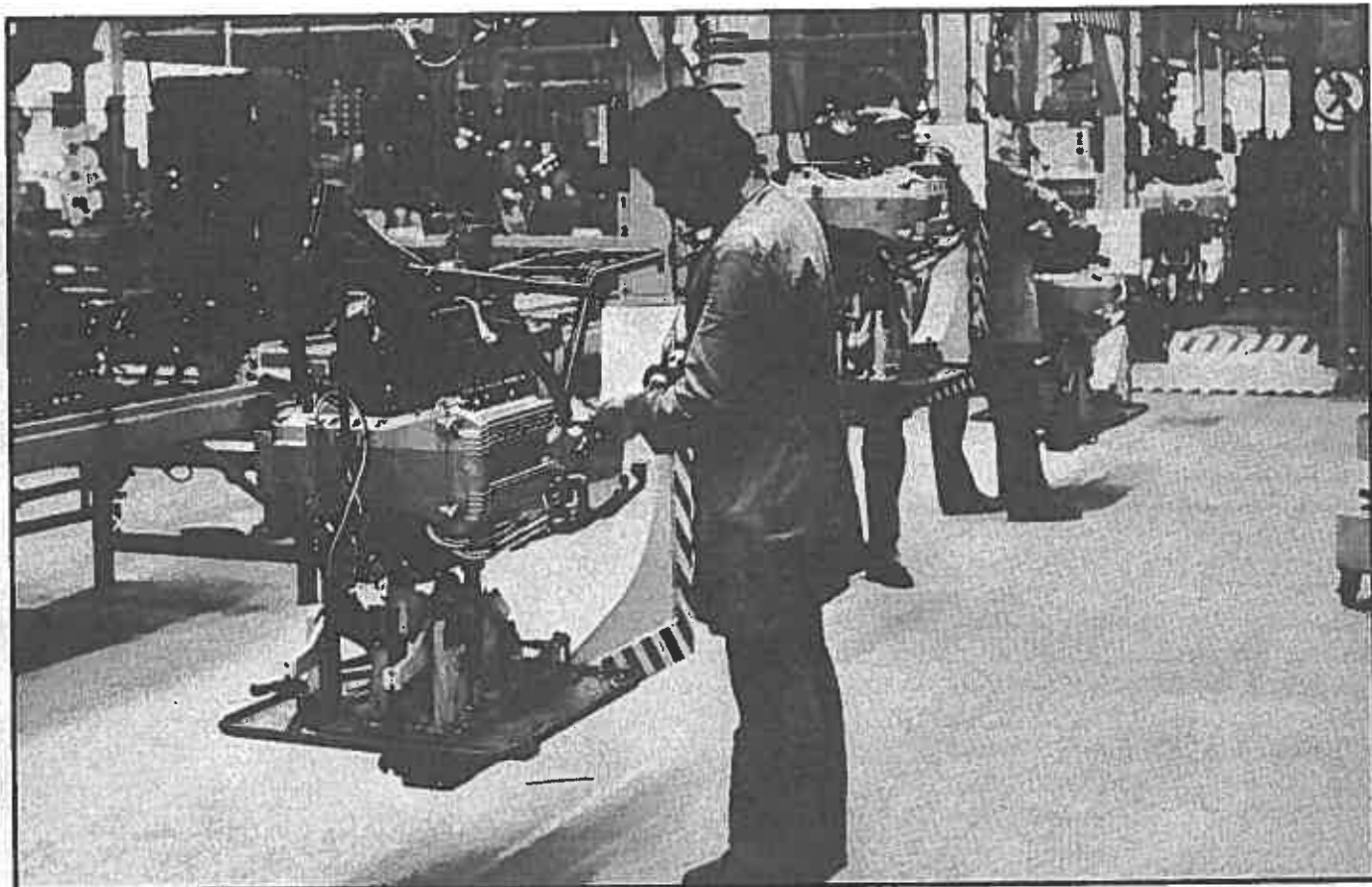
"We may be able to recoup the lost production by the end of the year, because we didn't have the annual works vacation. Therefore, there is a chance that in production numbers we

can make it. But this is not what counts in the market. A good portion of the summer selling season was lost to us. We may have lost 2500 to 3000 sales," he said.

Gerlinger confirmed that 5000 first-day orders were received for the K-series in the United States. That was nearly equal to the firm's total US sales in 1983. To be short on production with orders rolling in hurt BMW.

"We originally planned to introduce the K-series in the US in June, and have bikes shipped over so we at least caught the tail of the summer season. The strike caused us to delay the introduction, and means by the end of the year we may have only





delivered 5500 units — that's all we have available," Gerlinger explained.

A missed opportunity in 1984, so what of 1985? What were we likely to see in the K75, I asked.

"That what?" laughed Gerlinger. "I've never heard about this bike!"

Executives of motorcycle manufacturers enjoy fielding questions on machines which have been developed to the point of being poorly kept secrets. Sister magazine *REVS* has published photographs of three-cylinder engine crankshafts, and both *TWO WHEELS* and *REVS* have run shots of triples under test.

So are we likely to see a machine with the same style, in terms of power characteristics and philosophy as the K100, or a sportster, I pressed.

"Talking about the K-series, for 1985 we will just have it as a 1000 cm<sup>3</sup> motorcycle," Gerlinger said. "Next year will be the first year when we have the full K-series range available — the basic unfaired model, the RS and the RT. There are no plans in the next selling season for doing anything else.

"We have planned for the volume model of the K100 series to be the RS, followed by the RT, then the unfaired model with the smallest percentage of production, about 20 percent," Gerlinger said.

If we take the K100 series as being 66 percent of BMW's output, that means the company must be looking at around 30 percent of total output — say 13,000 units — being K100RS models.

"We will, of course, develop our Boxer/flat-twin range with progressive improvements, some of which I saw were discussed earlier this year in the motorcycle press! So we are doing something there. But for the next selling season, there are no plans to enlarge the K-series family.

"However, we are not going to stay just with the three models in the K-series. As you can imagine, by investing 100 million Marks (\$44 million) just in the new engine plant at Berlin, we have to make a whole family out of this model, in time. But the timing and whatever — whether it's a 500 cm<sup>3</sup> two-cylinder machine and in what horsepower range — we're not thinking about that yet," he said.

Likewise, Gerlinger re-affirmed his company's commitment to the Boxer machines, but would not comment on planned improvements, or when we would see them. I asked first about an engine update using four-valve cylinder heads.

"This four-valve business was tried by others a couple of times, and didn't

turn out too well. We feel the Boxers can be improved — there are lots of possibilities for development engine and chassis-wise. And we will do this step by step.

"We will maintain our production level of Boxers. They are one third of our total production, and with a figure like that you cannot neglect development. So we will work step by step on the Boxer concept; but we will not change the Boxer's nature — to do so would be wrong.

"That flat-twin is for a certain segment of the market, and there is a demand in that segment of the market. For the other demand, for the more highly technical machines, we have the K-family. But we do not like to upset the Boxer's friends and freaks — they like the way the flat-twins are. So we will proceed by making certain improvements, but without changing the machine's concept," he said.

"We try to put across a dual-product strategy, because our market research showed there was a big market segment that was not touched by BMW in the past. That was for the more highly technical/advanced part of the business, with modern styling and the horsepower demand that we were never able to satisfy with the flat-twins," said Gerlinger.



Far left: Bikes rest on suspended platforms as they travel along the 1.2 kilometre-long assembly line. Each model has a code number, and by entering this in the central computer, it can be sent along the correct path and will stop at the necessary assembly stations. Left: On the engine assembly line, a K series crankshaft is installed in its housing.

"But there is also a market segment which goes for the characterisation that flat-twin offers, and we will try to enlarge our range to meet that demand. The Boxer is still going to play an important part in this business, in most of our markets.

"We have recently stopped selling the 1000 twin in America. But we will continue with the 800 there, because we believe the up-to-50 horsepower range is the place for the flat-twin, that is where we will develop the machine in the future," Gerlinger said.

"The Boxers are still selling well in Australia, because not everyone likes to ride the K-series across the

country. Many people ride their bikes to areas where there isn't much technical back-up; the flat-twin is ideal in such conditions. Even people from our own society are becoming more and more interested in this type of riding — riding across the Sahara Desert or across Australia. We believe we have the right concept in a machine for this type of person," he noted.

So much for BMW's place and armament in the motorcycle market; how well was the firm selling in those markets? It was a chance for Gerlinger and his world sales manager, Hans Koudella, to show

some justifiable pride in the company's results. It also gave a picture of some of the more depressed markets.

"If you look at the development we achieved during the last two years, especially in the categories where we're located, like the big-bike market, I think we were quite successful," Gerlinger beamed.

"The figures for the first five months of this year show we have already reached 30 percent of over-750 cm<sup>3</sup> market segment. We outsold the various Japanese companies by far. I think this is a major success.

"But there are still lots of

## THE WINNING TEAM — PETER MENERE & BMW

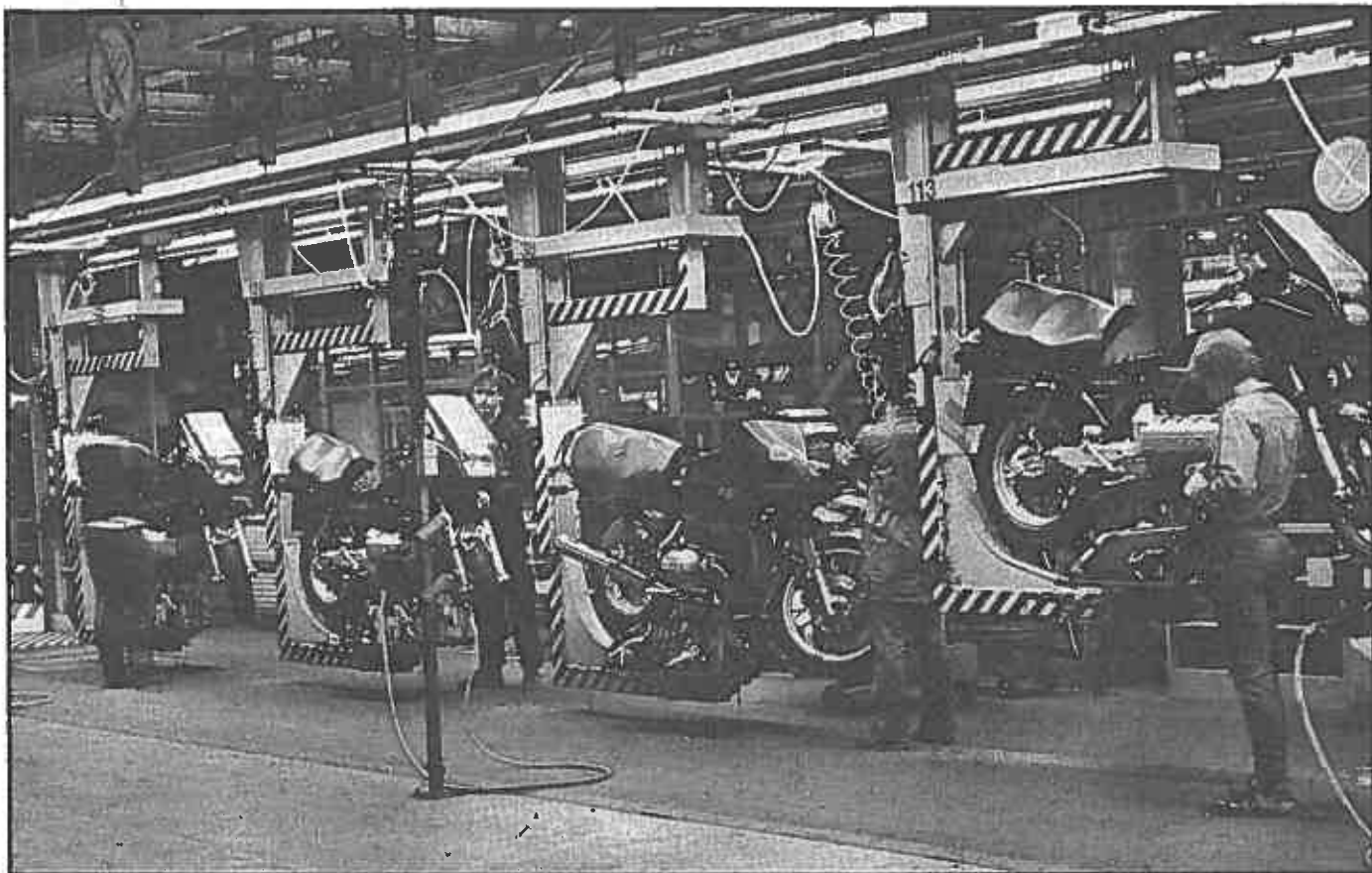


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Further along the production line, the assembly paths of the R and K series machines merge. Here, fairing lowers are being fitted.

possibilities in some of the European countries, and in Australia. We plan to ship 1800 units to Australia this year nearly double last year's figure.

"The American market, the world's biggest market, has developed very well in the segment up to 750 cm<sup>3</sup> — let's say especially in the 750 cm<sup>3</sup> category. The big-bike sales went down, as a result of the tariff regulations.

"We are also looking to Japan," he said.

Selling European motorcycles in Japan may sound like the old selling coals to Newcastle bit, or a neat

reversal of the norm, depending on your viewpoint. To Gerlinger, it is another place to sell motorcycles.

"In Japan you see, the Italians — Moto-Guzzi and particularly Ducati — try very hard. And you have the American Harley-Davidson. But we have no problem outselling all of them. We're not just going for the import market, because in Japan that is very small. But there is also the 750 cm<sup>3</sup> domestic class and the re-imports, and this makes the whole things worthwhile by allowing us to reach about 2000 units.

"That is quite a big portion of the

Japanese market, because there are big limitations on riding licences. There are about 14,000 licences issued per year for the 400 to 750 cm<sup>3</sup> class — that's not very many. In fact, the whole Japanese over 250 market, including imports, domestics and re-imports, is roughly 130,000 units," said Gerlinger.

A year ago, at the European launch of the K100, Karl Gerlinger let loose with a broadside at the marketing policies of the Japanese manufacturers. His comments, including blaming the decline in sales worldwide on "irresponsible activity"

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# GERLINGER: 20 YEARS WITH BMW

**K**ARL H. Gerlinger came to BMW's motorcycle division at a time that was both a turning point for BMW and, it proved later, the world market — 1979.

BMW was examining its future in motorcycling, and a blossoming market was about to turn sour.

Gerlinger's background is in the automotive field. He says he started in 1956, as a technical trainee, then moved into retail and wholesale vehicle and parts sales, working for a number of firms. He joined BMW in 1964.

"I come from Rothenburg, in northern Bavaria. It's a beautiful place, but you just can't make any money there. You have to go elsewhere, if you're not in the tourist business," he quipped.

The first three years with BMW saw

Gerlinger working as a representative for parts and service.

In 1967-68, Gerlinger undertook study in economics, commerce and marketing. His appointments since suggest a man going places at BMW: three years as departmental head in the parts and service organisation; head of department for American automobiles exports, 1970-76; head of the distribution department, 1976-78; and now managing director of sales and marketing for BMW motorcycles.

Gerlinger is a lean, 46-year-old, with flecks of grey in dark hair. His spectacles, rather kindly manner and Americanised English (he spent seven years as the automobile division's US export boss) give him a more fatherly air than the photograph suggests.



by the Japanese, gained headlines in the world's motorcycle press.

Excessive stocks of unsold bikes had led to the heavy discounting that not only bought the Japanese manufacturers down, but had dealers on their knees and led to bankruptcies on a global scale, he said. And he criticised what he called "absurd, cut-throat competition with its short-sighted production and sales goals that had resulted in an uncongenial atmosphere within the industry and benefitted no-one!"

"The Japanese," he said at the time, "had presented a plethora of models coupled to ruinous pricing policies that made the joys of motorcycling turn sour." What is more, the two-year glut, "a dubious development" as he put it, "had further detracted from the aura of individuality so closely associated with motorcycling".

Strongly indeed, and Gerlinger returned to the theme when I asked

for his comments on the view that a strong European industry was important for motorcycling as a whole.

"Talking of European manufacturers, it is a shame what has happened in Europe, because there are not so many left. If you talk of manufacturers of motorcycles rather than mopeds, there is Moto-Guzzi and Ducati-Cagiva — nobody really knows what is coming up there — and ourselves.

"We think we are the leading European manufacturers. And if you look at our whole product philosophy and marketing philosophy, we try to do fair business with customers. We try to keep the motorcycle business alive. But the Japanese are shooting for this one-shot business," he said.

"Back in Europe in 1978-79, when the market was starting to boom, we had all this model inflation and price inflation, and we realised the customer was turning away, because he was

fed-up with what was happening.

"If we look at the world market today, we can see just what a disaster the policies of the Japanese were to motorcycling. We found many motorcyclists moved away from motorcycling — they looked for some other kind of leisure activity — because they lost money through model inflation and price cutting. This is the present disaster in motorcycling, and I have to blame the Japanese for this," Gerlinger said.

"We try to be a trustworthy manufacturer, producing a value-for-money, long-life product. With the K-series, nobody can expect that next year we will roll the whole thing up, as the Japanese are going to do or not going to do," he said.

But what of the situation in 1981, when there were questions as to whether BMW would continue to produce motorcycles?

"People outside BMW always thought this question must be raised,

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Each machine is tested on rollers before it leaves the factory.

because with the flat-twin by itself there was no chance to survive, motorcycle wise. Of course, we could have survived for years with small numbers, but this is not what we are known for. BMW is known on the automobile side as a very progressive

company, so we had to try very hard to build our business step by step.

"With BMW being the fastest growing automobile manufacturer in the world, we had to invest money for that business. But we did so far and you can see the results we came up

with. Second, we've got time, capacity and money invested in motorcycles — you can see it in Berlin, where we invested 300 million marks (\$130m) in the plant.

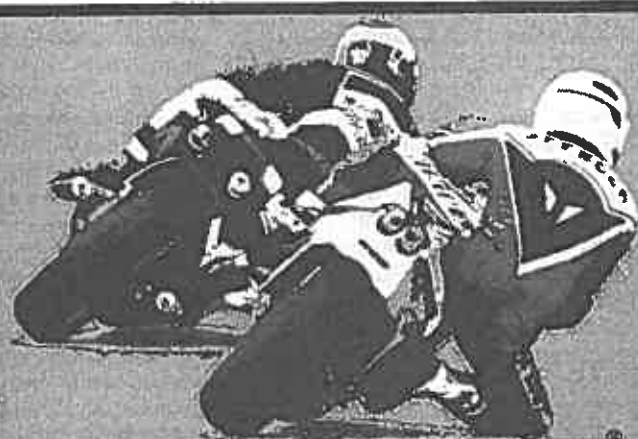
"Therefore, there was never any question at BMW whether to continue production of motorcycles. It was always decided, that yes, we were going to do it. It was just a question of timing, and when the timing was right we came up with the K-series. We gave this machine some orientation for the market in the future. And we will keep on this straight-forward policy, as we did with the flat-twin," Gerlinger said.

So how many years before we are looking to a successor to the K-series?

"Definitely, it's not going to be 60 years!" he joked.

"But by coming up with a new engine design, you think of model ranges. But a totally new concept — not 60 years.

"We just have to make money on the K-series, as our friends in the automobile side are not just giving us the money for nothing — we have to pay it back. What we are in is a business, not just a give-away, kind of Mickey Mouse operation. So we have to make money."



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