

Example of essay on harley davidson

[Business](#), [Company](#)



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External Analysis & Case Study

Introduction

The motorcycle manufacturer Harley Davidson Inc. has had a long and illustrious history as a heavy bike brand. Since its inception in 1902 (Harley Davidson, 2013) the company has deployed a strategy which focuses extensively on its core product, that of motorbikes with engines of over 700 cc, largely choosing not to diversify its product range and primarily relying on a loyal customer base and a strong brand identity for its revenues. The recent economic recession has resulted in the declining profitability of the organization, triggered by a decrease in demand for the Harley Davidson’s (HD) core product range. This has forced HD into exploring new horizons, in a bid to identify new markets and revenue streams.

Opportunities

- Emerging International Markets: The rising economic fortunes of countries with large populations such as China, India and Brazil presents a critical opportunity for HD to attempt to compensate for the losses in demand

suffered in its traditional markets of the United States Europe and Japan due to the global economic recession (Harley Davidson, 2013). The manufacturer's international sales have increased by 6. 1% from 2010 due to an increased emphasis on emerging markets with the company's Latin American operations proving to be extremely lucrative, particularly in Brazil and Mexico (MSN Money, 2012). According to Harper (2013), there is strong evidence of the permeation of the HD culture in China, which has caused strategists at the company to identify China as a key market in the coming years.

- Branding Opportunities: The Harley Davidson brand identity is one of the critical components of the organization's success. Licensing agreements and permissions allowing usage of the bike manufacturer's logo and paraphernalia account for a significant portion of the company's revenue (Harley Davidson, 2013). Therefore, agreements similar to those made with Ford Motors (PR Newswire, 2003) represent an important means of increasing revenue for HD. The strategic alliance with Ford aided HD with not only strengthen brand associations with genuine American products but also allowed the company to garner further publicity with the brand logo being prominently displayed on products that it does not manufacture.

- New Demographic Segments: Harley Davidson identifies its traditional customer base within the US as consisting of Caucasian males between the ages of 35 and 74 (Harley Davidson, 2013). While this customer base is expected to continue to be HD's primary target market, making an additional effort to garner customers outside of this target market would serve the organization well. According to the investor relations section of the

company's website, this is a strategy that the company has begun to pursue successfully. The most recent figures show a rise in customers belonging to African American and Hispanic ethnicities, as well as a rise in the amount of women and young adults that purchase the company's vehicles.

Threats

- Economic Recession/Uncertainty: Heavy bikes are largely considered to be a luxury good that is purchased by individuals for whom the good is not a necessity but a passion or hobby. For this reason, the demand for heavy bikes is adversely affected during times of economic recession and uncertainty. Fluctuations in the economy have been a bane for the company throughout its history, beginning with the Great Depression of the 1930's and culminating with the current economic crisis that faces the world today.
- Unionized Workforce: The vast majority of the labor employed by Harley Davidson at its manufacturing units in Milwaukee belongs to trade unions (Looney and Ryerson, 2011). This has posed certain problems for the company particularly during harsher economic times when demand is low, due to the unwillingness of unions to accept wage cuts, increased hours or layoffs. This prevents HD from reducing costs during periods where the firm has seen a decline in profits. Therefore, HD has recently sought to diversify the types of employees it hires and beginning in 2012 will include non-unionized contractual workers in its workforce (Harley Davidson, 2013).
- Competitors: HD's competition has constantly posed new and evolving challenges for strategists at the firm, particularly by Japanese motor vehicle manufacturers Honda and Suzuki. During the 1970's and 1980's HD was unable to compete with the efficiency of manufacturing of the Japanese and

lost a significant share in the American motorcycle market (Kotha and Dutton, 1996). HD was forced lobby the federal government for an increase in tariffs on foreign heavy bikes (Kotha and Dutton, 1996). While the company was eventually able to revamp its productions methods and consolidate it remains to be seen whether Harley Davidson will be able to deal with future issues created by competitors.

The name Harley Davidson is synonymous with heavy bikes and the company has done little to dispel this impression amongst consumers choosing to deal solely in the manufacture and sales of motorbikes above 700 cc (Looney and Ryerson, 2011). With very little variety in the company's product portfolio HD becomes excessively dependent on the demand for two wheeled heavy bikes. Therefore, the agreement that was in place with Lehman Trikes allowed HD to diversify its product portfolio while not straying too far from its core competency. The move also allowed HD to assess the potential profitability of the venture without allocating significant resources to the venture and without needing to dedicate any infrastructure to the project. Furthermore, assigning the bulk of technical duties to Lehman allowed HD to initially reduce expenses related to R&D as well as the loss of time and money that are inherent in a process of trial and error.

As far as Lehman Trikes was concerned the agreement contained several advantages and disadvantages. The biggest advantage, involved the large volumes and the constant orders which HD would provide to Lehman Trikes and their resultant financial benefits. Lehman Trikes was able to increase the scale of its operations exponentially because of the deal. The primary disadvantage of the deal stemmed from the fact that Lehman was aiding a

potential competitor with tremendous financial resources in entering the industry and allowing it to potentially capture its market share. Lehman was essentially indulging in the dissolution of its own brand identity in favor of HD's.

Conclusion

Harley Davidson has managed to maintain and strengthen powerful brand identity throughout its existence, in addition to generating a great deal of loyalty from its customers. While focusing on a specific range of products has paid dividends particularly in terms of strengthening brand identity, changing economic circumstances result in fluctuating demand.

Opportunities available for the growth of the organization include expansion into new geographical markets such as India, China and Brazil, while increasing the amount of licensing agreements allowing usage of the company logo and expanding its target market according to demographic characteristics. Threats arising from the economic recession, unionized labor and competitors must be catered for by strategists at HD.

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