

Explanation of methods harley davidson case study

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It has also remained consistent in manufacturing only heavyweight motorcycles. By showcasing only a single model type, Harley Davidson has established itself as a leader in the United States market. Other international markets, especially Europe and Asia, produce many lines of sports motorcycles (street bikes, scooters etc), as this meets the demands of these markets. Harley Davidson classifies their bikes into three main heavyweight categories (1) Touring Bikes, (2) Custom Bikes, and (3) Sported Bikes.

More than half of Harley Division's revenue is generated from sales from within the United States, with a much smaller presence in Europe, Asia and Latin America. Harley Davidson has tried unsuccessfully to acquire additional motorcycle companies twice since its origination but ultimately has continued to keep its product lines simple and focused around a few primary products. Description of Data and Sources Initial research was conducted on the history of Harley Davidson Motorcycles by researching their website.

Data was then obtained from a variety of sources including industry journals, annual sales reports, and company websites. By comparing sales and annual (ask) reports to those of its competitors, we were able to determine market patterns and explain the market structure in which Harley Davidson Motorcycle competes.

Sales reports compared units sold by the Harley Davidson, as well as competition among firms internationally displayed by the type of bikes sold and in which geographic areas.

Explanation of Methods In order to establish Minimal market structure and competitiveness, we collected data on ten total units AT Hewlett motorcycles <https://assignbuster.com/explanation-of-methods-harley-davidson-case-study/>

In 2012, we gathered data on the numbers of units sold by Harley Division's top three competitors, which we learned were Honda, Suzuki and Yamaha, respectively. In order to establish a price per unit, we took the median price of each firm's weights inventory and then took an average based on these figures. The number of units sold multiplied times average price per unit gave us an accurate reflection of over sales for 2012 when cross referenced with annual report data.

Our data had some limitations as some firm's data did not highlight units sold or sales revenue from the heavyweight market.

We had to deduce and infer with the data we were given. Another limitation in data collection came when gathering information about price mark up and marginal cost. We sought information from industry experts who had insight in this area. Analysis and Results The CO four-firm concentration ratio of .880 indicates that there are only a few firms who produce most of the industry output.

The weights industry is highly concentrated.

Most of this industry output is produced by Harley Davidson, Honda, Yamaha and Suzuki. The Herfindal-Hirschman Index (HI) is 3,586 out of 10,000. This suggests that there are multiple firms in the industry who consume a considerable part of the market share. The top four firms account for almost 40% of the market. This number would deter an investor when considering a possible merger.

Demand and Pricing Structure/Lerner Index The Lerner Index for a Harley Davidson is .25 and the mark-up is 1.3. HAD charges a price 25% over the marginal cost or 1.3 times the actual marginal cost.

In other words, for each dollar paid from the consumer towards the purchase of a new motorcycle, \$.25 is markup. Market Structure Harley Davidson (HAD) Motorcycles have many different aspects that contribute to the market structure, specifically the classification of motorcycles by size, the number of firms in the market both national and international, brand equity merchandising which includes entry to the apparel, accessories and licensing markets, barriers to entry and various merger attempts in the past.

HAD Motorcycles are classified into weight classes such as Touring, Custom, or Sported. In 2011 Touring motorcycle accounted for 92,002 bikes out of a total of 233,117 bikes sold for Harley Davidson (Harley Davidson Inc.

, 2012). Second leading in sales were Custom bikes at 91,459 bikes (Harley Davidson Inc., 2012). Overall, Harley Davidson sold 152,180 units in the United States and 80,937 units internationally for FYI 2011 (Harley Davidson, Inc., 2012).

In international markets Harley Davidson sold 83,505 units compared to 151,683 units in the United States (Harley Davidson, Inc. 2012). Outside of the United States, sales in Europe and surrounding regions were the second largest region for Harley Davidson with 44,340 units sold in 2011 (Harley Davidson, Inc. 2012). Units sold in the Asian Region came in third at 21,416 units, and the least number of units sold for Harley Davidson was in the Latin

American Region, at 7, 247 units. All regions saw an increase in the number of units sold from 2010 to 2011 but the United States still remains responsible for 68% of total units sold (Harley Davidson, Inc.

, 2012).

In 2012 HAD experienced continued growth as they sold 145, 391 units globally in the first 6 months; this is a 9.3% increase from the year before.

Retail sales also increased by 12% in ten us with a 16.5% increase in Salsa/Paschal Ana a % in Latin America (Harley Davidson, Inc.

, 2013). Harley Davidson has seen steady growth in recent years. Harley Davidson has not always sustained yearly growth. As the economy was slowing slipping during the recession of 2008, Harley Davidson was forced to make some decisions in order to survive.

In 2009 Harley Davidson announced they would discontinue the Bell Motorcycle brand from their line to focus all of their resources on producing their primary products in order for Harley Davidson to stay afloat (Crowe, 2009).

In 1994 Harley Davidson became a 49% owner in Bell Motorcycle Company, a company that was founded by a former Harley Davidson engineer, Erik Bell (Devolution, 2013). In 1998, four years after entering business together Harley Davidson purchased an additional 49% of Bell Motor Company leaving the creator with only 2% ownership (Devolution, 2013).

Harley Davidson would intention operating with Bell motorcycle brand for the next eleven years creating over 17 models of innovative motorcycles, however in 2009, as profits decreased, HAD made a decision to end business with Bell. In 2008, during these same difficult economic times, Harley Davidson acquired an Italian motorcycle company NV August for \$109 million hoping to increase sales and market expansion overseas in an area dominated by Japanese competitors (Barrett, 2010). Shortly after acquisition the market tanked and Harley Davidson had recorded \$162 million in losses with the NV August line (Crower, 2009).

The relationship lasted just over a year before Harley Davidson decided to sell the brand in 2009, at the same time it discontinued its relationship with Bell. Finally, accessories and licensing sales is another segment of the market heavily dominated by Harley Davidson. During the economy crash while bike sales slowed revenue generated from the sales of apparel and merchandise helped to contribute to the overall bottom line for Harley Davidson. In 2012 \$69.3 million was generated from the sales of general merchandise trademarked as “Underclothes” was up 12.8% from FYI 2011 (Harley Davidson Inc.

012). Summary and Conclusion Although Harley Davidson dominates the market in the United States, it has been the smallest in Europe and the 4th in Asia/Pacific region which is dominated by Japanese brands. One reason for Harley smaller market share in the Europe and Asia region is that the company cannot produce enough motorcycles to meet the demand and its prices tend to be higher than competitive models. Shortages of Harley lead

many consumers to purchase competitive bikes as there are 2-year waiting lists for some Harley models (“ Company spotlight: Harley-Davidson”).

This would lead us to live that Harley Davidson acts as a leader in a Steelmakers Oligopoly as it chooses its level of output in the market.

In the United States Harley Davidson is one of a few firms that create motorcycles for touring or cruising. Harley Davidson produces differentiated products and remains the leader in selling them. Competitor firms such as Honda and Yamaha sell a significantly smaller number of motorcycles in the US markets compared to Harley Davidson. Barriers to entry have been exemplified by companies such as Polaris and Triumph who have tried to enter the market but remain at 2-3% AT market share.