

# Analysis of harley davidson, india



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This report critically analyzes the marketing strategy of Harley Davidson Motor Company based in India. Harley Davidson often known as H-D or Harley is an American company who manufacture heavyweight cruiser motorbikes. They are doing business in 70 countries around the world. As Harley Davidson is still in its initial phase in India, their marketing planning and strategies are evolving as we speak. As the operations of Harley Davidson in India are considered, a lot of online references were used. This report looks into the marketing strategy of Harley Davidson by focussing on marketing mix, business environment and segmentation, targeting and positioning. For this it will try to critically apply marketing theories. After the analysis, some recommendations will be made in order to improve the marketing strategy of Harley Davidson.

#### COMPANY BACKGROUND

Harley Davidson Company was founded by William S. Harley and Davidson brothers in 1903 in Milwaukee, Wisconsin. It was later named as “ Harley Davidson Motor Company”. After World War II, Harley Davidson was the only American motorcycle manufacturer. In 1969, Harley Davidson was taken over by American Machine and Foundry (AMF). Production of Harley Davidson increased tremendously but at the cost of quality. During this time, Japanese motorcycle manufacturer Honda entered American market. Their quality was superior whereas quality of Harley Davidson was continuously going down. There was a time around 1980 when AMF wanted to sell Harley Davidson but there were no potential buyers. At that time Honda was leading the world motorcycle market. In 1981, a group of senior executives of Harley Davidson along with a member of Davidson family bought Harley Davidson

from AMF. In 1983, the Harley Owners Group fondly known as H. O. G was formed. In 1987, Harley Davidson was listed on New York Stock Exchange. In 1998, Harley Davidson takes over Buell Motorcycle Company. From then till now, Harley Davidson has ruled the heavyweight motorcycle market. (Harley Davidson, 2010a ).

THE ENVIRONMENT:-

THE MACRO ENVIRONMENT:-

**POLITICAL:** – The political factors in India affect the business operations of global companies such as Harley Davidson. Inter country relations play a vital role in business between two countries. In case of Harley Davidson, the import of bikes in India was allowed in exchange of export of alphonso mangoes to USA which was banned earlier due to pest risks (YouTube, 2009). After acquiring permission in 2007, Harley Davidson did not launch in India due to very high taxes and duties. Other factors that affect business are wars, terrorism and internal conflicts within a country. Elections and change of governments affect the business as government policies also change and companies have to adapt to them from time to time.

**ECONOMIC:** – India is a developing country whose economy is growing at a decent rate. Its GDP (gross domestic product) and per capita income are constantly increasing. Due to this the buying power of people is also increasing and they have more disposable income to spend. The standard of living is also improving day by day. This makes India an appealing target for companies like Harley Davidson (YouTube, 2009). Every country goes through a phase of prosperity, recession and recovery. These phases classify

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the buyer behaviour of the consumers. During the time of economic recession, the growth rate of Indian economy was approximately 6.5% which was one of the highest in the world. It is the 5th country in world in terms of GDP-purchasing power parity (CIA, 2010). This makes Indian market a lucrative investment option for many global companies. Earlier the import duties and taxes were very high for imported products. Now all the Harley Davidson bikes are imported with Euro III norms at custom duty of 100% (SIAM, 2010).

**SOCIAL:** – It is very vital for any multi-national company like Harley Davidson to understand the demographics of India, on the basis of which they design their marketing plan. It helps the company to predict size of market.

Language barrier in India is also an important factor for marketers of Harley Davidson. In order to work with local people they have to overcome this barrier. Marketers also have to understand as well as adapt to the value system and customs of local communities in order to survive in the market. It helps them to analyse the reactions and opinions of their target market. Change in lifestyle and standard of living also affects the business and should be taken into account by marketers.

**TECHNOLOGICAL:** – Harley Davidson continuously upgrades their technology in order to survive in this competitive environment. They also provide adequate after sales service and support to their customers. Their bikes are technologically very sound and sustain in any climatic conditions. After the establishment of its CKD assembly plant in India, the price of Harley Davidson products will reduce due to the cutback in custom duties.

Information technology has also improved the marketing system to a great

extent. The use of software technology in operations and supply chain has impacted the industry in big way.

THE MICRO ENVIRONMENT: – The Micro environment consists of internal factors like company, customer and competitors that affect the performance of the firm. (Solomon et al., 2009, p. 54)

Product Competition:- In a country like India, there are a number two wheeler manufacturers which give the consumers a wide range to choose from. Harley Davidson is a status bike which everybody in India cannot afford therefore most of potential customers will be drifted towards brands like Hero Honda, Bajaj, TVS and Yamaha which are affordable. Moreover the price of a Harley Davidson bikes are equivalent to cars in India so segmented market will be divided between two wheelers and four wheelers.

Brand competition:- Many competitors like Hayabusa, Honda, Kawasaki and BMW have either entered or have plans to enter the Indian market which will be a tough competition for Harley Davidson.

Disposable income:- Marketers from many industries target the extra income of the consumers which can be spent in several other ways like expensive holidays, buy a property or invest in fruitful way. Harley Davidson is implementing several marketing strategies to overcome this competition.

#### HARLEY DAVIDSON MARKETING MIX

PRODUCT: – “ Harley Davidson is a manufacturer of heavyweight cruiser motorbikes. It has launched in India with a wide range of motorcycles from its stable. The 12 models currently launched in India are from Sportster,

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Dyna, Softail, V-Rod, Touring and CVO family. . A wide range of merchandise is also available from the company like jackets, helmets, gloves, boots and bags” (Harley Davidson, 2010b).

The core product is transportation, a feeling of owning an exclusive product and the enhancement of their image in society. The actual product would be the motorcycles itself which comes in engine capacity of 883cc to 1802cc. Also the actual product would include the customization of bikes as per customer’s requirements and its brand name. The augmented product will be the global warranty and the service policy provided by the company.

Harley Davidson motorcycles come in the classification of durable products and speciality products. The product range strategy used by Harley Davidson is limited line strategy where they have 12 motorbikes that are targeting a specific elite segment in market. It helps in enhancing the company’s image. Harley Davidson follows Umbrella brand strategy where all the products are marketed under the same brand name. (Solomon et al., 2009, p. 304)

**PRICE :-** In India, Harley Davidson have entered in the premium bike segment with their motorbikes ranging from Rs. 6, 95, 000 up to Rs. 34, 95, 000 (Harley Davidson, 2010b). Harley Davidson demands such a high price due to its legendary brand name, its unique styling, attractive features and due to the fact that it’s motorbikes are technologically very sound.

The company has to understand the pricing objectives which are based on customer satisfaction and enhancement of company’s image. They have to estimate demand of their products so that they can establish their market share. They have to determine the costs incurred in setting up a dealership

and providing spare parts and servicing. The pricing environment has to be considered on the basis of economy, consumer trends and competition. Harley Davidson follows a one price policy where prices are fixed for all markets. The pricing strategy will be based on demand and cost from manufacturing, import and duty. Marketers at Harley Davidson have to consider the pricing environment. Marketers also have to keep a tab on their competition's pricing strategies. Consumer trends also play an important role in pricing as consumers from different demographics will behave in a different way. Harley Davidson applies price/quality inference strategy. Consumers do believe that a motorbike which is so highly priced has to be of a superior quality.

PLACE: – Harley Davidson has adapted Vertical marketing system and has come up with five dealers across India. They are Banjara Harley Davidson (Hyderabad), Himalayan Harley Davidson (Chandigarh), Capital Harley Davidson (New Delhi), Seven Islands Harley Davidson (Mumbai) and Tusker Harley Davidson (Bangalore). Harley Davidson has production facilities in USA in Milwaukee, Wisconsin; York, Pennsylvania and Kansas City, Missouri. The corporate headquarters of Harley Davidson are in Milwaukee, Wisconsin. All the motor bikes are assembled completely in USA and imported to India. Harley Davidson has future plans of opening an assembly facility in state of Haryana, India. As soon as this plant is in operation, CKD (Complete knock down) kits will be imported from USA and will be assembled here (Harley Davidson, 2010a).

PROMOTIONS: – Harley Davidson started its web campaign with Pigtail Pundits as their web partners. Pigtail Pundits along with The Republic

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(website designers) created the Harley Davidson India website (Pigtail pundits, 2010). Harley Davidson advertises only for the elite segment as they are the ones with the buying capacity. Harley Davidson also organised a number of events to promote their range of motorbikes. They conducted a media ride for all the auto journalists, Boot camp and Founders ride where a number of riders will ride through various cities of India. They also carried out an extensive advertising campaign during the auto-expo 2010 in New Delhi. (Harley Davidson, 2010b). Harley Davidson engages itself in promotions using the Pull Strategy trying to increase its brand equity through various forms of promotions.

#### THE SEGMENTATION, TARGETING AND POSITIONING

**SEGMENTATION:** – India has one of the largest two wheeler industry in the world. Last decade has seen a huge rise in the production of two wheelers in India. In 2009-10, 10.5 million two wheelers were sold across the country. Out of these, 77-78 % sales were of motorcycles and the rest was divided in scooters and mopeds. (Chandramouli, R and Doval, P, The Economic Times, 13-04-2010).

**DEMOGRAPHIC:-** Market can be segmented on the basis of its demographics such as age, gender, income, social class, occupation, family structure and geography. Demographic data helps in determining the size of target market. Market can be segmented on basis of age groups such as youth (18-25), matured (25-45) and elderly (45 and above). Gender also plays an important role in market. Segmentation can also be done on the basis of income and occupation as it shows the individual's purchasing capacity. It



gives the marketers an idea about the consumers preferred price range.

Many marketers segment the market on basis of social class such as upper, middle or lower class. Geographical segmentation can be on the basis of regions, states, cities and urban/rural areas. Geographic features help the marketers to estimate the patterns of product consumption.

**PSYCHOGRAPHIC:** – Psychographic segmentation can be done on the basis of activities, interests, personality and life style. The activities that consumers indulge in give the marketers an idea about their product development. If a consumer has interest in long drives and cruising then he will look for some specific requirements in his motorcycle such as fuel economy, good suspension, comfortable seating. Personality and behaviour traits of a consumer also affect their purchasing decision to a great extent. Appearance enhancement, feel good factor and social status also influence customers to buy particular products. Life style also plays an important role in psychographic segmentation.

**BEHAVIORAL:** – Another way of segmenting the market is on the basis of how the consumers actually use the product and what all benefits do they seek from the products. For two wheelers, the end use of the product can be multifold. Some consumers just see it as a mode of transportation. But for some users such as youngsters, having a motorbike can be a status symbol. Consumers want different benefits from their two wheeler such as quality, fuel economy, after sales service and looks. Segmentation can also be done on the basis of usage frequency. It gives the marketers an idea about frequent and infrequent users.

**TARGETING:** – Harley Davidson is using differentiated targeting strategy for Indian market. They are offering a range of products in wide pricing spectrum to fulfil the needs of consumers from different genre. The target market for Harley Davidson in India is males in the age group of 20-45. This segment consists of youngsters in age group of 20-25 who belong to well to do families. Also there are mature people in age groups 25-45 who are well settled and have a passion for motorbikes. As Harley Davidson Motorbikes comes in the premium bike segment, only those people who have a high disposable income will be able to afford these bikes. So Harley Davidson will target only the high class people in society. As far as geography is concerned, Harley Davidson has set up its showrooms in metropolitan and cosmopolitan cities of India. This is due to the fact that rural areas do not have a market for such high priced

motorbikes. Another market segment that Harley Davidson will target will be people who are motorbike enthusiast and are involved in outdoor activities such as motorbike

racing and rally's. Bikes from the Sportster family are meant for youngsters who are speed and sport enthusiasts. Another reason is that they are lowest priced models in entire product range. Touring and CVO bikes are cruiser bikes meant for those who like to take long drives. They are also the most expensive bikes the product range. They are meant for people with high income such as professional executives, entrepreneurs and self employed businessman.

**POSITIONING:** – Positioning of a product means creating a brand image in the minds of the consumers as they usually tend to pay money for the image rather than the actual product. Advertising is used to create that brand image of product. Firstly the marketers have to determine the position of their competitors. They have to show that their product is superior from competitor's product. As Harley Davidson comes in the premium bike segment, their competitive advantage comes from the fact that their bikes are perceived by its customers as status symbol. The consumers believe that as the bike has an enormous price tag, the quality will be superior too. Harley Davidson bikes are often associated with celebrities such as cine stars and sports personalities which in turn give an exclusive and royal touch to the brand image of company. Marketers use customer relationship management (CRM) programmes to interact with customers in order to determine whether there is a need of repositioning of marketing strategies (YouTube, 2009). They will access the needs of the consumers such as price, fuel efficiency, after sales service, warranty, looks and design an appropriate advertising campaign. Harley Davidson promotes its bikes in India by conducting more practical campaigns like bike rallies which enables the prospective customers to get a feel of their products.

#### PERPETUAL MAP OF MOTORCYCLES IN INDIA

Adapted from: Newman, N. (2010). Lecture 4: Segmenting, Targeting and Positioning (MGT 6045), Sheffield: The University of Sheffield

#### RECOMMENDATIONS:-

Harley Davidson should open more dealers to reach out more customer base.

They should focus on new product development as their customer base is shifting toward elderly segment. They should bring in more trendy and stylish models to attract the youth.

They should provide adequate number of service centres to cater their spread out customer base.

Harley Davidson should introduce new models in relatively less price range in order to capture better market share as there is a lot of untapped potential market in luxury bike segment.