

# Case study ducats

Business



Case Study Ducats: Content Summary Ducats Is an Italian racing-motorcycle manufacturer whose products are characterized by unique engine features, Innovative design, advanced engineering and overall technical excellence. In its 80 years of history, the company has won eleven of the last thirteen World Supervise Championship titles and many more individual victories. Ducats produces motorcycles In four market segments which vary in their technical and design features and intended customers: Supervise, Superstore; Monster and Sport Touring.

The motorcycles are sold in more than 40 entries worldwide, with a primary focus in the Western European and North American markets.

Despite its success in racing and products, the company went almost bankrupt in 1996 when it was taken over by Texas Pacific Group. The company experienced a very successful turnaround between 1996 and 2001 with the help of the new CEO Federate Million. Under his leadership, the company strengthened the brand (including the establishment of the Ducats Museum), boosted research and development, introduced new models and outsourced heavily.

Nevertheless, the financial situation of the company went down again from 2002 to 2005 due to estates In product selection, decline of the US dollar, and so on. Therefore, Texas Group sold its stake in Ducats to Universalistic. In order to achieve the growth in 1996-2001 again, the company now has to decide on the best growth strategy.

Some alternative strategies are to invest in technology, product lines, Ducats Image or shares to increase the value of Ducats. The Problem How can Ducats re-achieve the growth they had between 1996 and 2001?

Cast of Characters People Evidence Monotint, CEO Federate Million, 57, has been the Chairman and CEO of Ducats between September 1996 and May 2007. He was hired by Texas Pacific Group as Ducat's new CEO In 1996. He had a successful history In different companies, starting In the Italian dolls of Procter ; Gamble In 1974 and later moving between consulting firms (McKinney and Pain ; Co. ) and industry (as the CEO of the U.

S. Division of Italian garment brand Benton). Tater Decoding ten CEO AT Ducats e NSA Ilea a new top-teller management team.

He created the " World of Ducats" with his management team by investing in the Ducats brand. Some of the investments were the establishment of the Ducats Museum, purchasing a controlling interest in Gig.

Ca. Motto, which was an apparel and accessories company that had been producing products for Ducats, and forming a joint venture with Dainties to develop and manufacture special riding equipment. Million left the largely unstructured company alone to encourage creativity and teamwork. He had set two goals: double-digit revenue growth and an EBITDA ratio comparable to Harley Division's of 20 percent.

Institutions Texas Pacific Group An American investment firm that took over Ducats in 1996. It brought much needed cash and a new group of international managers.

Universalistic Holdings AS An Italian firm focused on providing industrial solutions and capital to leading mid- market companies in Southern Europe. In late 2005, it bought the controlling shares of Ducats from Texas Pacific Group. Motorize Italy's oldest motorcycle company that mostly produced cruisers. Million had made several attempts to purchase this company instead of building a cruiser with the Ducats name, although never been successful.

Acquisition of Motorize is always an option for Ducats, according to CEO Million. Chronology 2007: Gabriele Del Torch becomes the new CEO, taking over Federate Million's roomer position.

Ducats takes its first Mottos World Title. 2006: The Discommodes OR is launched at the Italian Mottos in Angelo. The Supervise 1098 is also announced and voted " Best Design". 2005: Controlling shares of Ducats changed from Texas Pacific Group (TIP) to the Italian company Universalistic. 2003: The Multicultural is on the road. 002: The launch of the 999, " Bike of the Year" according to the British Motorcycle News magazine.

In the World Supervise Championship, Ducats wins its 1 lath Manufacturers' Title. 2000: The Inhume becomes the first motorcycle to be sold on he Internet; its success leads Ducats to establish the Ducats. Com website. 1996: Ducats is taken over by TIP. 1995: Despite product innovation and racing successes, Ducats enters into a deep financial crisis.

Its cash is drained by unsuccessful ventures of companies within the Castigation group. 988: Ducats expands its share of the motorcycle market, introducing new models, increasing the supply of large displacement  
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motorcycles, and intensifying the company's commitment to racing. 1983: Ducats is purchased by Castiglioni brothers and becomes part of the Capita Group. 1954: AIBO Tackling (known as "Dry. T") Joins Ducats and introduces new models and participates in the races to show the performance of his designs.

He implements the Discomodes valve distribution system. 1946: "Il Cuckold", a small auxiliary motor that could be attached to a bicycle to provide enhanced speed, appears.

Ducats becomes an affirmed trademark in the mechanical sector. 1926: Antonio Cavalier Ducats and his three sons set up Society Radio Brevetted Ducats as a manufacturer of electrical components for radios in Bologna, Italy. Issues SOOT analysts Strengths Ducat's Deluges strength we see Is Its Italian eagles Ana ten Doran Walt null loyalty amongst customers. The Italian styling of the motorcycles is characterized with a generally lower seating and a lighter weight making them attractive for female riders, who are increasing their share among all riders.

The brand is an old one and it is associated with speed, performance and innovation.

They even set up a museum dedicated to the brand and the company's history, which is empowering the fact that Ducats is not just a bike - it's a dream. Ducats is known for its well performing bikes in the sport market. With the help of the highly skilled engineers, Ducats products are unique and different, and this makes it possible for the company to charge higher prices. The bikes are differentiated from other bikes with their discomodes valve

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control system, which increases engine performance, the L-twin design on all engines, a signature low-hum engine sound, and frames built around the Formula One-inspired tubular trestle.

All of these make the bikes better at performing in races, thus the ranks achieved in these races help to build the Ducats brand. Another strength of Ducats lies in the way it earns money on ancillary products, which makes higher margins than the bikes. Positioning the product as not only a bike, but a dream, the “ World of Ducats” makes it very attractive for racing enthusiast to “ Join the tribe” and become a “ Autistic”. Weaknesses The biggest weakness for Ducats is that it can not compete on the costs with the Japanese.

Because of this there will never be an option to compete on price.

Another weakness is that the Ducats brand is linked to the sports market, and not leisure market, which has a bigger group of potential buyers. For experienced riders, Ducats is “ the king” in the sports market, and these bikers cannot imagine Ducats producing anything other than sport bikes, like cruisers etc. For the leisure market. If they were to buy a sports bike they would buy a Ducats because of its high quality in this category, but if they were to buy some other kind of bike, they would not even consider Ducats.

This is a weakness, because it limits Ducat’s potential market. In the period 2002 – 2005, Ducats also showed a weakness in the fact that they failed at the product side.

This could just have been a one-time miss, but it may be good to keep a higher focus on this in the future, to avoid making the same mistake again.

**Opportunities** The website “ Ducats. Com” is one of the company’s biggest opportunities. With an amount of 10 million unique visitors on the website, and only 350, 000 owning a bike, there should be a great potential “ to do something about the people who have a dream”.

This shows that their brand is well-known, and there are a lot of interested people out there. The question is whether all of the visitors of their web-page would be interested in buying a sports bike, and if so, how to sell it to them.

The other opportunity this website brings is the fact that the company may use the online reviews and the personal blogs (disseminate) to get to know more about their customers - what they want their bikes to be like (design/technology), who they are and why they chose Ducats in the first place.

This information might make it easier for Ducats to know what to focus on in the future to best capture the potential in the market. Another opportunity facing Ducats is the “ BRICK” countries. These are the countries that have growing wealth and have the potential to consume European and American luxury goods. Ducats is known for quality and design, and may have a good potential at reaching these markets. In emerging markets like India, there is a growing interest in the sports market as in the leisure market, and also a problem with these countries is the threat of governmental restrictions.

**Threats** One of the biggest threats facing Ducats is that they need new investors and that these new investors probably will demand changes to cut

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costs. Since Ducats is a producer with focus on quality (technology and design) there is a need for capital to keep up with innovation and design, and Ducats needs to attract investors who are willing to put enough capital into the company to keep it leading in its niche. Another threat is on the designer side of the product.

Since it takes some time to develop new products, they have to be able to imagine what their customers will want their bikes to look like and what will be the trends in three years from now. As the manager says, they “ need to come up with magic”.

Porter’s generic strategies analysis According to Porter’s generic strategies a company could either be a cost leader, differentiate its product or focus on a niche market, depending on its competitive advantage and competitive scope (See figure 1). Figure 1: Porter’s generic strategies Ducat’s competitive advantage is differentiation.

They are not able to compete on costs with the Japanese, and their biggest competitive advantage is their brand and design, which differentiates them from the competitors. Regarding competitive scope, Ducats has had a narrow target on the sports market up to now, but it is still thinking about broadening its scope to the leisure market. On one hand, it may sound easy to stretch into further markets.

On the other hand, this may be problematic, since riders associate the Ducats brand with sport bikes, and not bikes in other areas of use.



Experienced riders, with knowledge about the Ducats and other brands in the industry, would most likely not consider Ducats when buying a bike for leisure time, because they know that Ducat's area of expertise is the sports motorcycles. Options Focus on the core business Ducats may keep focusing on its core business - the sports market through branding and investment in technology. Advantages Ducats is a well-known brand in this market, and it has a strong niche position.

By keeping its focus on this, and by keeping on investing in the brand and new technology/innovation, they will keep their customers satisfied and this will induce increased brand loyalty in the future.

It is also a good strategy to put the emphasis on the strengths, such as the brand, design and the "World of Ducats". This way Ducats can keep selling style and performance based on technologically advanced designs.

Disadvantages A disadvantage of this strategy is that the market is relatively small.

Now they have to compete for fewer customers than if they were to expand into other motorcycle markets. If they expand they can sell more bikes to people who are not athletes, but still Ducats fans, and they may earn more money by also selling ancillary products to Hess people.

Expand into the leisure market Ducats may decide to expand into the leisure market to try to capture a bigger share AT ten potential market available tender. Advantages The biggest advantage in following this option is that Ducats can reach out to a broader market, and more potential customers.

By doing this they have the opportunity to use their competence in design and their technology to attract people who are not into racing, but who would like to have a bike like Ducat's for recreation purposes. Also, they would probably be able to sell more ancillary products, and thus earn higher revenues. Disadvantages If Ducats is to start focusing on other potential markets, it may hurt the brand image in people's minds.

By also putting resources into other businesses, there will be less available resources for continuous technology and design improvement to keep the brand as strong as today.

Another potential disadvantage is that experienced riders with the most knowledge about the industry and its companies/brands would still consider Ducats as a sports bike. They would buy a Ducats if they wanted a sports bike, but if they wanted some other kind of bike, they would go with another brand that has higher experience in that kind of bike (like a KTM if they wanted a cross). For these riders, Ducats is known for its high quality, and by moving into other parts of the motorcycle industry, they might confuse customers as to what they are really good at.

**Recommendation** Focusing on their core business We recommend Ducats to keep focus on its core business, which is the sports market. They should do this by investing in technology to keep up with the development in the market.

They should also keep a strong focus on their brand and its position in the market, and try to make the brand more visible, whenever possible.

**Reasoning and Rationale** The reason why we recommend that Ducats should

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keep focus on its core business is that they already have a well known brand in this market, and are appreciated for their nice Italian design and good use of technology.

Their customers are very loyal and it would not be the right choice to somehow signal that they are not enough for the company. Rather than trying to enter other markets, they should make an effort in getting more people interested in what they are actually good at: Sports bikes. We also think that by trying to enter other markets, they may somehow harm their good reputation in their core business, since cost reductions may lead to less investment into this segment.

Another issue is that if they expand, the chances for success in the leisure market might not be as good as expected, since their brand stands for a sports bike for athletes, not for “everyone” with less competence in how to handle a bike. They may think that a Ducats is too complicated for them/their use of the bikes. Plan of Actions Invest in technology They should invest in technology to keep up with the innovations so that they will remain the leading company in the races. They should keep using the best technology to continue producing the best bikes in the market.

This will keep customers pleased and help to strengthen the brand renowned for its quality.

Focus on the design Design is very important since most of the customers are young people who like to be trendy. By hiring an external designer and focusing more on what a trendy design in ten Truer wall KICK eke, teen may De addle to “create magic”. Make ten sport a culture By increasing

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sponsorships and investing heavily in races they could keep building on the culture surrounding the “ Autistic”. This culture is good for selling ancillary products that earn higher margins than the bikes themselves.

They could also make the sports a culture through positioning their bikes in movies and having celebrities and racing athletes as spokespersons.

Invest in the brand They should try to invest in the Ducats brand, but the investments going into this should be rather small considering costs. They should use cheap methods or even methods that will make them earn money, like training inexperienced riders, who would like to try out racing. People that are interested in this would be willing to pay for this, and by these trainings Ducats could let them experience to be a “ Autistic”.

Branding towards children Another way of branding is focusing it on branding towards children. This could be done through computer games and small toy bikes with the Ducats logo on them.

This can help the company to get the children familiarize with the brand early and to recruit new “ Autistic” for the future. To produce the toys they may establish a partnership with a company that produces toys, or come to an agreement with the producers of other ancillary products if possible.