

Problems harley davidson face in current economy marketing essay



**ASSIGN
BUSTER**

Harley-Davidson maintains a large margin in its dominance in the U. S. Heavyweight Motorcycle market as compared to its major competitors. While the United States is HOG's most important market, the company sells motorcycles in many other markets worldwide. The two most important are Europe, where the company has grown market share from 9. 8% in 2005 to 10. 7% in 2007, and Canada where HOG had a 39. 0% market share for 2007, up from 32. 7% in 2005. Worldwide, Harley has a dominant worldwide market share of 33% in what is a growing industry.

Kawasaki Heavy Industries (KWHIY): Kawasaki is a global manufacturer of transportation equipment and industrial goods. KHI manufactures ships, rolling stock, aircraft and jet engines, gas turbine power generators, environmental and industrial plants, and range of manufacturing equipment and systems. KHI also produces consumer products, such as Kawasaki-brand motorcycles and personal watercraft.

Each industry aims to exercise an individualistic, effective and efficient business strategy that will allow them to always retain a positive and progressive position in the competitive market, particularly in the international market. The purpose of this report is to evaluate the strategic options available to the Harley-Davidson company. This report will entail the use of different strategic analytical tools such as the swot analysis, porters five forces analysis, a pest analysis, a strategic capabilities analysis and recommendations to relevant issues of the company.

The Harley-Davidson company is based in Milwaukee, Wisconsin United states of America and was founded in 1903. It sells and produces

heavyweight motorcycles, as well as motorcycle accessories, parts and allied services. Harley Davidson is the parent company for the group of Companies together with the Harley-Davidson Motor Company, Buell Motorcycle Company and Harley-Davidson Financial Services. The company offers over 35 models of customized motorbikes via a worldwide network of over 1, 500 dealers. The company also produces motorcycles under BUELL.

Furthermore, Harley-Davidson operates its company by means of two particular segments that is Motorcycles and Related Products, and Financial Services. The Motorcycles and Related Products segment engages in the manufacture, design, and sale of primarily heavyweight touring, custom, and performance motorcycles primarily in North America, Europe, the Middle East, Africa, the Asia/Pacific, and Latin America. It also provides a line of motorcycle parts and accessories, including replacement parts, and mechanical and cosmetic accessories; general merchandise, such as apparel and accessories; and related services. Financial services include instalment lending for its new and used motorcycles. The Financial Services segment also provides motorcycle insurance and property/casualty insurance, as well as sells extended service contracts, gap coverage, and debt protection products to motorcycle owners. Harley-Davidson sells its products through independent dealers and distributors.

PEST ANALYSIS

Political

Harley-Davidson faces a favorable political environment in 2009. This year, motorcycles are added into the economic stimulus package, passed into

legislation by the Barack Obama Administration, that offers tax deductions to buyers. This stimulus allows customers to receive deductions for their purchases on the 2009 tax returns, which in turn gives buyers an incentive that might push them from the “on the fence buyer” to customer status (Wachter, 2009).

Another political byproduct that may favor Harley-Davidson is the extensive consumer protection law passed last summer. “...the regulations have squeezed the brakes on sales of all-terrain vehicles and small dirt bikes intended for use by children 12 and under. Since the new rules went into effect Feb. 10, an expensive inventory of them has piled up as shoppers across the country are turned away without their new rides.” (Cate, 2009). This restricts their competitors and eradicates substitutes and or any opportunity cost that can propel consumers to spend more cash on Harley-Davidson’s motorcycles.

Economical

According to the Datamonitor report in 2010, Harley-Davidson a US-based motorcycle manufacturer, has reported a net income of \$88.83 million, or \$0.40 per diluted share, for the third quarter ended September 26, 2010, compared to \$26.48 million, or \$0.24 per diluted share, for the third quarter ended September 27, 2009. For the third quarter of 2010, net revenue from motorcycles and related products were \$1.09 billion, compared to \$1.11 billion for the third quarter of 2009. Net income for the first nine months ended September 26, 2010 were \$193.31 million, or \$1.29 per diluted share, compared to \$163.58 million, or \$0.93 per diluted share, for the nine months ended September 27, 2009. For the first nine-month period of 2010, <https://assignbuster.com/problems-harley-davidson-face-in-current-economy-marketing-essay/>

net revenue from motorcycles and related products were \$3.26 billion, compared to \$3.52 billion for the same period of 2009.

These figures are definitely going to change in the future. There are only a few companies operating within the motorcycle industry with fair to moderate competition. Based on the Porters five forces analysis there are only a few companies are unlikely to occur because of high barriers of entry into the market. Hence, Harley-Davidson will continue to lead in the industry because of its sustainable advantage of product differentiation. Economically Harley-Davidson is in a position for business. Furthermore, within the U. S. economy Harley-Davidson holds the majority of motorcycle sales. Therefore, even while industry growth is declining, Harley-Davidson sales and other motorcycle sales are continuing to increase.

Social

As previously mentioned, social factors play a large role in the external industry in which Harley-Davidson operates. While buyer power is weakened due to large product differentiation, most loyal customers to Harley-Davidson has a defined lifestyle-brand image that characterizes its buyers. Even with moderate switching costs, buyers are not likely to switch to substitutes because of these social factors. Other competitors such as Yamaha, Winnebago, and Honda Manufacturers such as Honda offer competitive but different lifestyles which define the buyer. In this way competition is weakened due to differences in lifestyle and strong brand loyalty.

Technological

Harley-Davidson's rivalries are all continually trying to innovate their products in order to gain competitive edge.

Surprisingly, Harley-Davidson and other Motorcycle manufacturers do not take advantage of the technology currently in use that grants their bikes more economical gas mileage. With new technologies emerging for optimal engine performance, this may be a strategy that Harley-Davidson should meld into their motorcycles. " MAST, Inc. has developed an oil sensor device to provide simple, easy-to-use monitoring of the basic properties of engine oil, and allow vehicle owners to change the oil at intervals that optimize engine performance" (Mircromem, 2009).

Harley-Davidson's Pest Analysis synopsis

In 2009 Harley-Davidson was experiencing positive outcomes in the Political Environment due to the economic Stimulus that permitted tax breaks to consumers. Although the market has recently faced economic recession, motorcycle sales are staying comparatively stable when compared to substitutes. This may be due to the sound social aspect of the industry that relies on certain lifestyle factors and a strong brand loyalty. In a Social aspect, Harley-Davidson is on top of the game because of demographic trends with the increase of female riders and their customer base.

Furthermore, technologically Harley-Davidson needs to take advantage of developing mechanisms that will increase its sustainability and keep them at a competitive edge in the industry.

Porters Five Forces Analysis

Internal Rivalry

Firstly, there are only four major companies producing motorcycles, so the market is concentrated. Yamaha, Suzuki and Honda are the other three main participants in addition to Harley-Davidson. These competitors are more diversified and they possess larger financial and market resources. This is a threat to Harley-Davidson as rivalry is fierce. Normally, Harley-Davidson has been in control of the market in excess of 50% in the past. However, presently the market share has decreased by 50% due to rivalries expanding their range of heavyweight motorcycle production and strategically altering their marketing and altering their style of motorcycles. Harley-Davidson is increasingly relying on their brand name to sustain and build its customer volume.

Potential Entrants

The heavyweight motorcycle industry is extremely capital concentrated. As with other industrialized industries, there exist major economies of scale. On a small scale, overlooking marginal costs as production increases can be unfavorable because the capital requirements for manufacturing a similar product is very high. Noteworthy economies of scale are the major reason why there are only a few main participants in the motorcycle market.

Nevertheless, there are several small-scale manufacturers that construct customized motorcycles but they don't produce a large enough amount to threaten the business of Harley-Davidson.

Substitutes

Firstly, it is unmistakable that Harley-Davidsons' motorcycles are luxury items, so there are few close substitutes for heavyweight motorcycles.

Yamaha, Honda and Suzuki all manufacture motorcycles, which are smaller and quicker and act as a substitute for Harley-Davidson bikes. These motorcycles require a different riding style and their brand names are not as admired as 'Harley-Davidson'. On the other hand, these heavyweight motorcycles project an elite and classy image that is a driving force in a consumer's decision to purchase.

Power of suppliers

Harley-Davidson functions on almost every point of production from basic necessary raw materials to the shipping of completed motorcycles to its range of dealers. Since there are an extensive range of merchants existing so if one supplier makes a decisions that is not beneficial to the business of Harley-Davidson they can simply switch from one supplier to the next without affecting business production.