

The strategic options available to the harley davidson organization



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Introduction

This study aims to measure the strategic options available to the Harley Davidson organisation. Harley Davidson Inc. has two operational sections, bike and funding. Harley Davidson Financial Services (HDFS) offers loans, rhythm insurance and protection programs to run into the demands of their proprietors, whilst the bike section designs, green goodss and markets chiefly heavyweight touring, usage and public presentation bikes. It besides manufactures bike parts and accoutrements, cogwheel and dress. The company is the lone major American manufacturer of bikes and operates globally, with gross revenues largely in North America, Europe, Asia/Pacific and Latin America.

Although in the past the company has experienced growing and continued success, attributed to its trade name trueness, in 2009 Harley Davidson (H-D) had to close down and consolidate mills due to the effects of the recession and the autumn of the US lodging market.

Strategic options can merely be developed after the company ' s strategic place is known. Thus the first subdivision of the study uses tools and constructs to find H-D strategic place. In visible radiation of the company ' s strategic place strategic options are so formulated ; this is presented in subdivision 2. The 3rd subdivision of the study so uses the success standards model presented by Johnson, Scholes and Whittington in corporate scheme,

as a footing to measure the strategic options presented and recommendations are made.

THE STRATEGIC POSITION OF HARLEY DAVIDSON INC.

This subdivision of the study is concerned with understanding the strategic place of Harley Davidson Inc. in an effort to explicate strategic options for the company. It first identifies the alterations that are happening in the environment and how these alterations affect H-D and its concern activities and back the resource strength and capablenesss of H-D.

1. 1 THE Environment

In order to understand the environment which H-D operates in the undermentioned models are used with the purpose of assisting to place cardinal issues and challenges and ways of get bying with complexness and alteration.

1. 1. 1 PESTLE ANALYSIS

In 2009 H-D stood to derive from the Economic Stimulus Package, passed into statute law by the Barack Obama Administration. “ The federal stimulation bundle gives taxpayers interruptions if they purchase a new auto, light truck, RV, or bike. “ (Wachter, 2009) . In add-on, Coachman industries besides a maker of leisure vehicles, and a rival of H-D was eliminated from the New York Stock Exchange.

Harmonizing to the Datamonitor study “ the Motorcycle Industry section has had economic growing for the past three old ages, and has merely late been

sing diminution. In 2007 it declined 2.3%, yet is forecasted to retrieve 4.3% by 2012. An economic factor in favour of H-D, despite this diminution, is that the U. S. industry generated entire gross of \$ 10.2 billion in 2007, of which 98.8% were of bikes (non scooters, motorbikes, etc.). Furthermore, within the U. S. economic system H-D holds the bulk of bike gross revenues. Therefore, even while industry growing is worsening, H-D gross revenues and other bike gross revenues are still going to increase. " (DataMonitor 2007) . Figure 1 shows bike industry growing versus gross revenues.

11 Figure 1

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The Motorcyclist Industry Council (MIC) discloses that leisure merchandise industries are confronting steep diminution nevertheless the bike section though worsening, is non making so at a steep rate. Tim Buche, President of the MIC says " Overall bike gross revenues were down 7.2%, non about every bit crisp a diminution as many other consumer merchandises in today ' s economy/ " (Wasef, 2009) .

Socially H-D has a competitory border which is owed to its client base, strong trade name trueness and demographic tendencies such as the increase in female operators. " This trueness is indicated in the mean age of H-D consumers. H-D mean consumer purchasing age is 42 old ages old and increasing (Gauvin 2005) . H-D aspires to increase its consumer demographics, nevertheless " although the younger coevals below 35 old ages of age has posted the largest additions in ownership, the coevals that is

on the border of the baby boomer section will be the chief accelerator of growing for the industry " (Konzept 2007) .

One societal factor that may negatively impact the sale of H-D motorcycles is the stigma that has been attached to these leisure vehicles. A lot of people believe that bikes are unsafe and this belief is strengthened due to the high rate of bike human deaths and clangs. H-D stands the opportunity of getting away from this stigmatization if the public positions their motorcycles as " patrol cars " and non " velocity motorcycles " .

Technologically H-D can take advantage of antilock brake systems. Antilock brakes could assist riders avoid fatal crashes harmonizing to a survey done by the insurance industry.

1. 1. 2 PORTER ' S FIVE FORCES MODEL

Competition

" H-D operates within the Recreational Vehicles industry along with five other major rivals: Winnebago, Polaris, Thor, Arctic Cat and Marine Products. The top performing artists within the industry and keep 92 % of the market portion by volume with a market capitalisation of 64. 653 Billion of a entire Industry of 7 Billion " (Yahoo Finance, 2009) . " Other houses in different industries that are direct merchandise challengers include Honda Motor Company Limited, Yamaha Motor Co, Ltd. , and Suzuki Motor Corporation " (Datamonitor, 2007) .

" The presence of these big transnational corporations with exceptionally high assets boosts the grade of competition within the industry. Because of <https://assignbuster.com/the-strategic-options-available-to-the-harley-davidson-organization/>

the little figure of stuff challengers, the market ' s gross is shared between fewer houses and enhances the grade of competition for bottom line net income. This competition forces most rivals to seek and diversify their concern theoretical accounts through geographical enlargement or perpendicular enlargement, taking to involvements and investings in a assortment of other sections such as the car, watercraft, industrial and agrarian equipment countries. " (Datamonitor, 2004) .

Menace of Substitutes

" The Recreational Vehicle industry faces menaces from the Automobile Industry, from public transit options and from Bicycles. The menace is mostly dependent on the indispensableness of bikes and other lifestyle merchandises to the terminal user " (Datamonitor, 2008) .

In most developed states, bikes are leisure points and are non a necessity and are hence mostly dispensable or substitutable by more " practical " points such as autos or more " cost effectual " agencies of transit such as bikes. This deficiency of necessity increases the menace of replacements and is one of the major grounds why the external market goes into diminution during economic recession.

Buyer Power

Overall, purchaser power is low due to sustainable competitory advantage of merchandise distinction which is impossible for other trade name rivals to fit.

Supplier Power

Large transnational corporations such as Harley-Davidson can have stuffs from many different international providers and face low shift costs due to minimum merchandise distinction. This presence within the international market encouragements Industry leaders ' power. Overall, supplier power is moderate.

Menace of New Entrants

Overall, this menace is moderate due to high set up costs, high trade name acknowledgment, client trueness and high research and development costs.

1. 2 RESOURCES STRENGTH AND CAPABILITIES

Organizational Resources

HD has a formal construction that works for the company: decentralized, adept squads and leading circles that value employee input. Programs they use to be after, study and track stock list and production include their SMS, Vibration Tech & A ; PdM engineering systems, every bit good as their web-based HD Distribution provider web that provides sellers with a wealth of information about supply and demand within the company.

Physical Resources

The " Harley Triangle " provides a footing for tracking and supervising the house ' s physical resources. Location and Sophistication of direction and the expertness of fabrication forces and other employees is the key in accessing natural stuffs, procurance and upkeep related to fabricating equipment. HD

workss are streamlined and well-maintained, which is a nucleus resource for HD.

Technological Resources

Harley-Davidson has many technological resources: including many different trade name name Patents, Trademarks, and Copyrights which protect its repute and image.

Human Resources/Capital

Trust, Knowledge, Managerial capablenesss, every bit good as organisational civilization are HD ' s key, most valuable human resources. The company civilization, as antecedently discussed, gives HD a major competitory advantage. Employees and providers know their input is valued and take pride in their work. Peoples involved are passionate about the trade name and this adds unseeable value to the company.

Innovation Resources

Employee and provider, every bit good as direction ' s thoughts are immense resources for HD, as these people know the concern and cognize its possible. Since there are such a assortment of inputs, HD ' s capacity to introduce and create/develop new merchandise is non capable to stagnancy or groupthink. However, HD does seek to remain true to its niche market, and this creates some boundaries for advanced thoughts.

Reputational Resources

Repute with clients, trade name name, perceptual experiences of merchandise, and repute with providers are all really good to HD ' s operations, and maintain clients loyal to the merchandise. Interactions and relationships are stressed at HD in order to guarantee quality craft and reciprocally good engagement in all phases of production.

Capability

Intentionally Incorporate Technological Resources

HD ensures that all procedures and activities throughout its value concatenation are integrated utilizing web based SMS systems, barcodes, and studies that enable its JIT stock list flow. This allows production to flux swimmingly.

Foundations - unique accomplishments and cognition of house ' s employees and functional expertness

HD besides ensures that its employees are trained for all facets of their occupation, incorporating employee cognition in order to ease smooth flow, fixes and passages. These employees are passionate about their occupations, and reassign that passion into their work in a functional, professional mode. HD empowers their employees, and in bend HD employees add value to the company.

Manufacturing

HD ' s JIT stock list pull system means that it must hold streamlined fabrication abilities. HD does this by guaranting quality inputs into its

fabrication workss, flow production methods, and well-maintained equipment. HD fabrication workss are capable of bring forthing many different theoretical accounts and establish their stock list off of client pull demand, cut downing costs around the board every bit good as stock list finished merchandises that sit unsold in warehouses (of which HD has really few) .

Distribution

JIT stock list direction needs good transit flow logistics. HD has the capableness to cut down lead times and guarantee pull bringing through its private fleet of trucks and contracts with distribution providers such as UPS.

STRATEGIC OPTIONS

Scheme 1

Harley Davidson is America ' s bike giant. For old ages the babe boomers have carried the Harley trade name to success but in these tough economic times have tightened the belts of America. No thirster are people passing money on leisure transit vehicles like boats, ATVs, RVs, and bikes. The big job with all of these merchandises is that they are non made for day-to-day transit ; they are holiday and thrill vehicles. The market for purchasers who can afford these merchandises is shriveling because a purchaser must hold a high disposable income to purchase recreational vehicles. Most purchasers must already be established in society, the mean age of a Harley Davidson proprietor is 47. 3 old ages old. This figure has continually gone up <https://assignbuster.com/the-strategic-options-available-to-the-harley-davidson-organization/>

throughout the old ages, even with Harley ' s Iron 883 motorcycle that was a success in the younger crowd. Most Harley ' s have a basal monetary value of around \$ 25, 000 while the Iron 883 starts at around \$ 8, 000, which is more appetizing to the younger audience.

Harley late announced their new market scheme that is aiming adult females and minorities. They are making this to spread out their market base and turn the company to assist last the current economic system. The job with portion of this attack is that portion of it does non suit the Harley civilization. Womans are either into the biker life style or they are non, they tend to non hold a craving to happen something hazardous to acquire into that work forces do in the center of their lives. This is an investing in production that may come back to hangout Harley. If they are to turn the concern Harley, must make so without necessitating in to put excessively much capital in new operations and production. Harley needs to travel back to their nucleus and expand by happening new riders who could go portion of the biker life style and civilization.

Scheme 2

The Harley Davidson bike has been an American icon since 1903. Harley has built one the most alone reputes within the American bike concern. The bikes have transformed into a lifestyle, instead than mere transit. Using the bike ' s image, Harley Davidson became a market for recreational vehicles ; representing a sense of ' freedom ' and ' leisure ' to transit. Often complementary to other recreational vehicles, such as motor places, boats,

ATV ' s, snowmobiles, etc. , Harley Davidson has taken advantage of their exceeding civilization and have used it to make gross revenues.

However, irrespective of Harley ' s repute and heritage, an economic downswing has shown that Harley Davidson, Inc. needs to reconstitute their market. Fiscal crisis ' has slowed consumer disbursement, finally taking to low gross revenues bikes and recreational vehicles. Due to the economic conditions, Harley Davidson ' s 2008 net income fell 30 per centum, diminishing cargos by 8 per centum (Yahoo! Finance, 2009) . The demand for heavyweight bikes has dropped dramatically, non merely in the US economic system but besides worldwide.

During the first one-fourth of last twelvemonth ' s one-fourth, Harley ' s world-wide retail gross revenues decreased 12 per centum while US gross revenues fell 9. 7 per centum (Clutch and Chrome, 2009) . A slow domestic economic system so forces one to direct a focal point on international chances to open future long-run chances. The " American dream, " associated with Harley ' s, needs to be changed to suit in other dynamic civilizations to increase market size. Besides, increasing market size will let more investing in research and development to use competitory advantages within the market. Harley Davidson already has an upper manus in footings of trade name singularity and clearly stands out from the ordinary bike. An already attractive merchandise will let R & A ; D to map at an optimum rate.

Harley Davidson, Inc. presently operates internationally in about 30 states. The demand in foreign states has forced direction to use their leading and selling accomplishments to international markets. The economic slack has

forced Harley Davidson to reconstitute its international direction squad and mentality. More experience and expertness into a state ' s civilization and legal demands are indispensable. A planetary direction squad needs to be comfy and confident when running with or in foreign states. Understanding international concern patterns and moralss is a important quality when seeking to spread out. Harley needs to make state based squads that are determined to do wise cultural determinations.

Closely executing legal dimensions, geographic barriers, cultural obstructions, and investings will positively place Harley Davidson, Inc. for future chances.

Harley Davidson, Inc. ' s former CEO stated, " International markets are a great chance, we need to turn them to diversify our gross base " (Rovito, 2009) . A new CEO has been appointed and is expected to convey planetary and fabricating experience. Keith E. Wandell is good attuned to international gross revenues every bit good as fabrication experience. These two qualities are precisely what Harley Davidson needs in order to retrace their international markets. This could be a turning point for Harley ' s merchandising attack.

Constructing fabrication workss in bigger foreign markets will assist alleviate transportation disbursals, revenue enhancements, duties, and will be able to accurately react to the specialised demand. Get downing fabrication workss in other states could make legion occupation chances. Properly trained directors would supply a domestic leading manner that is optimally adjusted to the proper civilization. Not merely would this make more occupations for

US direction, but besides generate more gross for foreign economic systems as locals will be needed for production. Although a long term end, the production of fabrication workss would be a plausible and positive hereafter direction determination as markets expand over clip.

Scheme 3

Many consumer behavior research surveies indicate that consumers are really likely to buy merchandises that are offered as limited editions. One scheme Harley-Davidson can utilize in order to further growing is to let go of a limited edition bike, co-created by consumers as portion of the promotional mix. Harley-Davidson can utilize this promotional scheme to acquire consumers involved, appeal to their desires for rareness, and increase gross revenues.

While Harley-Davidson has released several limited edition bikes in the yesteryear, this publicity can be adapted into a new scheme. The new limited edition bike would necessitate the engagement of consumers to assist co-create the merchandise. Harley-Davidson ' s research and development section would plan three different bikes and so they would be uploaded to the HD web site. Then, consumers would be able to log on and ballot for their favourite bike. The victorious bike would so travel into limited production. Those who voted would hold first precedence to buy the bike. Owners would so acquire an across-the-board trip to the Harley Davidson Sturgis Rally. This publicity would be comparatively cheap, yet extremely effectual. The interior decorators could plan the bikes in a manner that reuses every bit many bing parts as possible, while still making a alone

manner. This design procedure would take down production costs for the limited edition bike.

A limited edition bike release of this nature would be an effectual scheme because consumers are flocking to trade names that are “ playing hard to acquire. ” Now more than of all time, rareness is of import for the high-end luxury sector, flush 30-40 twelvemonth olds, babe boomers, coevals X and Y, and ‘ creative category ‘ consumers (Kasriel, 2007) . This tendency has shown that successful merchandising involves constructing a niche market instead than appealing to the multitudes. The universe is going saturated with merchandises that are really similar to each other, and the quest for rareness has been driven by the feeling that certain merchandises will assist us to stand apart from the multitudes. A limited edition Harley-Davidson bike is the perfect manner for consumers to make merely that.

Scheme 4

HD stock monetary value is at its lowest mean monetary value market value in old ages. HD working capital is invariably diminishing, while although HD hard currency flow is increasing on a annual footing, they still can non happen funding to back up company growing from American establishments.

With foreign operations increasing in volume, every bit good as capital investings and relationships with providers overseas HD can put its extra hard currency into relationships with strategic spouses in Europe and/or Asia every bit good as puting in and edifice upon relationships with franchises and other retail merchants in those states. Since HD does non hold the on the job capital to finance growing, yet they do hold a positive hard currency flow, HD <https://assignbuster.com/the-strategic-options-available-to-the-harley-davidson-organization/>

must set their surplus the hard currency flow to work in order to bring forth capital.

Due to strong currency tendencies in these states and weakening values of the American Dollar and an available hard currency flow, HD should prosecute other short-run investments and long-run partnerships in the European Union and China. In this manner HD can perchance augment its hard currency flow exponentially during the current economic recession and increase its current ratio while besides increasing its working capital.

3. RECOMMENDATIONS

H-D does not hold the capital means or fiscal construction to back up future growing in the current economic system. As antecedently stated HD is not a day-to-day usage merchandise, but alternatively a lifestyle merchandise that relies on its loyal client base and their degrees of disposable income. HD along with the remainder of the recreational vehicle industry is a premium lifestyle merchandise. The merchandises offered by the industry are meant to convey bangs to their proprietors. Harley Davidson's most valuable plus is at that place trade name civilization created by their strong focal point on the client. Alternatively of concentrating on growing HD should look to prolong their trade name image while reconstituting their merchandise offerings to better tantrum with current market demand. Harley needs to look for ways to maintain concern operations running without betraying the trade name bequest they have built. With their current loyal client base ripening, the mean age of a Harley rider is over 47 old ages old ; HD needs to concentrate on a merchandise distinction scheme that falls under its

current capacity for production. The biggest hereafter job Harley Davidson faces is a deficiency of capital to run concern operations. They must be conservative about outgos while happening the right topographic points to put and force their merchandises. The client is king for HD and operations need to go on to reflect that.

Decision

Presently HD is in the center of a restructuring procedure for their production systems. After this is complete HD needs to happen the production capacity degree that fits the motion of merchandises in the market. HD has created an ambiance of customization and individualism for its riders. Limited edition bikes have been a hit among the riders. They are speedy to sell out in shops or auctions. Coming out with these lines creates a bombilation for Harley Davidson that no commercial or advertising run can because people want to acquire their custodies on these scoops. This besides allows HD to utilize the assets they already have alternatively of puting to make new 1s. Other Assets Harley has that are underutilized are at that place rider preparation classs and trip planning accoutrements. The preparation classs eliminate the bullying that may come along with the HD civilization and allows fledglings to go familiar with the new smooth siting motorcycles in HD ' s armory. This must go on as each rider has their ain personal manner.