

Ducati (italy) vs. harley-davidson (usa)



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INTRODUCTION

In their case study “Ducati (Italy) vs. Harley Davidson (USA): Innovating Business Practices and Managing Value Networks,” Stefanie Leenen and Tawfik Jelassi provide an overview of the ups and downs of two competitive motorcycle companies: Ducati and Harley-Davidson. The authors provide a review of each company’s business practices as both Ducati and Harley-Davidson invent and reinvent themselves in their attempts to stay on top of the consumer market. While both companies have enjoyed extended periods of profit and loss, each has approached the means by which they operate differently.

Ducati favors a less hands-on style of sales, relies more on return clientele and word-of-mouth advertising, and places the greatest emphasis on virtual business practices. Harley-Davidson favors a hands-on approach to sales that is coupled with virtual business practices. Harley-Davidson also relies on return clientele and word-of-mouth advertising, but they seek a larger, more diverse audience than does Ducati.

BRIEF

Two competitive motorcycle companies are studied in terms of business practices. Specific emphasis is placed on e-business and e-commerce. Conclusions are not drawn; however, questions are raised.

SUMMARY

Both Ducati and Harley-Davidson have proven their business acumen in the competitive market of motorcycle sales. Ducati’s business practices center on a greater dependence on the virtual sales environment, cater to a younger

crowd that is predominantly male, and tend to advertise in markets that could be considered niche. Harley-Davidson's business practices center on a relatively balanced use of brick-and-mortar and virtual sales environments, cater to a more mature crowd that crosses gender boundaries, and tend to advertise in farther-reaching markets.

The differing strategies of Ducati and Harley-Davidson have resulted in each company's experiencing periods of great profit and great loss. It remains undetermined whether or not one strategy will outweigh the success of the other.

1. How would you compare the e-business/e-commerce strategy of Ducati and of HarleyDavidson?

The e-business/e-commerce strategies employed by Ducati and Harley-Davidson appear to be vastly different, and this difference in strategy has resulted in times of profit and loss for each company; however, as in-person customer contact becomes more habitually replaced by virtual contact, the strategy used by Harley-Davidson may be more effective in the long run.

Ducati relies almost solely on the virtual environment for its business. Not only are the majority of their sales completed online, but almost every other aspect of Ducati's business relies on the internet. Parts, suppliers, accessories, manufacturing, dealercommunication—all of this is accomplished virtually by Ducati. While some of this broadens Ducati's consumer base, overall, the relative lack of showrooms and physical product severely limits Ducati's sales opportunities and may eventually jeopardize its customer relations.

Where Ducati seems to have used the internet and virtual business practices to distance its involvement with its customers, Harley-Davidson seems to have used the internet and virtual business practices to augment its customer relationships.

Harley-Davidson has combined showrooms containing readily available and tangible motorcycles, accessories, and parts with internet-based products, services, and information. This seems to be a much healthier business approach as Harley-Davidson can cast a wider customer net. Not only can Harley-Davidson tempt the window shopper with actual products that are immediately available, they are also able to reach the virtual shopper.

Harley-Davidson also retains an advantage over Ducati in that not all people are technologically advanced: there are plenty of people out there for whom the internet, computers, and the virtual world simply do not exist. Although Ducati's consumer base is of an age more likely to be internet-savvy, it seems almost irresponsible for Ducati to significantly ignore the purchasing power of the in-person consumer.

How would you explain the wide gap between these strategies among two leading, global motorcycle manufacturers?

Frankly, I think short-sightedness and poor marketing advice within Ducati are at least partially to blame. Having said that, I have to acknowledge that Ducati and Harley-Davidson operate in vastly different markets: Italy and the United States, respectively.

If I were to hazard a guess, I'd say that the American consumer is different from the European consumer. Americans are probably more apt to need an

in-person consumer experience; especially when a big-ticket item is the goal. It is also probable that the American consumer is less patient, and because of this, the desire for a custom-made motorcycle is probably not as great as is the drive to *have* the next-best-thing *now*.

Conversely, the European consumer may not be as driven by the need to walk into a pristine showroom and be pried by salespeople, and given the success of Ducati's custom motorcycles, it seems that the level of patience among Europeans might be greater than that of Americans.

It can also be argued that both Ducati and Harley-Davidson made major changes to their business strategies after each had experienced particularly grave periods of loss-of-profit. The timing of each was a determining factor in how the companies designed a comeback, and because the company ideals of Ducati and Harley-Davidson differ, it stands to reason that their business strategies would as well.

Harley-Davidson took a more grass-roots approach to reinventing the company, and this fit well with their mature and cross-gender consumer base. Harley-Davidson focused on improving the quality of their products, increasing the number of showrooms, and promoting accessory tie-ins.

Ducati focused on automating as much as they could while streamlining productivity to bounce back. This concept fit well with their younger, male consumer base, and it was ideal for their primarily custom-made and/or limited edition product lines.

1. What are the advantages and drawbacks for Ducati through outsourcing particular activities in its value chain?

The advantages enjoyed by Ducati include the reduced costs of production with outsourced items and suppliers; however, the missed deadlines coupled with a reduction in quality jeopardized the company's end results.

Ducati also suffered the consequences of breaking long-term contacts that they later needed to reestablish, and the time it took to transition from significant outsourcing back to reduced outsourcing was not beneficial.

There was also confusion involved in much of Ducati's producers and suppliers not having access to necessary information via the virtual world in which they were operating. It was not significantly determined in this study whether a bulk of the difficulties suffered by Ducati were a result of an incomplete and/or ineffective virtual environment or simply poor outsourcing choices.

1. Do you think that Ducati's decision to diversify its products with the exclusive onlinesale of a limited edition of motorcycles could be the starting point of a new strategy?

Certainly, one would have to view Ducati's move as a new strategy; however, one could easily argue that limiting a product in this manner is contraindicated. If the point of manufacturing a product is to sell it, limiting the means by which a sale can be made simply isn't the best business practice.

There is definitely merit to the exclusivity produced by this strategy generating an elevated level of demand, but as is pointed out in this case study, the season for selling motorcycles is extremely short-lived, and this

condition is only exacerbated by online-only sales. Any complications at any point in the process endanger Ducati's meeting the needs of its customers.

Additionally, I would argue that this strategy isn't true diversification as it is more a build-on-demand strategy than a true diversification of available product.

1. More generally, what future actions would you recommend to Ducati management in order to sustain their lead in e-business and e-commerce? Be as specific as possible.

My advice to Ducati would be to do everything possible to expand their consumer base. Unless Ducati is satisfied with the market they have, and they feel that their market-base will retain its loyalty as it ages, I think they need to broaden their products and the ways in which they sell them. Ducati needs to consider that as its consumers age, they may feel less inclined to purchase custom-made, racing-style motorcycles—they may, instead, desire a touring-style product.

Additionally, as technology becomes more commonplace, the days of the in-store experience will begin to diminish, and Ducati is going to need to stay poised to take advantage of what will suddenly become the “new” thing: buying in-person.

While many products lend themselves to online purchase, the motorcycle is an item that is far more impressive in-person than it is virtually. From the showroom shine of a brand new motorcycle to the ability of a customer to straddle the real thing, there is much to be gained by having actual products readily available in a brick-and-mortar establishment.

The expense of a quality motorcycle almost requires that the consumer has the opportunity to experience the purchase in a tactile manner, and my advice to Ducati would be to combine the best of the two consumer worlds that have opened up: the virtual and the real.

The fact that Harley-Davidson offers consumers the convenience of on-site financing and insurance is a stroke of genius untapped by Ducati. While it may not be prudent for Ducati to get involved in either of these arenas, it would certainly be worth looking into in terms of Ducati's broadening its customer base and services.

1. What lessons would you take away from the Ducati vs. Harley-Davidson case study?

Primarily, this case study shows that there is more than one way to tackle a problem (i. e. increasing profits); especially, if more than one company is involved. Having been made privy to the diverse strategies employed by Ducati and Harley-Davidson, it seems clear that making the consumer's buying options and buying experience as easy as possible has got to be a priority.

It is also apparent that a consumer's post-purchase experience is a factor in long-term satisfaction and brand loyalty.

I also learned that while outsourcing is often an effective cost-saving strategy on paper, it can result in unexpected problems; specifically, if outsourced items prevent the production process or are of lower quality, the cost-savings can be negated and often the resulting delays/dissatisfaction are more costly than not outsourcing would have been.

How unique are these lessons compared to other case studies in e-business and e-commerce?

These lessons quite similar to other case studies in e-business and e-commerce. Business strategy is not an exactscience; if it were, all businesses would be successful, and all people would be in business.

Even proven strategies can fail under differing circumstances: shifting consumer desires, unexpected economic changes, and technological advances all factor in to what does and does not work in business.

What is unique about the Ducati versus Harley-Davidson case study is that the two manufactures deal in relatively specialized products in two vastly different markets, and each has enjoyed significant success when viewed over their respective company histories.

Another fact of note is that Ducati and Harley-Davidson each pre-date the age of the internet, and while other case studies often focus on businesses that have only existed in the virtual world, this case study examines two companies that have and continue to struggle to incorporate new technology into established business practices.

Reference

Leenen, S., & Jelassi, T. (n. d.). Ducati (Italy) vs. Harley-Davidson (USA):
Innovating business processes and managing value networks.