

# Harley davidson analysis essay



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**HARLEY-DAVIDSON INC. INTRODUCTION** Harley Davidson is one of the largest manufacturers in the United States. It has become a major leader in the Industry for creating the heavyweight motorcycle that has been designed for “cruising on the highway.” (<http://en.wikipedia.org>).

In this paper we will discuss how the heavyweight motorcycle market has become an important asset to the industry. We will include the major strategies that have been established and the breakdown of the manufacturing process in the industry. We will be examining the Industry's prospects and expectations for the present and future based on the motorcycle market.

**INDUSTRY ANALYSIS PORTER'S 5 FORCES Rivalry Among Competitors** The market for motorcycles has a few competitors that have become a rival competition for Harley Davidson. These competitors include Honda, BMW, Yamaha, Kawasaki, and Suzuki. Harley Davidson has been a dominant factor in the industry, and has increased its' productivity. ([www.management.stir.ac.uk](http://www.management.stir.ac.uk)). The industry will be confronted with problems where consumers will consider the cost and comparison between motorcycles, but the brand name “Harley Davidson” is one of the main strategies that has been used to differentiate itself from other competitors. Based on supply and demand, the industry has to produce products that consumers will purchase and the level of output which means that the market will ensure to have limited amount of production. This will ensure for the products to remain in high demand.

This is proven by manufacturers distinguishing the quality, style, and designs of each product. Loyalty among consumers is an important factor. For

example, the market has the extended popularity with “ motorcycle enthusiasts” in the market. Government regulations are another form of rivalry that the manufacturers have to compete with. Throughout the years, there has been an increase on proposed regulations based on land use, amounts of noise that is allowed, age, and pollution. This brings manufacturers to a problem where they have to produce a product that will complete the standards of certain regulations.

**Barriers To Entry** The industry will deal with several obstacles in this area such as high barriers of entry which will include the cost of the plant, cost of equipment, infrastructure, and marketing costs. There will be decisions that have to be made based on whether the market in that area is mature enough or whether there will be a rapid growth in the market (www. d. edu). Despite the obstacles obtained, the motorcycle market has made a decision to expand overseas.

It will be working on expanding to China, Vietnam, and India market where it plans to have booster sales. They have been working with officials overseas to deal with barriers such as tariffs and stringent emissions (www. boston. com).

**Power Of Suppliers** Threat of the supplier’ s growing bargaining power is whether the prices are going to increase or not. Motorcycle’s main supply is steel. A major concern is the cost of inputs. The restrictions put on the United States will raise the cost which in turn will result an increase on the price for the consumer. With the demand on product, Harley Davidson is one of the

largest purchasers in the industry, and many suppliers have been able to work with the cost of supply (www. nd.

edu). Power Of Buyers Kawasaki, Suzuki, Yamaha are major competitors aside from Harley Davidson. The competitors might produce a motorcycle that might be lighter, less expensive, or different style, but Harley Davidson has attracted various kinds of consumers. Motorcycles have become popular within the industry to a younger generation and women. The American women are one of the fastest growing consumers buying 100, 000 motorcycles per year (www.

nytimes. com). As for the market outlook, there has been an increase of registrations and shipments. The “ Baby Boom” generation made it possible for the market to have a major increase on consumer spending for motorcycles (www. nd. edu).

The market has become an attraction for consumers because of the cost and quality of the product. The image that it has portrayed in the industry is a major factor for the market’s success. The strength of its’ marketing techniques which include local and global have made it possible for the consumer’s satisfaction. Threats Of Substitute Heavyweight motorcycles have become popular. It’s a luxury for consumers to own this type of motorcycle. There are a few substitutes that can replace a heavyweight motorcycle in the industry, but other manufacturers such as Honda, Yamaha, and Suzuki are a growing competition with low cost products.

As a result of our consolidated industry, consumers can have a strong effect globally. This can become a threat by a decrease on profitability. Another

threat that can affect the market can be on how loyal consumers will be to the “ Harley Davidson” image. This can be affected by the price of the product or the marketer performance. When we say performance, we refer to how satisfied was the consumer after a purchase. Did the customer receive good customer service, did the customer leave content or with a doubt after the purchase, or was the sales representative knowledgeable of the product he/she was selling.

(www. management. stir. ac. uk).

**INDUSTRY ANALYSIS CONCLUSION**In determining the industry’s attractiveness, we have analyzed the rivalry among competitors, barriers to entry, power of suppliers, power of buyers, and the potential threats that can impact the market. Overall, we have concluded that there is a low threat of entry from the competitors, there is a high rivalry in the market, and few substitutions can affect the demand of heavyweight motorcycles in the industry. (www. nd. edu.

) This can be resolved by remaining attractive to consumers, keeping manufacturing costs low, and having the industry focus on market distribution and availability. **COMPANY ANALYSIS COMPANY**

**INTRODUCTION**Manufacturing Company Harley-Davidson is “ engaged in a manufacturing venture that can add value to the motorcycle business. ”

(www. harley-davidson. com) Global Strategies Harley-Davidson has alliances with two big companies: Shell Oil Products who is their exclusive fuel sponsor and Ford.

Also, they are located abroad with a dealership in China. (www. harley-davidson. com) **BUSINESS STRATEGY Mission** Harley-Davidson’s mission is to “ fulfill dreams through the experiences of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments. (www. harley-davidson.

com) **Goals** They have two specific goals. The first is “ to produce and sell high-quality motorcycles” and the second is to insure that their customers travel a minimal distance for their bike needs. (www. harley-davidson.

com) **Vision** Harley-Davidson is an action-oriented, international company, and its commitment is to continuously improve their mutually beneficial relationships with customers, suppliers, employees, shareholders, governments and society. For them, the key to success is to balance stakeholders’ interests through the empowerment of all employees to focus on value-added activities. (www. harley-davidson. om) **OPERATIONS STRATEGY**

**Core Competencies** As mentioned earlier, Harley-Davidson wants for their costumers to travel small distance for their bike needs, that is why their “ three manufacturing facilities have been extensively redesigned and reconfigured to improve productivity, material flow, product quality and the environment.

” (www. mmsonline. com) **Core Processes Management** at Harley-Davidson uses cross functional teams in order to successfully achieve design product process. The departments that provide representatives that influence the

direction of the new products are engineering, purchasing, manufacturing, and marketing. www.

1000ventures. com) Competitive Priorities and capabilities Harley-Davidson opened a Product Development Center with the idea to produce new models from the ground up. They created centers of excellence where design engineers and purchasing engineers are sectioned in different areas. Here they came up with six different castings and forgings.

Each group became experts on a specific commodity and can support other teams. Their final goal is to integrate the various components develop into a new motorcycle. “ These team members are dedicated to the new-product development process on a full-time basis. (Tim Manahan-Design News, May 18, 1998) Harley-Davidson offers the option to customize your own bike or to choose one from the extensive variety of 31 models. Role of operations strategy in formulating business strategy Harley-Davidson offers the option to customize your own bike or to choose one from the extensive variety of 31 models. (Harley-davidson.

com) To make life easy, they offer financial and insurance services. And something important is the repair service that guarantees the customer's satisfaction. (www. docsharleydavidson. com) New service and product developmentHarley-Davidson Director of Program Management and Contract Operations Kirk Tucker explain, “ In manufacturing operations, they have identified five metrics as mission-critical to a timely launch: first run (How long did it take too get a defect-free motorcycle through all operations and into a crate); cuts (Are we on schedule? ); schedule attainment (Did we build

as many as we were supposed to? ); holds (How many problems required holding onto the product? ); and audit scores. " Tucker adds, " My boss tells me that if I blow the budget he'll yell at me, but if I blow the launch, I'm fired.

(www. roundtable. com) PROCESS STRATEGY Process Structure

Manufacturing The manufacturing process at Harley Davidson is based on a line process. Basically the line process works by similar products continuing the same process over and over again.

The company then established as an assembly facility in 1973 which goes hand in hand how the assemble to order strategy came along. Much of the work you might think just goes through the line process and assembly lines, but there is still automation being done by many machines. Where welding robots help make fenders and other similar parts. In an article it reads, " work is still done by hand; tinkers tap out the metal parts to form precise curves, grinders smooth the curves into almost perfectly flat surfaces.

"(www. winespectator. com). Much of the manufacturing process does go through the assembly line process but on these lines workers still take the time to add components and testing the products. " For us, quality is key," says Lynn Sweet, communications manager at the York plant.

(www. winespectator. com). Customer Involvement Harley Davidson offers a better quality and flexibility compared to other motorcycle companies. At the Harley Davidson you can customize your Harley the way you want and it's entirely up to you. The customer who wants to do this can access the website and start to custom design a motorcycle.

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The website offers the Customizer, which is a web based program that gives options on your fit, function and style it's referred to as the " 1, 2, 3 of Harley Davidson customization done right. "(www. harley-davidson. com ). This is one way in which customers can look at their options, but they can also go into a Harley Davidson store and come face to face with an actual sales person.

In this case the sales person helps the customer with any questions or can even go through the process of customizing their motorcycle there with the sales person. Here at Harley Davidson the customer is the one that chooses their options, decides what they want and gets the product they specifically want. It even goes down to the type of motorcycle with interesting details such as handlebars, suspension, down to the windshield, performance and seats that customer wants. Resource Flexibility According to an article, Harley is best described as " A Smart Company to Build a Tough Hog. (www. fastcompany. com). Harley Davidson does try and improve their company by providing workers with plenty of hours of training each year. The company does focus on employees focusing on 3 different competencies which include interaction competencies, execution competencies and technical competencies. These include such things as communication, planning, problem solving, decision making, and performance management. This all goes hand in hand on how employees will work on different issues when problems arise at their work stations.

Each employee performs a variety of manufacturing operations from machining, polishing and chrome plating, to forming, welding and painting. "

([www.harley-davidson.com](http://www.harley-davidson.com)). Even at different Harley factories such as the one in York Pennsylvania employees produce a range of replacement parts for different models. Harley Davidson is very resourceful when it comes to its employees and company.

**Capital Intensity** Most of the parts are made in United States therefore the labor and cost of supplies is higher that is why capital intensity is high at Harley Davidson. The CEO Richard Teerlink says “ either that part is simply not available domestically or what is available does not meet quality standards. Price is not an issue. We will pay a premium for a U.

S. made part. ” ([www.harley-davidson.com](http://www.harley-davidson.com)).

**Strategies for Change Process Reengineering** During the years Harley Davidson has come to a new age and has undergone major reengineering during the most recent years. The styles back in the 1930's are completely different as to what we have out there now. Take for example an Electra Glide that turned into a Super Glide, the transformation changed form replacing heavier parts down to a different wind shield. Harley Davidson has come a very long way during the past years and has improved its motorcycles.

**Process Involvement** How has Harley Davidson been able to improve cost and quality timing of its products? Well the answer to this is simple, since they have been around for quite a while, there was a time the company was falling apart in the motorcycle industry. The company tried to base the motorcycles in a high production versus good quality of products being produced. When the company got its new owners they tried to use a <https://assignbuster.com/harley-davidson-analysis-essay/>

standard Japanese manufacturing technique that worked to get them back on track. This included, “ full employee involvement in problem solving and quality control; just in time inventory to lower the cost of holding large inventories of parts and have greater control of parts quality. This helps the employees get training necessary to measure out the quality of product they have done. The company even produced a “ Quality Audit Team” in which they inspected the products making sure everything was in place, if not then they would take it back to the line and figure out the problem.

The assembly line would even shut off the operations and take the product to its source and fix the problem right away. According to an article “ Quality improvement roughly 60% of Harley Davidson’s supply base is not performing at 48 ppm defect levels or better. (www. purchasing.

com). Overall Harley Davidson has improved its quality and cost of it’ products. PROCESS ANALYSIS Company’s Approach Harley-Davidson has several approaches for improving the company. Harley drives on quality in their product with customer satisfaction. Harley-Davidson has become the world leader in the super-heavyweight motorcycle market because of their unwavering commitment to continuously improve upon the superior quality of our products.

This quality commitment is built on the satisfaction of each and every customer, internal and external, including everyone from our production line employees to our end users. This belief is captured within the quality policy statement: “ Harley-Davidson is committed to continuous improvement to reduce waste, defects and variability in everything we do. While striving to

meet/exceed customer expectations” (Company History). Documenting the Process Harley-Davidson uses several process charts to show the documenting and evaluation processes to see how the organization does its work. Harley mainly uses the flowcharts like domestic or international supplier direct process flow, see appendix 1. Evaluating Performance When Harley strives for quality the data analysis tools will help them achieve their goal.

Harley uses the HOG community and employees in inputs to generate new ideas for their motorcycles. The HOG community is made up by common people that bought a Harley-Davidson motorcycle. They and employees are the main people in Harley when it comes with new ideas for Harley.

Redesigning the Process Harley-Davidson has a competitive benchmarking because they want to keep themselves on top of their competitors. With the competitive benchmarking they can compare with their direct industry competitors. Harley-Davidson ranked highest in the 2008 Pied Piper Prospect Satisfaction Index.

This is one of a series of unique national benchmarking studies. This study evaluated and benchmarked shopping experience at 830 motorcycle dealership nationwide (Pied Piper). Harley had 8 point higher than the industry average, see appendix 2. Managing Process Harley tries to continually monitor and improve their process within the organization to keep them selves on top of the market. Harley pays ttention to the customer on what they have to say about the quality of the motorcycle since, it help Harley to understand what they are doing wrong. PROCESS PERFORMANCE

AND QUALITY Harley Davidson (HD) is a company that's been at the highest of high and at the lowest of lows.

Harley Davidson would produce a motorcycle and it would sell. However, Japanese companies wanted a piece of the HD's lucrative market for big motorcycles. This led to the start of Harley's financial difficulties. HD was bought by American Machine and Foundry (A. M.

F. ) in 1969. A. M.

F. began to overproduce motorcycles which compromised quality. In 1981, A. M. F. wanted to unload the company which had \$70 million in debt and strong competition from Japanese competitors.

Vaughn Beals along with Willie G. Davidson, grandson of HD co-founder Arthur Davidson, led a group to purchase the company from A. M. F. With the help of the US government, the HD Company ascended from the ashes once again.

They accomplished this by changing the way they manufacture their bikes. Cost of Poor Process Performance and Quality During A. M. F.

's reign at Harley, quality sank to an all time low. Word spread about Harley's manufacturing inconsistencies and sales decreased as a result of the poor product. Many Harley Davidson dealerships remember " placing cardboard under the bikes in the showroom to absorb the oil leaking" (Schinwald, 2005, pg 1). Under the new regime, HD needed to establish a new manufacturing system to regain customers' devotion.

They established the Harley Leadership Institute as a way of “ investing” in their employees. This was Harley’s way of empowering their employees. By training its workforce, Harley workers have the skills needed to make quick and educated decisions. Harley holds each employee responsible for the quality of work they produce. Managers at Harley are not rewarded for the amount of motorcycles they sell, but by how many motorcycles comeback for repairs during its warranty coverage.

Quality is crucial at Harley Davidson. Total Quality Management HD is always trying to achieve higher levels of process performance and quality by getting feedback from every entity that comes in contact with the product. People who buy Harleys are not only buying the product, but the name as well. Harley has a reputation for their quality of work.

Harley recently decided to stop production for the 2009 models for an additional week. They might also decide to manufacture fewer bikes than previously predicted. HD motorcycles hold their value. One dealer spoke of selling a HD motorcycle to a customer and the customer turns around and sells the motorcycle to someone else for \$2, 000.

00 more than what he had purchased it for (Strategy-Business. com). HD customers know they are going to get a reliable and durable product. Harley motorcycles might look retro, but the technology used to make the product is up to date.

HD dealers are essential to the success of the company. They are in the front lines and learn what customers’ expect from the product. HD dealership personnel are always up-to-date with HD products because they continuously  
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receive training from the company. Harley Davidson considers their employees to be their greatest competitive advantage. They have established an “ open door” policy that extends throughout the company (HD Website).

Don't be surprised to see a machinist talking to the VP of the power train plant. Communication is vital. Harley Owner's Group (HOG) is the world largest factory-sponsored motorcycle club (Fast Company. om). HD hosts a number of motorcycle rallies for members of HOG.

This is the company's way of “ bonding with the customer”. They get feedback straight from the consumer. They also create teams at all levels of the company. Union leaders, negotiation committees, and stewards are all in groups. (Bruce, 2008, pg 3) This is the method that Harley Davidson began using to eliminate non-value added activities while driving product and progress improvements.

The rewards of this action are to sustain profitability and business growth (HD Website). Employees are cross trained in a variety of job functions. HD believes educating their employees will pay dividends. In return, employees are assured employment. Each employee is required to sign a contract that defines annual measurable goals. (Fast Company.

com) The employee will then receive “ incentives” for manufacturing a quality product. “ Every HD employee has to go through 80 hours of courses each year in such subjects as statistical process control and learning techniques to enhance quality and productivity” (Rifkin, 1999, pg 8). Work teams are a must at Harley Davidson. For example at the management level,  
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they have leadership circles. These circles include the Create Demand Circle, Produce Product Circle, and the Provide Support Circle (HD Website). This includes the special training for their problem solving teams at the Harley Leadership Institute.

Statistical Process Control H-D inspectors measure the diameter of a piston to determine whether the product adheres to the specifications (within the allowable tolerance) and they identify differences in the diameter over time. (Krajewski, et, 2007, pg 213-214). Each employee workstation has a control chart. Operators are required to record data which they then analyze to determine the range of variation in the process being measured (Reid, 1990, pg 176). If there is ever a problem, managers require the operators to show them their control chart. Employees are trained to read and record this type of information.

Process Capability Harley Davidson requires suppliers to meet certain specifications. If suppliers fail to meet these specifications, the product's quality will suffer. HD has a quality goal of no more than 48 parts per million defect rate for parts (Purchasing. com). The margin of error is low, but quality has standards.

Six Sigma Harley Davidson does not use Six Sigma. It uses Total Quality Management, which has characteristics of Six Sigma. International Quality Documentation Standards H-D has not been certified for ISO 9000 nor has it met the ISO 14000 standard. Malcolm Baldrige National Quality Award Harley Davidson has not been a recipient of this award. CAPACITY



MANAGEMENT Capacity control is currently a high priority for Harley-Davidson. The environment in both the U.

S. and across the globe has really not improved too much over the past few years. This is true even though it has been expanding its business internationally. It currently has dealerships in over sixty countries.

In 2006, it entered the huge China market. Despite the downturn of the company profits, Harley-Davidson has chosen to continue increasing their developed market capacity. They have based this decision on proven improvements such as the growth of effective market capitalization and the world gas crisis. Not only Americans are being affected by it but people everywhere are opting to purchase a more fuel efficient mode of transportation (Woo, 2). Methods of measuring capacity H-D takes many things into consideration like sales forecasts, customer orders, and plant operating conditions. They are most concerned with machine capacity and labor capacity, as well as physical space.

They use a series of methods and formulas to figure out the amount of capacity needed. Utilization In the early part of the decade, Harley-Davidson collaborated with one of its major suppliers to reduce inventory. Together they developed a planning strategy. It involved automated information sharing and system mixing (Orange, 4). Constraints and bottlenecks In 2003, high demand was stretching supply and hurt capacity.

They were able to control this by opening a new plant that year. They are big on preventative maintenance. One procedure was to stop a machine to do a check up. This machine would take up to an hour to stop completely. This

would of course slow the entire process. Now they do a scan while machine is still running and they finish in fifteen minutes (Slepicka, 2).

Economies of scales vs. diseconomies of scales Harley's collaboration with its suppliers paid off. This strategy was a success as it led to lead time reduction, automation of manual processes, and better inventory management and capacity planning. This in turn led to reduced fixed costs and cut purchasing costs (Orange, 5). Type of capacity expansion strategy The company uses a expansionist strategy.

It has worked with suppliers to reduce the fixed costs. It has stayed with demand by training needed personnel and building more production plants. It has also kept from losing its market share and has actually gained some by marketing to different demographics and in more countries. LOCATION AND PROCESS LAYOUT Harley-Davidson has seven production facilities here in the U. S. and hundreds of dealerships in over sixty countries.

H-D's first and most significant factory started out in Milwaukee, WI.

Dominant factors It strategically found suppliers near to them. One of its major suppliers is only 200 miles away. In the beginning, this production facility was laid out in a way to use the batch process of the flow of materials. This was a negative format since it did not have an outflow or an inflow of materials while the process was being used.

This caused high labor costs. Harley-Davidson knew they had to change this when they decided for the company to go public. Type of layout After determining what flaws needed to be fixed in order to have more quality and productivity, they successfully implemented a new line flow process. LEAN

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SYSTEMS Implements just-in-time operations Harley-Davidson's push process is to order supplies based on forecasted production schedules and sales. Their pull method is to order equipment based on the amount that is being ordered by dealer or merchants.

Part of the new line flow process included applying the practices of just-in-time inventory. The JIT program was crucial for Harley-Davidson to improve its quality. It worked so well that H-D suppliers had to start using the JIT program into their production as well. With the new system came the rewards.

Inventory levels fell 75%, productivity rose 50%, and space requirements dropped down 25%. Originally, production of one product took from six weeks up to four months. Now with its improvements, it only takes minutes (Bruce, 8). JIT II H-D and their suppliers work hard to reduce waste, inventory, and lead time. To do that they both need quick and precise production forecasts. This is why Harley-Davidson has representatives from its major suppliers working straight out of their production facility.

This creates a much more efficient supply chain. **SUPPLY CHAIN STRATEGY**  
Supply Chains for manufacturing In a manufacturing supply chain, the physical handling of a product leads to standardized and centralized procedures and controls. One of the purposes of the supply chain design for manufactures is to control inventory by managing the flow of materials. The Harley-Davidson company implements the supply chain structure to engineering, market demand, sourcing of raw materials and components, efficient production, and streamlined distribution ("When it comes" 2007).

Measures of Supply Chain Performance Harley-Davidson doesn't have large inventories and safety stocks for RM, WIP, and FG because the company uses the JIT (just-in-time) inventory method, which leaves them often with about 8 to 10 hours of inventory on hand ("When it comes" 2007).

According to the company's website, the comparative balance sheet showed that on December, 2007, it had \$349,697 worth of inventory. The type of inventory that they use is the just-in-time inventory method, in which the goal is to facilitate the supply chain excellence ("Material Forecast" 1999). Supply chain dynamics (external causes, internal causes) Internally, Harley-Davidson focuses on having strategic relationships with suppliers. To accomplish this, they believe that the internet holds the key through a project called supply information link.

The suppliers and H-D are linked together through the World Wide Web (Brunelli 2000). Externally, the suppliers must meet high expectations from Harley-Davidson. With this project, suppliers will have access to the company's quality expectations, delivery requirements and other important data (Brunelli 2000). The customer relationship process Preserving the one to one relationship between dealer and customer is one of the most important things for this company and that relationship extends to e-commerce. In the state of Connecticut, there are only two dealerships doing e-commerce and the general manager from Bridgeport, CT said that doing online business can attract customers who previously might never have visited a dealership and can be a great source of addressing promotional offers (Morris 2002).

The order fulfillment process The focus of H-D JIT environment is to provide an efficient supply chain that can reduce inventory levels; therefore, their inventory placement is low. The supplier representative is responsible for the managing of their product within the H-D site they reside on. There are two different material replenishment processes within the organization. They are the “ pull and push material replenishment process” (“ Material Forecasting” 1999). H-D uses RFID as a security for its motorcycles security systems rather than tracking inventory (“ Harley Davidson” 1).

There are 13 steps on the distribution process for this company, see appendix 1. Supplier relationship process The company has a win-win philosophy with its suppliers. They help each other to prosper in the business world (Milligan 2000). Suppliers are able to provide the technology and know-how essential in producing quality products (Richards 2001). Supply chain strategies One of the strategies is to drive cost out of its goods and services purchases.

Mass customization – these motorcycles are an American icon, in which their designs are recognized all over the world. H-D has expanded to Europe, the Middle East, and Africa. SALES AND OPERATIONS PLANNING Production Plan Harley Davidson has placed much emphasis on sales and operations’ planning since it was first thought of in the 1980’s (Industryweek. com). Harley Davidson is, of course, a manufacturing company which has a production plan. Their production plan is not flawless, and as the demand for motorcycles increases as steel and oil prices rise, their production plan can only get more efficient.

Harley Davidson will ship less to their worldwide dealer network in 2008 than in 2007(yahoo finance). This will help cut transportation workforce and extra costs. Fewer deliveries will lead to less money spent and more money saved. Harley will have to lay off employees due to their sales reduction and the poor economy as a whole.

Dimensions of aggregation Harley Davidson has five dimensions of aggregation; the Touring, DYNA, Sportster, Softail, and the VRSC (Harley-davidson. com). These different types of motorcycles are produced in different plants on the same level they are produced for different prospective buyers. Information Inputs Harley Davidson's information inputs consist of four major items.

Their annual plan would be the first item. They evaluate what they have accomplished in the past year and what they would like to accomplish in the following year. Harley's operations strategy would be the second item. This strategy includes their layoff planning to cut down on production and their plant shutdowns as well.

Capacity constraints will be included as workforce capacities. Harley knows what their capabilities are, but they need to cut down on the workforce. Lastly, the demand forecast will be included with customer needs and competition actions. Customer relationships are important because feedback leads to new innovations.

Feedback speaks of what customers are looking forward to buying and all they need is for the company to create. Paying attention to Harley Davidson's competition will keep them informed of what their competitors

are starting (business week). Objectives Next are some objectives that Harley Davidson is going to pursue. One is to build a solid base between the management and Unions/employees to improve management processes and profitability. The marketing department will build relationships with potential and existing customers to maximize their customer service. The company as a whole will listen to customer feedback in order to develop new marketing techniques because Total Quality Management is a key focus for Harley Davidson.

Harley will work towards minimizing changes in production rates and keep standards of quality (Road Racing World). Reactive alternatives Some reactive alternatives used by the company would be workforce adjustment, workforce utilization, and vacation schedules. Harley Davidson is carrying out cutting down on the workforce which leads to utilizing only the hours that you truly need (Roadracing Press Release). Producing vacation schedules helps to give employees a rest, and they may come back even more productive. Aggressive alternatives Aggressive alternatives are not used by Harley-Davidson.

They produce motorcycles all year long. Planning strategies Harley Davidson's planning strategy is mixed, but in 2008 the chase strategy is being utilized greatly. Harley Davidson has laid off employees to match the demand forecast (Road Racing World). Relevant constraints and costs Various relevant constraints and costs consist of regular time costs, hiring and layoff costs, inventory holding costs, and backorder and stock out costs (Cnet Network). Harley Davidson expects to spend twenty to twenty-five million dollars on one-time costs to layoff people, but they may continue if <https://assignbuster.com/harley-davidson-analysis-essay/>

revenues keep falling (Roadracing World). Holding too much inventory, such as completed motorcycles, at any plant may be costly because you may not sell all the materials being they are in storage.

Back orders and stock outs especially lead to losing customers. If a customer is looking for a particular item that they saw in an ad, but can not find it then they are going to a different dealership that has something similar. Sales and operations planning as a process Sales and Operations planning as a process includes a few items, the first one being sales. Harley must forecast how their revenues will play out in the following year and what their actual sales were for this past year. Usually, Harley bases their forecast on how well they did in the past year.

Operations are also a part of the process. Based on how Harley did in 2007 will determine the new plan for 2008. For example, based on the low revenues for 2007 has decided how they will change their plan for 2008 (Cnet Networks). Harley's Inventory plan will focus on an achievable amount of motorcycles to keep their costs low. Demand issues will focus on production for consumer demands. If consumers are not demanding a certain model, then Harley will produce less to keep their production cost low as well.

Supply issues are also part of the process. When supply needs to be lessened that is what leads to temporary shutdowns and employee layoffs that Harley is experiencing right now in order reduce their workforce (Roadracing Press Release). RECOMMENDATIONS Manufacturers have a production strategy that will be increasing the supply of its motorcycles in



which the rate will be less than what the market will be demanding. There has been a continuous strive to improve the quality of operations and cost control. In quality management, the industry refers to its related practices which include statistical process control, employee involvement in operations, supplier participation, and just-in-time inventory control.

It is important for manufacturers to establish a good long term relationship with its suppliers. The involvement of suppliers in the design and manufacturing of its products will improve its quality. Suppliers will be required to commit to the annual cost reductions even when labor and material cost increase in cost. Vendor involvement will result in higher quality products, the adoption of new technologies, and a new process to introduce new product and product changes. By bringing in new changes in products, JIT inventory and assembly control will be introduced to an automated electrified monorail system in which it will increase productivity.

Manufacturers try to position its product development staff to be in proximity to its manufacturing operations. This will ensure for new products and model changes to be coordinated before, during ramp-up. The outcome will be to reduce selling price and increase the market's productivity (Young).

**CONCLUSION** The Harley Davidson image has made the "heavyweight motorcycles" the highest quality bikes in the industry. Manufacturers will continue to focus on producing new designs to change the motorcycles lines into a strong and adaptable brand label. The industry's prospects and expectations for the future are to keep on growing in the market and to continue to be successful.

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