

Business analysis of harley davidson motor company essay sample



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A comparison of two direct competitors in the motorcycle market, Harley Davidson (a fortune 500 company) and Honda, a producer of cars and motorized vehicles, reveals through the analysis of the businesses that investment into Harley Davidson would benefit the investing person or group. The American company, based out of Milwaukee Wisconsin raised its profits by 44% to \$170. 2 million in the first quarter of 2012. The company itself has a large network comprised of franchised dealerships that total 1, 468 across US, Canada, Asia Pacific, Latin America as well as the EMEA. (Zacks, 2012)

Through SWOT analysis of both Harley Davidson and Honda, it shows investors that the opportunities and strengths of HD outweigh those of Honda. In contrast the threats and weaknesses of Honda outweigh those of HD. Given that Harley Davidson is the leading in the industry not only in the US but also across the globe, the potential opportunities to grow, profit and expand outnumber its competition in Honda.

Harley Davidson SWOT-

Strengths:

Innovation in product

Technology in repair and production

Strong brand recognition (#45 in top 500 of most recognizable brands worldwide) Strong market financial position

Pricing

HD owns 55% 650cc motorcycle sales worldwide market share

Growth and expansion in other countries

Resale holds better in market, lower depreciation rate

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Median income of buyer is \$87, 000/ year-more then \$30, 000 over median household in US

Weaknesses

Getting stronger in the global market, but staying stagnant or flatline within the US for production Narrow product margin across the industry

Higher price point with new vehicles

Opportunities:

Expansion

Financial markets

Emerging markets to capitalize

Innovation

Product services expansion

Expanding demographics

Threats:

Competition

External Changes in global market

Lower cost of competitors

Lower cost of imports

Product substitution

Older customers are not buying more

Younger riders are going with less expensive models

SWOT Analysis of Honda Motor Company (Motorcycle production) Strengths:

Diversified operations

Brand recognition

Leading market position in brand strength

Engineering capability

Strong distribution network

Weaknesses:

Employment productivity

Non- US based brand

Lower resale value

Imports and exports

Opportunities:

Increasing demand in technological advances in car industry, being made available to the motorcycle industry Larger opportunities in Asia markets

Threats

Competition

Economic slow down

Competition in the global automotive industry that will laterally effect the production and sales of motorcycles Appreciating Yen over US dollar

In review of the SWOT analysis, the strengths that Harley Davidson provides for investors reveals that their relevance in the market drives its production and sustains their place in the expanding demographics. Julio Valdenegro, a local owner/ manager of a Harley Davidson dealership defines talks about if he were to speak to anyone about investing in Harley Davidson, they would want to look at it “ with the large global outlook in expanding its overall profit. Harley Davidson still owns over half of the production of motorcycles within the United States alone.” Along with the strong hold of the market in

the US, Harley Davidson is constantly researching its worldwide competitors in the countries they expand to. As Mr. Valdenegro talks about the expansion, he also speaks about the opportunities that Harley Davidson gains by developing business in other prospering countries. Such as technologies, production, management, importing and exporting, all to lower the overhead cost that it takes to produce these vehicles.

Keith Wendell, the CEO of Harley Davidson as of 2009, has been an important factor in the upswing in its product development, raised profits, business developments globally, as well as lowering the overhead of the company world wide by streamlining the manufacturing. He has achieved this by coming from a background of manufacturing in the automotive industry. He has not been a motorcycle enthusiast (though many were skeptical, that was quickly ratified.) What he has done is streamline the business with a fresh approach and an enthusiasm to see it grow. According to Zacks, (2012) since the hiring of Keith Wendell in 2009, one of the direct affects was that in 2010 the company had a cumulative savings of \$172, and in 2011 a savings of \$217 million. It expects to reach a savings range of \$275 to \$295 million by the end of 2012.

The SWOT analysis reveals the benefits to the internal as well as the external stakeholders. These internal stakeholders would include, but is not limited to owners, owners groups, managers, franchise general mangers, employees, vendors and production line workers, to name a few internal stakeholders.

External stakeholders would include but are not limited to the financial investors, investment groups, neighborhood businesses, communities that

Harley Davidson provides with jobs and community outreach, overseas
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investors, communities, dealerships, importers and exports as well as outsourced production developers.

The internal stakeholders of Harley Davidson, the immediate concern would be the profitability of the company. These stakeholders being the managers, the owners, the employees, the production line, the business managers benefit for the business being profitable by allowing for greater sustained living through greater sales and service. The external stakeholders being the financial support, investors, investment groups all look to their return on investment within the company. By allowing the company to share their financial planning, business plan as well as conducting a SWOT analysis, these external stakeholders that are wanting to see their ROI fulfilled, will be pleased with a company such as Harley Davidson. The other external stakeholders are the communities that Harley Davidson franchised dealerships are located. These communities prosper with the growth of the company as a whole.

Allowing dealerships to sell more bikes, to have larger overhead profit margins means the opportunity to grow and expand the business center. This brings more job opportunities, increase awareness and community outreach that Harley Davidson is known for. Harley Davidson has always support the military, and continues to allow each dealership to promote and produce their own Military Appreciation Day, which reaches out to the communities, combat vets, families and single active duty soldiers as well. Harley Davidson also provides local charities of their choice with donations, provisions, marketing, support and events. Surrounding businesses profit as well with the increase in activity, foot and vehicle traffic when there is a <https://assignbuster.com/business-analysis-of-harley-davidson-motor-company-essay-sample/>

Harley Davidson dealership near by. With the brand recognition of such an American institution, the flourishing popularity within a community can be seen by statistical analysis of the business growth around individual franchised dealerships. (Which will not be provided in this paper.)

The data shows conclusively that investing in the American company of HD is cost beneficial to the direct investors, internal and external stakeholders as well as community and surrounding businesses. As an investor looking at a motorcycle manufacturing company to be a part of, the data and analysis of Harley Davidson, and American motorcycle company and a Japanese automotive company that also produces cars and other vehicles, the data is conclusive that the growth and sustainability of Harley Davidson outweighs that of Honda Motor Company.

References

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