

Marketing Strategy in Action

Harley-Davidson, Inc.

Harley-Davidson, Inc., founded in 1903, is the only remaining American motorcycle manufacturer, although there are some new upstart companies. During the 1950s and 1960s, Harley-Davidson had a virtual monopoly on the heavyweight motorcycle market. Japanese manufacturers entered the market in the 1960s with lightweight motorcycles backed by huge marketing programs that increased demand for motorcycles. These manufacturers, which included Honda, Kawasaki, Suzuki, and Yamaha, eventually began building larger bikes that competed directly with Harley-Davidson.

Recognizing the potential for profitability in the motorcycle market, American Machine and Foundry (AMF, Inc.) purchased Harley-Davidson in 1969. AMF almost tripled production to 75,000 units annually over a four-year period to meet increased demand. Unfortunately, product quality deteriorated significantly.

More than half the cycles came off the assembly line missing parts, and dealers had to fix them to make sales. Little money was invested in improving design or engineering. The motorcycles leaked oil, vibrated badly, and could not match the excellent performance of the Japanese products. Although hard-core motorcycle enthusiasts were willing to fix their Harleys and modify them for better performance, new motorcycle buyers had neither the devotion nor the skill to do so.

In late 1975, AMF put Vaughn Beals in charge of Harley-Davidson. Beals set up a quality control and inspection program that began to eliminate the worst of the production problems. However, Beals and the other senior managers recognized that it would take years to upgrade the quality and performance of their products to compete with the faster, high-performance Japanese bikes.

To stay in business while the necessary changes in design and product were being accomplished, the executives turned to William G. Davidson, Harley's styling vice president. Known as "Willie G." and a grandson of one of the company founders, he frequently mingled with bikers and, with his beard, black leather, and jeans, was accepted by them. Willie G. understood Harley customers and noted:

They really know what they want on their bikes: the kind of instrumentation, the style of bars, the cosmetics of the engine, the look of the exhaust pipes, and so on. Every little piece on a Harley is exposed, and it has to look just right. A tube curve or the shape of a timing case can generate enthusiasm or be a total turnoff. It's almost like being in the fashion business.

Willie G. designed a number of new models by combining components from existing models. These included the Super Glide, the Electra Glide, the Wide Glide, and the Low Rider. Although these were successful, Harley-Davidson was still losing market share to



An example of Harley's eye-catching styling

Japanese competitors that continued to pour new bikes into the heavyweight market.

By 1980, AMF was losing interest in investing in the recreational market and sold the company to 13 senior Harley executives in a leveraged buyout on June 16, 1981. Although the company was starting to make money in the early 1980s, its creditors wanted payment, and Harley-Davidson nearly had to file for bankruptcy at the end of 1985. However, through some intense negotiations, it stayed in business and rebounded to become a highly profitable company.

By 1996, Harley-Davidson controlled more than 47 percent of the heavyweight (651cc and larger) motorcycle market, far more than its all-time low of 23 percent. Its products are considered to have "bulletproof reliability" because of manufacturing and management changes that resulted in products of excellent quality.

Owners of Harleys are highly brand loyal, and more than 94 percent of them state they would buy another Harley. The company sponsors the Harley Owner Group (HOG), which has more than million members worldwide. Executives of the company frequently meet with owners at local HOG chapter meetings to elicit suggestions for product improvement.

In 2007, Harley sold 241,539 motorcycles domestically and 89,080 in the global market. It also sold 11,513 Buell motorcycles in that year. Its total sales revenue was \$5.7 billion with net income of \$933 million compared to \$4.6 billion in sales and \$760 million in revenue in 2003. Its 2007 sales included 114,076 touring motorcycles, 144,507 customs, and 72,036 sportster models. Its VRSC models like the one pictured were a departure from the Harley retro look and were selling well.

Harley-Davidson motorcycles are distributed worldwide by a network of over 1,300 dealers in 60 countries. These dealers

typically have upgraded facilities that merchandise not only motorcycles and service but also a variety of parts, clothing, and accessories. Clothing and accessories are highly profitable items that enhance the motorcycle-owning and riding experience. For more information, visit the company's Web site at **www.Harley-Davidson.com**.

Discussion Questions

1. What kind of consumer owns a Harley?
2. What accounts for Harley owners' satisfaction and brand loyalty?
3. What role do you think the Harley Owner Group plays in the success of the company?
4. What threats do you think Harley-Davidson faces in the next few years?

Sources: **www.Harley-Davidson.com**, October 20, 2008; Clifford Krauss, "Motorcycles Getting in Touch with Their Feminine Side," *Wisconsin State Journal*, July 25, 2007, P. C8+. John Helyar, "Will Harley-Davidson Hit the Wall?" *Fortune*, August 12, 2002, pp. 120–124; Leslie Norton, "Potholes Ahead," *Barron's*, February 1, 1999, pp. 16–17; 1998–2008 Annual Report, Harley-Davidson, Inc.; Richard A. Melcher, "Tune-Up Time for Harley," *BusinessWeek*, April 8, 1996, pp. 90, 94; Kevin Kelly and Karen Lowry Miller, "The Rumble Heard Round the World: Harley," *BusinessWeek*, May 24, 1993, pp. 58–60; John Kekis, "Business Rev Charges Harley after Long Slump," *Wisconsin State Journal*, June 17, 1991, p. 6B; Bob Wiedrich, "Harley Zooms Crest of Cycle Comeback," *Wisconsin State Journal*, January 7, 1990, p. 1F; Thomas Gelb, "Overhauling Corporate Engine Drives Winning Strategy," *Journal of Business Strategy*, November–December 1989, pp. 8–12; "How Harley Beat Back the Japanese," *Fortune*, September 25, 1989, pp. 155–164.

Consumer Behavior and Promotion Strategy

Winning Promotions

Each year the Promotion Marketing Association of America (PMA) honors the most effective promotions in the country with Reggie Awards, in the form of small gold, silver, and bronze cash registers. In 2000, American Express won the top prize, the Super Reggie, for its “Central Park in Blue” promotion. Although American Express generally is considered a card for older, wealthier, more conservative consumers, the company’s new Blue card was designed to appeal to a younger demographic, people ages 25 to 40. To reach that market, American Express sponsored a rock concert in New York’s Central Park featuring Sheryl Crow, Eric Clapton, Keith Richards, and Stevie Nicks, among others. In the weeks leading up to the concert, teams of “Blue Crews” hit the streets on scooters and skateboards to give out instant win game pieces, one in four of which were good for concert tickets.

The Blue Crews alone were directly responsible for 3,000 card applications. At the concert, photographers took digital photos of fans and then directed those folks to a Web

site where they could see their photos online and apply for a card. In addition to the crowd of 25,000 in Central Park, 13 million people enjoyed the music on Fox television, a network of radio stations, and the Internet. A survey of TV viewers revealed that two-thirds of them could successfully recall American Express Blue as the sponsor. By the end of 1999, the number of Blue cards in circulation was 71 percent above the company’s goal, while Internet applications beat estimates by 150 percent. In fact, American Express is still getting mileage from its concert promotion: CDs, home videos, and DVDs of the “Central Park in Blue” performance all include Blue card applications.

In 2003, DVC Worldwide received the Super Reggie Award for the overall marketing promotion of the year. The campaign, “Do you know a Brawny man?,” was created for Georgia-Pacific Company to promote its brand, Brawny paper towels. The promotion

