



HAS HARLEY'S SCREAMING EAGLE BECOME JUST A WHIMPER IN INDIA? HARLEY DAVIDSON'S ENTRY INTO INDIA

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Abstract:s

"We ride to fly, to feel, to touch, to breathe, to laugh, to soar, to overcome, to relax, to prove them wrong, to belong, to feel strong, to love. We ride to LIVE" (HoG)

The above lines summarise the true fanatic in the Harley Davidson rider. Harley Davidson brings us memories of the all American leather-clad rider sporting long hair and bad boy looks. Rebels by Choice or outlaws as they are known belong to a community of equals (HoG) .Like a religious fanatic, they create and follow a cult, becoming the true brand evangelist. But are we witnessing some cracks in the cult? Are these evangelists losing their trust and faith in their iconic brand now?. Is the quintessential American cult image fading ? "It's not cool if everyone else has the same stuff as you," Carlos Dos Santos, owner of Brooklyn Motorworks, a New York motorcycle repair and customization shop said. "They're flooding the market with these cookie-cutter bikes, and it's not special any more if everyone can just buy instant cool.". Is it the death knell for the all-American Terminator brand? Is there a strategic decision failure or a deep rooted cultural issue?. Let us go on to find out ...

Keywords: Harley Davidson, cult

I. INTRODUCTION

WHAT MAKES HARLEY SPECIAL?

Love them or hate them, Harley Davidson is one of the most evocative brands in the world.

No product in the world stands for the brand excellence and evangelism more than Harley-Davidson motorcycle. What makes Harley so special?

Why would someone tattoo the name of their bike on themselves? In *Radical Marketing*, Sam Hill and Glenn Rifkin identify Harley Davidson as a brand which represents "a lifestyle, a work of art and an emotional connection to a widespread and unique community". This brand identification is so strong, that the consumers sometimes see themselves as one and the same. It creates a value system where brand meaning translates into something so big that a person' finds value in having it tattooed on themselves. No wonder Harley has brand evangelist and not brand loyalist.

Though we can never find a precise & magic conclusion, a few of the reasons could be:

Uphold Tradition: Harley stayed with its traditional styling, the classic 1940's and 50's design that defined everything quintessentially traditional. Expressing and voicing disdain for the Japanese machines, the customers of Harley expressed nostalgia for the traditional Harley models and the outlaw image. This image had turned Harleys into the full throttle engines that it is known for.

Built a Community where you belong: In 1983, the Harley Owners Group, or H.O.G., was started as an organization that will sponsor bike rallies, offer promotions and keep Harley owners in close contact with the company and each other. In the first H.O.G. rally in 1984 in California, only 28 people showed up.. But today, H.O.G. has 365,000 members in 940 chapters throughout the world, Now this community has become a cult, where every Harley owner experiences equality and a sense of belonging. The perception of H.O.G as outlaws or bandits are slowly diminished by associating with the social cause of Muscular Dystrophy Foundation. Charity rides too were conducted under this banner.

Extend The Brand- Diversify: In 1986 Harley-Davidson diversified into Motorclothes. which offered jackets, shirts, jeans, baby clothes and bright-coloured fashion items for women. Harley began to remodel their retail outlets to showcase the merchandise along with the bikes.

Valued distribution Network: Most of the domestic dealers, have been with Harley for ages.. The relationships are long, deep and collaborative. Harley understood that the dealer is the customer's

representative of the company. For many Harley owners, the local dealership is a second home, a gathering place.

Maintain Quality & Add Value: Harley Davidson stands for quality bikes, irrespective of the model or make. All the Harley bikes are distinct in that it sets them apart. Personalizing a Harley by innovative paint jobs, and pricey accessories has become Harley tradition.

Screaming Eagle- This symbol indicates high performance, It is a racing machine for the streets. The engine sound that resembles a screaming eagle that stirs your soul.is the tag line.

Brand Personality – The personality of Harley can be described as an American icon, symbolising freedom, rugged individualism, excitement and a sense of "bad boy rebellion. Many Harley owners feel such a strong bond with the brand that they tattoo the company's name /logo on their bodies.. "Harley reflects many things Americans dream about," said Benson P. Shapiro, a consultant and a marketing professor at the Harvard Business School. "They're a little bit naughty, a little bit nice, which is a very attractive brand image to have." The positioning of Harley on themes of freedom, brotherhood, outlaw and individuality established itself as a cult with its loyal following of customers who understand exactly what the brand stands for.

THE TUMULTUOUS JOURNEY OF THE ICONIC US BRAND

"When writing the story of your life, never let anyone hold the pen"

There are a few journeys more iconic and impactful than the one by the Harley Davidson. Twice at the brink of bankruptcy since the 1960's, Harley-Davidson Inc., have undergone a stunning metamorphosis in the past decade.

Founded in 1903, in a small shed by two brothers, Arthur and Walter Davidson, and their friend William Harley, the business began with an idea for an engine that could be attached to a standard motorcycle. By 1907, the brand had created its signature V-Twin engine. This engine produced a low, deep rumble which later, went on to become the signature Harley-Davidson sound. This distinct feature increased the demand for the Harley bikes.

Both World War 1 and World War 11 proved a boon for Harley-Davidson. The motorcycle, which was already the most used bike by the US police, was entrusted for use by the US military. By 1920's the company started taking the lead in innovative engineering and soon in 1921, Harley Davidson bike attained an average speed of more than 100 miles per hour, which helped it, grab the first place in the race. In 1941, during WW11, the company focused it's entire resources towards supplying for the US military. They shipped almost 100,000 machines and all these efforts for the Army, earned them the Army-Navy "E" award, *an honour bestowed upon companies that excelled at production during wartime*. The post-war healthy economy found consumers with more disposable income willing to spend on recreation and biking by then had become part of the recreation culture. To meet the ever-increasing demand, the company increased the production capacity by purchasing additional manufacturing capacity in 1947.

We are doing things which we'd never do- Era of Superbike

The popularity of the brand grew and by the end of 50's Harley-Davidson found itself the "king of the Road" almost becoming the sole American motorcycle manufacture. By 1957, it introduced it's Sportster model, again proving it's design innovativeness, thus heralding the era of the "all-powerful, throaty superbikes." This led to the inception of an entire new subculture around these motorcycles, and accessories like leather jackets and riding boots became the statement accessories along with motorcycling. These accessories became as much a desire for a "life of freedom" as necessary as motorcycling. In 1969, the company was bought by the American Machine and Foundry Co. a leisure equipment manufacturer headed by Rodney C. Gott. This takeover proved beneficial as the financial resources and stability that AMF was able to provide helped the company encounter the Japanese motorcycles, which was in direct competition with Harley-Davidson.

Don't fear dying, Fear Not living- Challenging times

First Death knell

As the demand for motorcycles grew, the company opened an assembly plant in York, Pennsylvania, in 1974 to meet the ever-increasing demand. By 1975, the cost of production increased which led to an additional \$1,000 to each bike, thus resulting in declining profits. To overcome this loss, the management began to apply aggressive sales strategies to increase volume sales. This strategy of volume sales resulted in the dilution of the quality of the product and the brand suffered. The production standards that customers had come to expect were lowered, and there were perennial shortages of parts, with the result

that about 30 percent of the vehicles coming off the assembly line were incomplete. These problems took a toll on the company, especially considering the rising Japanese competition. To make matters worse, the 1981 recession severely threatened Harley-Davidson's share of the market for heavyweight bikes. The management struggled to keep the business afloat and they started losing interest in the business of Motorcycling manufacturing. But Harley Davidson was not to die like this. A team of 13 Harley- Davidson executives led by Mr. Vaughn Beals, put together a plan for a leveraged management buyout, to save the company, and to affect a turnaround. With the financial aid from Citicorp, the management team succeeded in taking control of Harley-Davidson from AMF on June 16, 1981, at a cost of \$81.5 million.

The Re-birth & Turnaround

The new management 's turnaround strategy focused on the improving quality through new manufacturing techniques. Harley-Davidson did not hesitate to adopt the best practices from rivals , a much needed survival strategy. Two management techniques, decentralized quality discussion groups and "just-in-time" inventory control were adopted from the Japanese. By the early 1980s, the company realised the importance to remain close to the customers and understanding their needs and started making cosmetic changes to its motorcycle.

By the end of 1980's the competition from Japanese Bikes were moving ahead. Though the recession of the early 1980s had destroyed the demand for heavyweight bikes, Japanese manufacturers with their smaller bikes swamped the U.S. market and the US market became the dumping ground for their surplus inventory. This over supply drove the average market prices down. Harley Davidson fought for the Anti - Dumping bill and in 1982 the company won an anti-dumping judgment from the International Trade Commission (ITC). This led then-U.S. President Ronald Reagan to impose additional tariffs on imported heavyweight Japanese models, as allowed by the ITC. The additional tariffs (45 percent) above an existing 4.4 percent would give Harley-Davidson an edge over the competition and the opportunity to affect its revitalization plans. Soon the company's market share began to increase and so did the profits. Harley-Davidson had lost \$25 million in 1982, but rebounded to \$2.9 million in profits on sales of \$294 million in 1984. By 1986 for the first time Harley Davidson's market share surpassed that of Honda's with a whopping 33.3 percent, the first time since 1980. And with this they were back in the game in "Full Throttle"

The Rise of HoG

Harley started placing more emphasis on its marketing efforts and understanding customers. In 1983, Harley Owners Group (HoG) was created to build long lasting and stronger relationship with the Harley customers. The HOG is "the granddaddy of all community-building efforts," serving to promote not just a consumer product, but a lifestyle. The Harley-Davidson community was the prototype for the ethnographic term *subculture in Consumer Behaviour*, defined as "a distinctive subgroup of society that self-selects on the basis of a shared commitment to a particular product class, brand, or consumption activity."

The creation of this community went on to evolve as the best branding effort of Harley. It led to building the brand personality of Harley as the American icon, with the focus on authenticity and pride in being all American. The HOG has also served to open new revenue streams for the company, with the production of tie-in merchandise offered to club members. HOG members typically spend 30% more than other Harley owners on accessories and Harley-Davidson-sponsored events. From 100,000 members in 1983, today HoG is over one million strong, making it the largest factory-sponsored riding club in the world.

Bumpy Rides- Bankruptcy

Harley-Davidson suffered yet another blow in 1984, though the company was making great strides. Citicorp which was the major lender for Harley refused to provide over advances--money over and above the conservative lending limits set as part of the company's business plan. Now the management had to search for another lender. Once Citicorp's plans got out the other banks refused to take the risk and showed little interest in making the commitment. By October 1985, Beals and his management team had no choice but to begin the bankruptcy proceedings.

Like a Phoenix - Rising

Before the bankruptcy plans were finalized, Mr. Beals and his team were approached by an interested lender. After weeks of negotiating, Heller Financial Corporation, agreed to supply Harley-Davidson with \$49 million to buy out Citicorp's stake in the business and Citicorp was forced to take an \$18 million write-down on its original investment. Heller Financial Corporation's faith in Harley-Davidson paid off handsomely. The company again rose from the ashes like a phoenix. The market share began to climb steadily, and profits for 1986 topped \$4.3 million on sales of \$295 million. Harley-Davidson went public,

“offering two million shares of stock worth \$20 million and \$70 million worth of unsecured subordinate notes that would mature in 1997”.

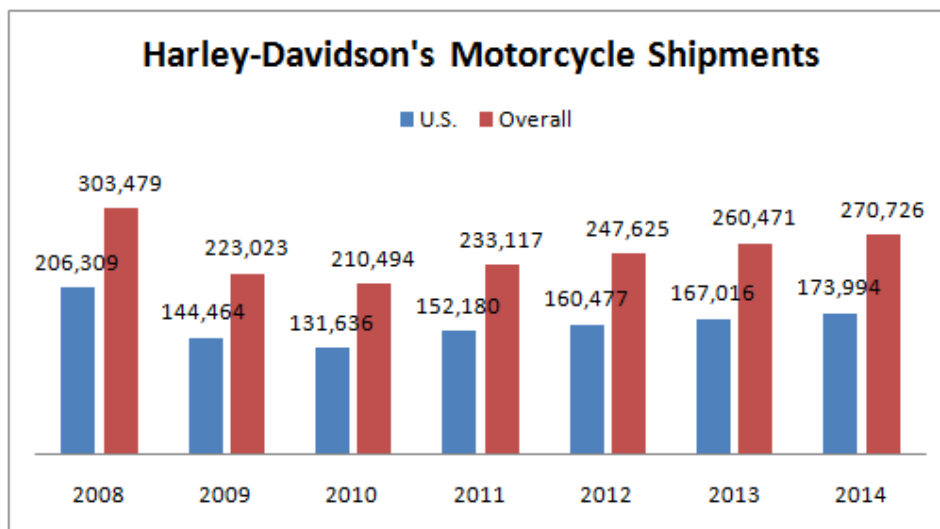
Broader and Wider Roads- Diversification

With enough capital raised, Harley-Davidson purchased Holiday Rambler Corporation, the motor home maker. By December 1986 the company had acquired all outstanding Holiday Rambler stock for \$156 million. This enabled Harley-Davidson to diversify its manufacturing efforts. The company further broadened its business in 1986 when the U.S. government awarded Harley-Davidson a contract to produce military hardware. And also casings for 500-pound bombs and liquid-fueled rocket engines for target drone aircraft. Harley-Davidson's share of the super heavyweight market by the end of 1987 had climbed to 47 percent. Despite the recession in 1990, Harley-Davidson saw its sales for that year increase to \$864.6 million, up from \$790.6 million in 1989. And the company peaked its market share in the U.S. heavy weight motorcycle with a 62.3 percent share, far and above Honda, its closest competitor who had only a meagre 16.2 percent. Once again Harley proved that it is the king of the Road.

Moving out of America

Never trade the thrills of freedom for the fear of life's sharp turns-Moving out of America.

The company kept bringing in innovations in its bikes and added new models. In 1990's it introduced the Fat Boy, which instantly becomes the modern legend in motorcycling. It also buys Buell Motorcycle company in 1994. It also enters the Super bike Racing with the introduction of VR1000. The success of their Buell line and the Sportster models needs no mention. By 2006, the company had made 5.8 billion, 9% over the revenues in 2005. 2007 saw a strike by the workers which led the management to create a new contract. Though Production fell that year, at the end of 2007, the company had planned overseas expansion in Latin America and Japan. Harley-Davidson seems to be slowly shifting gears to move into worldwide expansion. Has the iconic 115-year-old American motorcycle manufacturer finally acknowledged that growth lies outside of America and is it now aggressively eyeing growth in emerging markets with India being the top priority?



Source- Forbes September 11, 2015.

Is Harley in trouble? The American motorcycle market is declining, and the customer base is ageing. There is increased competition in the home front. Harley decides to move out of the US to developing countries. But there is a big challenge ahead. Motorcycling is a way of commute in developing countries unlike in the US where it is a leisure & lifestyle statement.

MORE ROADS TO HARLEY DAVIDSON- ENTRY INTO INDIA.

Announcing a futuristic mid-term plan till 2027 named 'More Roads to Harley-Davidson', the company said it's developing small-displacement (250-500 cc) bike for Asia's emerging markets through a strategic tie-up with a manufacturer in Asia.

“This new product and broader distribution is intended to fuel Harley-Davidson's customer access and growth in India, one of the largest, fastest growing markets in the world, and other Asia markets,” the company said in a statement.

Harley-Davidson plan of rolling out the first lightweight motorcycle in India through an alliance with an Asian manufacturer has materialised. The bikes are produced at the Haryana plant. According to its 2018 second quarter report, Harley Davidson's domestic sales fell 6.4% from 2017. To add to this EU (European Union) has imposed stiff regulatory tariffs. This has forced Harley to shift most of its production overseas to avoid the tariffs imposed by the EU. And it is looking to tap into larger Asian markets such as India and China for growth.

India has the largest market in the world for two-wheelers and is in the highest ranking in terms of economic growth. In India close to 20 million two-wheelers are being sold yearly, most of which are commuter motorcycles under the 500cc segment. Harley has decided to harness the immense potential of the India and China markets.

The Indian market came with its own set of challenges. Anoop Prakash, who was selected to head the company's expansion on the sub-continent as MD of Harley- Davidson India, explains: "Two challenges in the Indian Market were the following. "The first challenge was to make the brand accessible given the import tariffs and taxes made the price point of a Harley motorcycle in India almost double the price in the US "The second challenge was to meet the world class customer expectation – and generally speaking, Indian dealers were not known for delivering the high levels of customer service we wanted to achieve."

Inter country relations play a vital role in business between two countries. In case of Harley Davidson, the import of bikes in India was allowed in exchange of export of alphonso mangoes to USA which was banned earlier due to pest risks. After acquiring permission in 2007, Harley Davidson could not launch in India due to very high taxes and duties. Since India is a developing country whose economy is growing at substantial rate, it is appealing for companies like Harley Davidson to target India. It is the 5th country in world in terms of GDP-purchasing power parity (CIA, 2010). It is very vital for any multi-national company like Harley Davidson to understand the socio-cultural and demographics of India to survive.

The flight in full throttle - India Growth

The firm is currently planning a 250cc to 500cc motorcycle to be manufactured in India or their new Thailand plant. The pricing is low so are the margins. The company expects to create more value, stabilise and strengthen the existing business, improve its return on investment capital, increase revenue and earnings, and increase shareholders earnings, said the company in a statement.

The company expects to generate more than \$1 billion of incremental annual revenue in 2022 as compared to 2017. However, pricing will be key for Harley's plans for the 250cc-500cc segment. It is now looking to make its offerings more affordable to Indian consumers. Not surprising, considering that India reported sales of 12,613,241 motorcycles in FY2018 and a year-on-year growth of 13.69 percent. And it's getting even better. More specifically, the affordable end of the mid-capacity motorcycle segment (250cc-500cc) in India, sold 833,112 units in FY2018 as against 668,631 units in FY2017, thus reporting a substantial growth of 25 percent. The company's most affordable offering in India is the Street 750, which plays in the upper end of the mid-capacity motorcycle category. Harley-Davidson sold 3,413 units in India in FY2018, down seven percent from 2017.

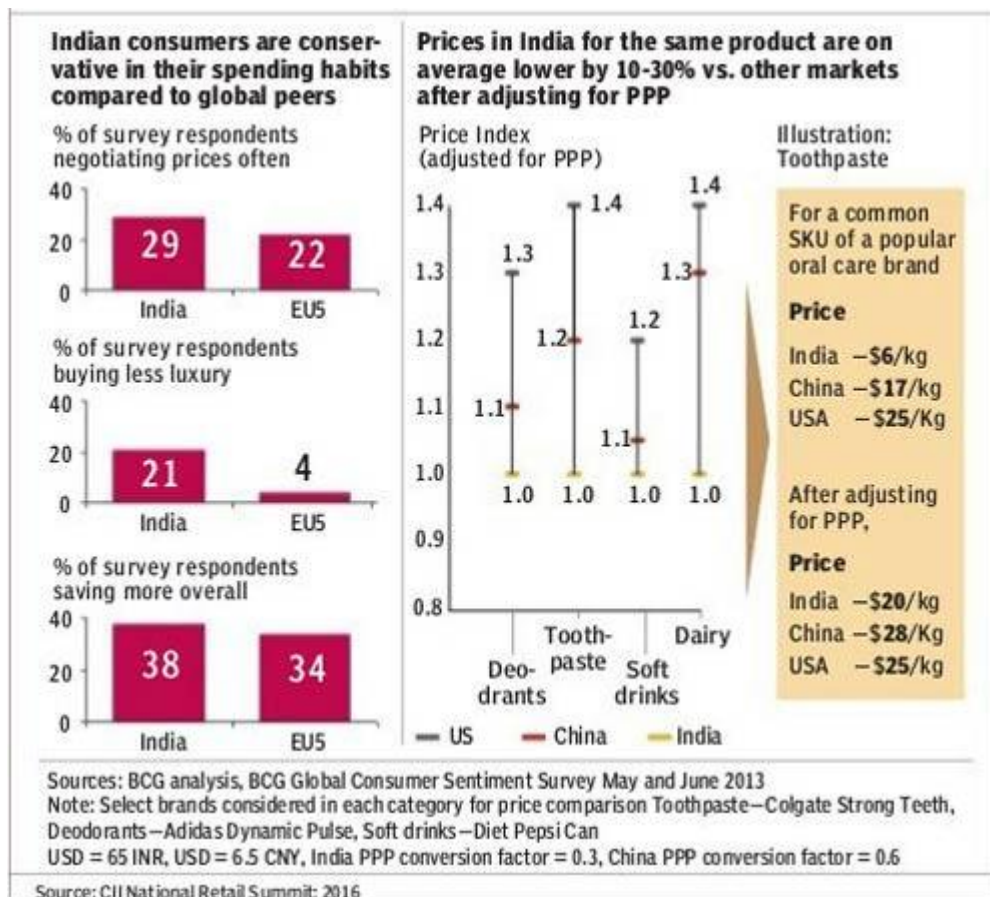
Atlast, Harley has acknowledging the growing tribe of the mid-capacity motorcycles worldwide, and the company has now announced that it is developing new modular 500cc-1250cc middleweight motorcycles that will span three categories. "This will include the adventure concept christened as Pan America 1250, a 1250cc custom model and a 975cc Streetfighter (street-naked)." According to the company, these motorcycles are scheduled for an early 2020 rollout globally.

In India, the company said "a growing middle class and product introductions by domestic manufacturers are providing stimulus". As per Industry estimates, the 200-500 cc segment saw sales of 700,000 units in 2017 growing at 25 per cent. The 500 cc and above segment grew up by 28 per cent selling around 8,500 units last year. So Harley's strategy to enter developing markets have proved a success. But now one wonders – Is the iconic brand getting diluted?

The American Harry vs the Indian Hari

The price conscious Indian consumer wants value for money and at the same time is brand conscious. Prakash added "Consumer data has been vital to us as we develop our business in India.. When we first entered this market, we didn't know who our customer would be. But we carried out detailed research – for instance, who are our customers? What do they read? Where do they go? This allows us to hone in locally – if we had positioned ourselves strictly based on our initial price point as a luxury product, we would have failed – because it's not in our DNA. Instead we had to find the balance between being

premium, while being accessible". It is exactly why Harley bounces back every time it is hit. Understanding customer mindset and adapting to it.



“Alongside our existing loyal riders, we will lead the next revolution of two-wheeled freedom to inspire future riders who have yet to even think about the thrill of riding. We expect this plan will result in an engaged, expanded Harley-Davidson community with a more diverse rider base, along with industry-leading margins and cash flow,” said Matt Levatich, president and chief executive officer, Harley-Davidson.

For the leather clad Terminator Harry rider, it sure is ‘dilution’ of the brand. How would he feel when his brand which he wears as a tattoo, stoops down so low to include a middle-class Indian? The bike which stood for an All-American experience merely becomes a Product of commute. Wouldn’t he be distraught, humiliated by his own favourite brand?

But there may be something else – a deeper cultural issue – that’s at the root of Harley’s trouble. Brian Robbins, a long time Harley enthusiast and one of Dos Santos’ customers, said “If I’m going to spend my disposable income on a bike, I want it to be unique,” he said. “I don’t want to drop \$40,000 on my bike and have some guy roll up at a light riding the same thing. “There was a time when there was a waiting list to get a Harley-Davidson,” he said. “Now you can roll up with a scooter and walk out of the dealership with a financing deal on a new bells-and-whistles Harley.”

Harley too worries. With the fear of losing the iconic legendary image also looms the imminent peril of competition. The fear that significant numbers of Harley enthusiasts will opt for the Japanese competition. To prevent this, Harley must drive its brand deeper and deeper into the developing markets without diluting its image.

BRAND DILUTION OR LEVERAGING MARKET OPPORTUNITIES?

Brand dilution is the weakening of a brand though its overuse. Price cutting that increases volumes by targeting mass markets can damage a brand image. Brand dilution is an ever-present risk for companies that rely on a strong brand for high margins. A company that owns a strong brand would want to leverage it to sell as much as possible, but the very strategies used to pursue this often brings the danger of brand dilution.

In fact, Harley management is aggressively responding to its critics. Chairman and CEO Keith Wandell says the 109-year-old company is on “a journey of transformation.” It is engaged in the delicate task of attracting more women, minorities, and younger riders without diluting its bad-boy image”

"We have to applaud Harley-Davidson for doing something and accepting reality," said Joe Altobello, "At the end of the day, given the struggles the industry has gone through, it's commendable for them to at least make a strategic shift."

As one of the most iconic motoring brands of all time, Harley Davidson certainly teaches us a lesson or two. Despite the challenges the company faced over the years, Harley Davidson has managed to consistently overcome various obstacles, and get itself back on track towards success—often stronger than ever. Harley has created a brand for people who want to stand out from the crowd. Their popularity is based on an emotional experience, and a strong connection that defies logic, and goes beyond concerns like price points and technology. Harley learned that while the company could be proud of its heritage, and maintain its values as a growing company, it couldn't allow itself to become restricted by a single consumer base. But does the true Harley Evangelist think so?

Do you think what Harley did is right? What should Harley do?

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