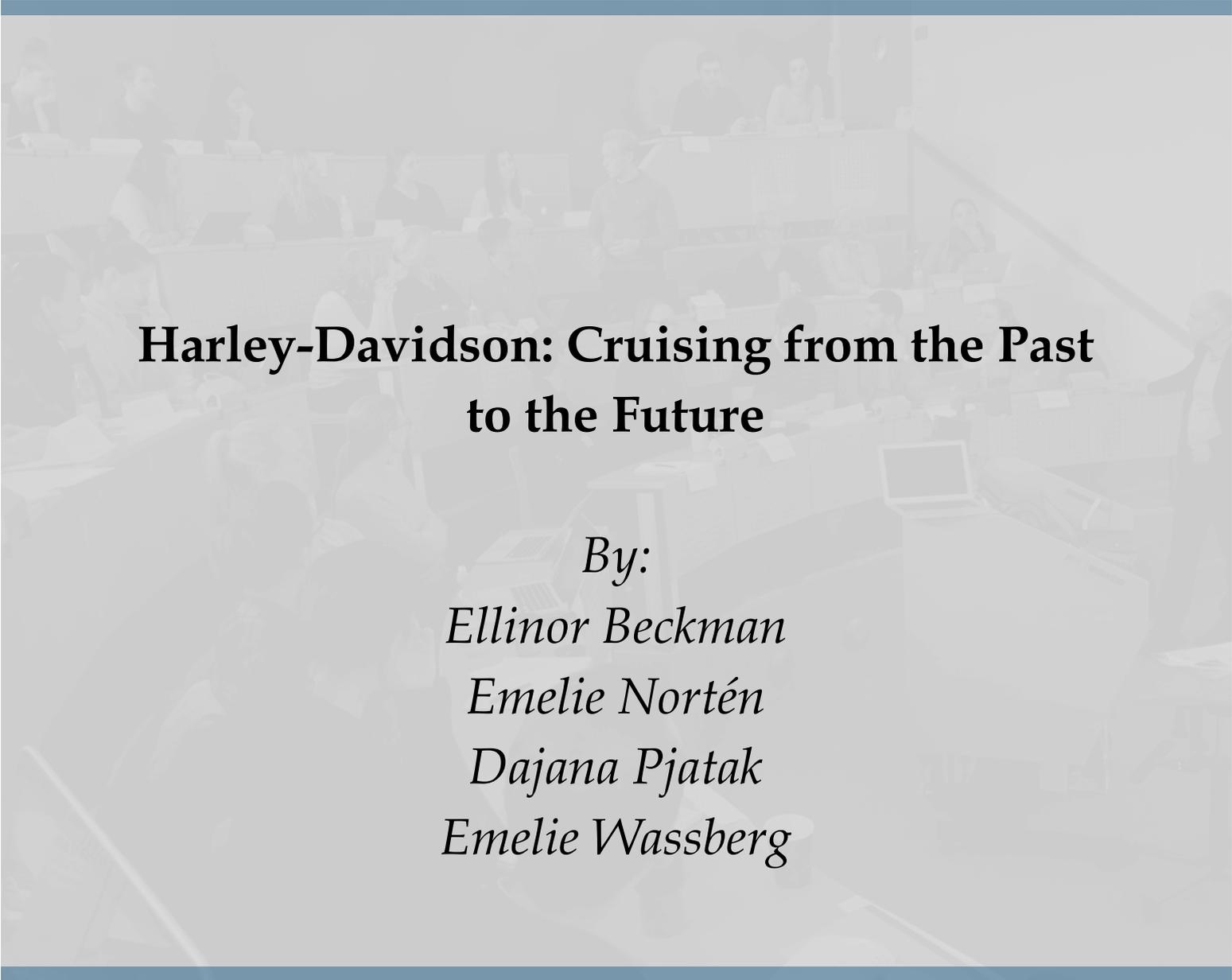


CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Harley-Davidson: Cruising from the Past to the Future

By:

Ellinor Beckman

Emelie Nortén

Dajana Pjatak

Emelie Wassberg

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management

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WRITTEN CASE

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MANAGEMENT DECISION CASE

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ELLINOR BECKMAN

EMELIE NORTÉN

DAJANA PJATAK

EMELIE WASSBERG

Harley-Davidson: Cruising from the Past to the Future

It is the end of January and Matthew Levatich, Chief Executive Officer of Harley-Davidson, is sitting in his office in freezing Milwaukee, Wisconsin, preparing to deliver a speech to his management team. After 116 years in business, Harley-Davidson is facing some hard times. Sales are decreasing and the stock price is showing a down-going trend, almost dimidiating in the last five-year period, with sales predictions pointing towards a delivery of around 220 000 bikes in 2019 – the lowest delivering volume in eight years. It is safe to say that Levatich has some difficult times ahead of him.

The meeting takes place at the Harley-Davidson headquarters, in the very building where its founders moved in back in 1906, when the company expanded beyond the walls of the legendary Harley-Davidson's shed. Levatich takes a look around the board room, relishing the newly renovated old building, with Harley engines turned into tables, and the word "Freedom" hanging in big, bold letters on the wall. He smiles to himself, thinking about the past and how he must do his very best not to get too lost in the future.

Levatich takes a deep breath, trying to reconcile with the fact that the Harley-Davidson brand is about to step into a new era, one that will fundamentally change the essence of the all-American heritage brand. He prays that the team, all being dedicated Harley drivers, will accommodate to the changes approaching the brand, showing their unconditional support for the upcoming strategic changes that need to be made. But Levatich is well aware that this is not going to be an easy task. How will management react to the speech? Will management support Levatich's efforts and dedicate themselves to building a new strategy and image for the Harley-Davidson brand?

The History of Harley-Davidson

The Harley-Davidson brand dates all the way back to 1903, when William S. Harley and Arthur Davidson produced the first Harley-Davidson motorcycle in a small wooden shed, with “Harley-Davidson Motor Company” crudely crawled on its door, in Milwaukee, Wisconsin. Back then, the motorcycle market was highly saturated and the only way for Harley to make a name for themselves was through the race track. Winning competition after competition, the word about the powerful endurance and reliability of the Harley spread quickly, eventually granting Harley-Davidson their first big contract with the Detroit Police Department.

In 1907, the company is incorporated, with the stock split among the four founders; William Harley, along with the three Davidson brothers Arthur, William and Walter. At the same time, staff and factory size doubled, and in 1911, the famous ‘Bar & Shield’ logo was used for the first time and trademarked a year later in 1912. In the same year, Harley-Davidson started selling their bikes overseas and also signed a contract for the U.S. Military, with one third of their motorcycles sold for military purposes by 1917. Three years later, in 1920, Harley-Davidson became the largest motorcycle manufacturer in the world, with around 2,000 dealers in 67 countries across the globe. Over the following years, the Harley-Davidson brand was put to test by being subject to a multitude of acquisitions, disposals and spin off. Yet, the U.S.-based company managed to thrive, and with its main competitor Indian Motorcycle ceasing their operations in 1953, Harley-Davidson became the sole American manufacturer of motorcycles for the next 46 years.

The 1960s mark a time of expansion for Harley-Davidson through acquisitions and towards the end, Harley-Davidson was acquired by the American Machine and Foundry (AMF), a producer of leisure and recreational items, streamlining the Harley-Davidson product portfolio and slashing the workforce. In 1981, Harley-Davidson former owners re-acquired the company from AMF, endorsing the message “The Eagles Soars Alone”. In 1987, Harley-Davidson was listed on the New York stock exchange.

Today, the Harley-Davidson brand contains six different product families; The Softail, Dyna, Sportster, Touring, Trike, CVO, H-D street. The current product lines are all primarily distinguished in terms of type of engine, size, design of the frame and suspension. Throughout the years, the product lines have remained the same in the sense that the products included are rather subject to frequent updates with technology. New product lines have been added successively. Today, Harley-Davidson sell their motorcycles all around the world, having around 800 international dealerships.

Famous for its rumbling noise, it is no doubt that the engines of Harley-Davidson bikes are a key attribute of their product offering. The engines come in three types; Big V-twins, Small V-twins, and the Revolution engine. Not only is it the sound of a powerful engine, but it is the sound of freedom and adventure. A Harley

is not just a nice way of transportation. A Harley is a way to express yourself, and it is a way of life.

Yet, despite its global reach, the reputation of the Harley-Davidson brand is undoubtedly associated with America. Same as Coca-Cola, Harley-Davidson motorcycles have become one of those rare products, acting as a symbol of 20th century America. Not only are Harley-Davidson motorcycles present throughout history, appearing in pictures of president John F. Kennedy's Dallas motorcade and the Apollo 11 astronauts' ticker-tape parade, but it has also become a symbol of American leisure culture. With celebrities such as Marlon Brando, Elvis Presley and the Terminator riding Harley-Davidson bikes, cruising around on the wide and long American roads became the dream of every Baby Boomer.

Brand Community: The Harley-Davidson Owners' Group

In 1983, two years after the widely celebrated buyback of Harley-Davidson from the AMF, the Harley Owners Group (H.O.G) was officially founded, offering benefits such as the H.O.G. Fly & Ride rental programme, H.O.G Tales magazine and a variety of patches, pins and other collectibles. The membership has been also extended to designated passengers of Harley-Davidson. The H.O.G has become the largest factory-sponsored motorcycle club in the world, reaching more than 30,000 members just a short time after being founded and in the nineties, the H.O.G. presence reached Europe and other parts of the world. In 2006, the H.O.G community reached its million member-milestone, with the club constituting one of the biggest drivers of brand revenues.

The stereotypical Harley driver is famous for wearing two-patched H.O.G. club or three patched biker gang leather jackets. He is not driving Honda or BMW, but as a proper American, flag-waving patriot, he drives his iconic and polished Harley-Davidson, which can make a proper noise. He has a serious job during the week, but the weekend is for fun and freedom.

However, the very same stereotypical Harley driver who has made the brand famous has also created the uninviting reputation of Harley's customers being older white men, speeding up the motorways on their two-wheeled noisy beasts. This image of the average Harley driver does not appeal to younger riders, women, people of other ethnicities or urban citizens, who are under the impression that the Harley-Davidson brand is not for them.

In an interview, Heather Malenshek, Harley-Davidson's vice president for global marketing, stated that she does recognize that it is not only the brand itself, but the people associated with it, who set the tone for how the brand is perceived by the outside world. Today, only one quarter of the riders are between the ages of 25 to 40, with the average age being 50. Moreover, only 14 percent are women. Malenshek acknowledges the fact that the company needs to become more inclusive. In addition, the Harley-Davidson brand has acted as a political symbol, greatly

associated with long-term voting for the Republicans. Among others, Ronald Reagan and John McCain were highly devoted Harley-Davidson supporters. Similarly, two weeks after being elected, Trump invited Harley executives to the White House.

New Millennium, New Challenges

In 2003, Harley-Davidson celebrated its 100 years anniversary, an event commemorated by H.O.G.s across the globe. The very same year, Tesla Motors launched its first electric vehicle. Tesla gained a lot of popularity and became a leader of change within the four-wheel electric vehicle market. The success story spread across the vehicle industry and brought higher expectations and demand for innovation, even within the motorcycle industry.

Some five years later, in 2008, the global recession swept across the global market, hitting the demand for motorcycles hard, with sales of Harley-Davidson plummeting by 40% following the collapse of the global economy. Yet, Harley-Davidson managed to get out alive, mainly thanks to their popularity among its most loyal customer segment - the Baby Boomers. To this day, the Baby Boomers, people born between 1946 and 1964, form the biggest customer base of Harley-Davidson. Nevertheless, Baby Boomers are an aging customer segment, and finding ways to replace its core fan base has been extremely difficult.

The market is now paving the way for Millennials – a generation of customers who are usually more conscious about pricing, holding off on making generous expenditures, emphasizing a more sustainable way of consuming. These are not attributes that go well in line with the industry for luxury heavyweight motorcycles, tending to spend more money on electronics and experiences, rather than on four- or two-wheel vehicles. Millennials, who are now in their thirties, are facing more financial pressure than the middle class once did. The average millennial household has high student loans, coupled with mortgage, children and frozen purchasing power. In addition, Millennials do not feel the same emotional connection to motorcycles as previous generations, making it even more difficult for Harley-Davidson to reach out to this new customer segment. It is safe to say that Harley-Davidson is facing quite a challenge in aligning their future strategies with the demands of future generations.

Michelle Kumbier, Harley's chief operating officer, who has been with the company for nearly 21 years, revealed that the recession did change the company's perception of itself. Previously, Harley-Davidson did not really need to do much research on their consumers: "We would mostly go on gut feel. We thought we knew our existing consumer base and what they wanted." For the most part, whenever Harley-Davidson have been wanting to test their new vehicles, they have either turned to their employees, or talked to the customers attending rallies. The problem here is that the people Harley-Davidson reached out to were already customers to the company.

Company executives have been facing a lot of criticism for how they have been handling the brand's attempt to tap into new customer segments. As an example, in their attempts to launch new, modern products, appealing to a younger, urban consumer, consumers were only allowed to see a handful of concept photos, leaving not much of a basis for them to actually consider buying the products. Moreover, the few photos they were actually allowed to see were not met with much enthusiasm, and consumers were hesitant to the idea of Harley-Davidson pursuing more adventurous and innovative prototypes. On an overall basis, consumers concluded how such prototypes simply did not resonate with the image of the Harley-Davidson brand, and as a result, the company has been hesitant to launching the electric motorcycle. For one thing, electric motorcycles are usually quiet and generally do not possess the signature Harley-Davidson rumble.

Yet, there is some evidence of hope for Harley-Davidson. Other brands such as Levi's and KFC, have managed to gain popularity among the millennials, despite their previously outdated reputations. Also, Polaris Industries, a snowmobile company, managed to revive Indian Motorcycle, the former nemesis of Harley-Davidson, as a retro classic American brand. Also, in 2014, Harley-Davidson allowed the public to test their prototype for the new electric motorcycle. Although met by strong criticism among their current customer base, the wider motorcycle community welcomed the electric motorcycle with enthusiasm. Journalists referred to the idea as "wild", with people who would have generally chosen other brands saying that they would be open to switching to Harley-Davidson. The news appeared with featuring stories saying that Harley-Davidson could potentially leverage its existing popularity and become the lead manufacturer of electric motorcycles.

Situation

Levatich waits until the management team fills the boardroom, then stands up and says:

"As many of you know, Harley-Davidson has been through some turbulent times. We are all well aware that the road is not always smooth and the sun does not always shine. That being said, for the first time in decades, we are in a position where we have to reconsider our strategic focus, shifting away from our devoted Harley-Davidson riders. Times are changing, and consumers are changing, and so our bikes. In the future, we will be releasing new, lightweight, urban electric motorcycles without the clutch, attempting to attract a new rider who is young, urban and not necessarily American. We are turning the page in the history of the company. We are opening our arms to the next generation"

The boardroom is silent, and the audience observes the atmosphere, soaking in the words just spoken by Levatich. He continues:

*“Choosing to make a new product so different from our classic portfolio (**Exhibit 1**) requires strategic planning and proper implementation. I am glad to announce that our reliable brand and marketing management will work on those elements, fostering the launch of our new electric motorcycle project LiveWire (**Exhibit 2**)”*

You are Heather Malenshek, Head of Global Marketing and long-term Harley driver. You and your brand management team should choose among one of the following alternatives for launching H-D electric motorcycles (**Figure 1**);

- A. Adding LiveWire as a new product family name to the existing Harley-Davidson product portfolio
- B. LiveWire with Harley Davidson as shadow mother brand
- C. Harley Davidson with LiveWire as one of the product families
- D. LiveWire, endorsed by Harley Davidson mother brand

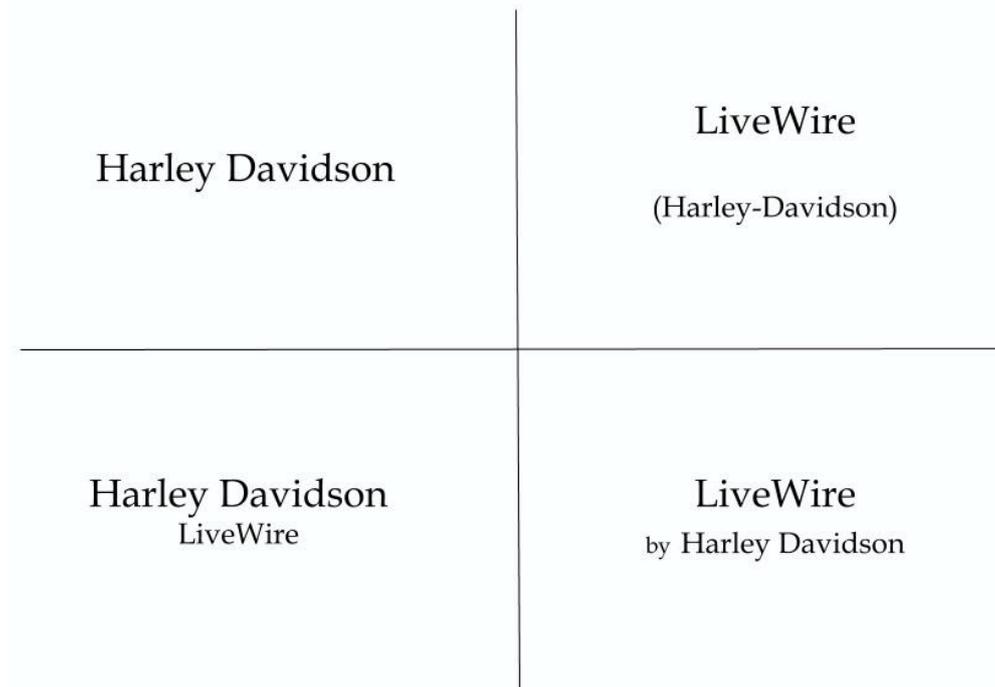


Figure 1: Launch of LiveWire Electric Motorcycle

Subsequently, since Harley-Davidson is a public and stock listed company, you need to present your alternative to executive board members, elected by shareholders, who will make a high-level decision about the direction of the business.

Appendix

Exhibit 1: The Heritage Classic motorcycle



Exhibit 2: The LiveWire electric motorcycle

