

Harley Davidson Decamps India

Chiranjana Shubha Kumar¹, H B Dhavan¹, Abhishek G H¹, Madhav Murthy^{2*}

¹Department of Final Year Mechanical Engineering student BMS College of Engineering, Bengaluru, India

²Department of Assistant Professor, Mechanical Engineering, BMS College of Engineering, Bengaluru, India

ABSTRACT

The profitability of a company is proportional to the perfectness achieved in marketing the brand. They must have the art of telling stories so enthralling that people lose track of their wallets, as described by New York Times. Marketing is the soul of organization determining the survival of a product in the market. It is quintessential as it helps in reaching the consumers and create an impact on their minds even before the product is launched. Marketing simply includes advertising, selling, and delivering products to consumers. The key result effective marketing shows in not moving a brand is from sluggish to proactive without even changing a single aspect of the product itself. Keeping the motto of the company alive has its own challenges.

William H Harley in 1901 had envisioned a blueprint of his two-wheeler bicycle that he managed to pull-off along with his childhood friend Arthur Davidson. They managed to get help from Arthur's elder brother in the initial business phases. It has not turned back since then. Their business grew and they created motor bicycles in 1903 under the brand name Harley-Davidson. The company is highly reputed in the marketplace with customers who are extremely content with the global image of the brand. Harley gives its entire customer an opportunity to customize to incorporate unique features in their motorcycle to suit their personality. More so, some Harley owners go to a greater extent to exhibit their sense of brotherhood. They get 'Harley-Davidson' (HD) tattooed on their arms to show-off in rallies organized by Harley Owners group. The annualized meet is a stage for customers to interact with others' 'Harleys'. This helps to develop a sense of fraternity among the followers. The company enjoys such gatherings for it is time to take some valuable feedback 1st hand and incorporate innovative changes.

Harley doesn't stop with their customized rumbling bikes, for it will be incomplete to modify the ride without adding a charm to the rider. From leather jackets to boots, from gloves to helmet, from shirts to jeans and even luggage holders for that long cross-country ride, Harley has it all. There was nothing that could stop Harley-Davidson as nothing had stopped William and Harley before. Unfortunately, that isn't the case now. With their unrealizable solutions to enigmatic problems, the company is to exit India. Even after having a huge brand image and a loyal fan base, it faced critical challenges. The marketing strategy in Indian market was unable to tap across different segments of customers.

The vast population of the country provided ample opportunities and the company chose to allure the disposable income group constituting the elite segment. It wasn't wholly their fault as the import tariffs were huge which led to unpleasant rates. Nevertheless, rich are rich and they can afford what they want. This was what kept Harley growing and interested. Their advertisements were minimal as one could see it rarely in newspapers and magazines. Harley invariably had an attitude which never intended to market the product but they always catered to the brand image.

*Correspondence to: Murthy M, Department of Assistant Professor, Mechanical Engineering, BMS College of Engineering, Bengaluru, India. Tel: 9482852100, Email: madhavnie@gmail.com

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The conversations of Harley are tangible to comfort and aesthetics. The top speed and mileage are ghostly to people as the image company has induced keeps priority focus on the former. Catering to a narrow segment of population led to creation of limitations in the market. Although, they leveraged their position through Street 500 and 750 exports from Haryana Division, it proved to be a weak point. Moreover, sales were not optimal throughout the decade. The expectations of the marketing team didn't quite sit well, rather never sat. The study aimed at the popularity and brand image of Harley from public perspective and the factors that forced the company to exit from India and the aftermath is discussed. The study includes the gaps in pricing, the culture prevalent in the Indian market and other factors which led to the unsuccessful ending for HD. The methodology adopted in entirety is market research and available online information. The findings provide an insight for the existing well to do companies and the future investors who look at India as an opportunity for growth.

Keywords: Marketing, Customization, Brand image, Sales, Unsuccessful.

INTRODUCTION

According to the UN data the current population of India is estimated to be 1.38 billion for 2020. The opportunity of such a huge market is inherently accredited to the people. Thanks to the growing economy and the opportunities provided by the government, an average Indian is living a better life than his previous generation. With increasing spending capacity, there has been a progressive increase in the purchasing power of a middle-class person. Moreover, they have been readily affording the high-end quality products of any sector. Specifically, for a foreign company this is a lucrative advantage and a worthwhile opportunity to grab.

With a growing number of right sets of circumstances, India has been aptly called the rising economy. Since post-liberalization and loosening of economic restrictions, the country has become a location of large-scale investment. This led to more people and businesses entering the market and competing against each other in terms of price and quality. Innovative marketing had inevitably become necessary for the long-term survival and the essential profits of the company.

Marketing simply includes advertising, selling, and delivering products to consumers. Marketing is the art of telling stories so enthralling that people lose track of their wallets (New York Times, 2017). The key result effective marketing shows in not moving a brand is from sluggish to proactive without changing a single aspect of the product.

William H Harley in 1901 had envisioned a blueprint of his two-wheeler bicycle that he managed to pull-off along with his childhood friend Arthur Davidson. They managed to get help from Arthur's elder brother in the initial innovation phases. It hasn't turned back since then. Their innovative business grew subsequently creating motor bicycles in 1903 under the brand name Harley-Davidson.

The Harley-Davidson Motor Company has expanded since 1903 from manufacturing of bicycles to electrification of motorcycles with various motorcycle types such as chopper, cruiser, street etc, all over the world. The period of two world wars were crucial to Harley-Davidson to create the brand's image of freedom that is still known today. Since then, they are making their legacy all around the world. The Harley rider community is vast, and they

gather for massive annual rides with huge bikes suitable to all age groups. It is known as the bike of dreams- iconic and legendary. Harley-Davidson is not just a motorcycle but an image that everyone wants to be a part of. The empowerment and confidence it fuels is immeasurable, complimenting lifestyle. The company is highly reputed in the marketplace with customers who are extremely content with the global image of the brand.

The primary thing for the success of a company is its vision and mission statement. Harley-Davidson mission statement is: "We 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". Harley-Davidson mission statement's understanding is vital in order to understand the company's motive.

Harley gives its entire customer an opportunity to customize to incorporate unique features in their motorcycle to suit their personality. They could get their design modified, their favourite colour could be ordered, furthermore the accessories added to the customisation. Moreso, some Harley owners went to a greater extent to exhibit their sense of brotherhood. They get 'Harley-Davidson' (HD) tattooed on their arms to show-off in rallies organized by Harley Owners group. The annualized meet is a stage for customers to interact with other 'Harleys'. This helps to develop a sense of fraternity among the followers. The company enjoys such gatherings for it is time to take some valuable feedback 1st hand and incorporate innovative changes. Harley didn't stop with their customized rumbling bikes, for it will be incomplete to modify the ride without adding a charm to the rider. From leather jackets to boots, from gloves to helmet, from shirts to jeans and even luggage holders for that long cross country ride, Harley has it all.

Unfortunately the huge success overseas didn't survive for long. The challenges faced in recent times have made certain unfavourable outcomes. The company has decided to exit India. Even after having a huge brand image and a loyal fan base, it faced critical challenges. Primarily, the marketing strategy in Indian market was unable to tap across different segments of customers and lacked in-depth understanding of the Indian market.

Marketing is the soul of an organization determining the survival and adaptability of a product in the market. It is quintessential to reach the consumers and create an impact on their minds even before the product is launched. A product should be able to connect with the people to create a sense of trust and a companionship in achieving their dreams. The vast population of the country provided ample opportunities to lure potential customers. Unfortunately, the company chose to allure the disposable income group constituting the elite segment. Their advertisements were minimal as one could see it rarely in newspapers and magazines. However, they created a good brand image of themselves in such a minimalistic attitude. Unfortunately, catering to a narrow segment of population led to creation of limitations for the company. Even, sales were not optimal throughout the decade. The expectations of the marketing team didn't quite fit well. All these factors together added to the adversity and the company decided to quit its operations in the Indian market.

BUSINESS IN THE US

Harley-Davidson had a huge economic success in their home market - US. From design and manufacturing to marketing and advertising of this automobile product was done magnificently.

This extraordinary machine needed intensive engineering, manufacturing and market research the aesthetics, ergonomics and user interfaces changed gradually as per the customer's requirement. The iconic Harley-Davidson Motor Company is the only major US based motorcycle manufacturer that produces heavyweight motorcycles offering a complete line of motorcycle parts, accessories apparel and general merchandise.

Harley Davidson is considered as the greatest bikes to be manufactured in the US as far as the product quality is concerned. They have already been more than a century old company in which they have brought competitive technological developments and also received economic returns. Many subsystems and components were developed by teams working in parallel, followed by system integration and validation. Intangible product offerings provided in conjunction with intangible services are integral to Harley. Development of new products with slight variations of existing configurations allowed them to follow a streamlined and highly structured development process aligning with the aim to showcase their USP.

ENTERING THE INDIAN MARKET

Indian two-wheeler market is the biggest in the world followed by China. More than two crore scooters and bikes are sold in India every year, which is an astounding figure of global standards. The demand is consistent as Indian market is known for 'high-volumes and low-margins'. Companies looking for their boom in the market always tend to target the largest market, one of them being India with a population of 1.3 billion people.

Harley-Davidson launched their operations in 2009 in India, with its first dealership operating in Hyderabad in July 2010. The following year they set up their first assembly unit plant in Bawal, Haryana where they started assembling the existing US models with imported parts added with a tax burden of 56%.

The sky-high import duty rates had hit them hard as the cost was approximately twice the US price. However, India is a diverse country and the rich people buy what they want. This kept Harley vested in their interests.

In 2014 they started manufacturing 750cc and 500cc Street in Haryana, India. From the year 2015 their sales in India went on decreasing from 4.7k to 2.4k per year, i.e., they managed to sell only 27k bikes which is barely half of what Royal Enfield - renowned local competitor, sells in a month in India! The prices for the motorcycles started from Rs 11 lakh up to Rs 55 lakhs, suitable for the upper middle class and above. Even their entry-level model started from around 4.69 lakhs.

The primary reason for this is that Harley's product portfolio simply wasn't well matched to Indian requirements. Also from 2014, the Narendra Modi government came as the ruling party, who started encouraging people to make goods and products in India i.e., 'Make in India'. Harley depended on marketing previously led models and there was no product innovation to the Indian market. Arch rivals such as BMW, KTM, Royal Enfield, Yamaha and others have come up with bikes which are lighter in weight and more technologically advanced which also cater to multiple Indian market categories.

Slipping sales in India

Not every product in India can survive the Indian market with their original products sold as it is. Indian market has always proven to be tough to crack for many foreign products. It took more than a decade for Harley to plan a business strategy for the world's most lucrative two-wheeler market.

"Product development is a significant investment for any company and Harley-Davidson's strategy is not to develop any market-specific motorcycles", says Levatich, former President and CEO of Harley-Davidson. Don't you think this lack of strategy planning has led Harley to exit India in 2020?

In the past decade Harley managed to sell only 30k bikes. After analyzing second quarter results for 2020, Harley-Davidson said that "The company is evaluating plans to exit international markets, where volumes and profitability do not support continued investment in line with future strategy", which also included Indian market.

Most of the sales in India were of Street edition bikes which are also found to be least expensive Harley-Davidson bikes. As seen in the figure below, they have sold less than 2500 bikes in the year 2020. Also, there is a steep decrease in sales from 2016. From then sales continue to shrink every year affecting the company's bottom line earnings.

In India, which is Harley's largest market, sales fell 21.6 percent between 2016 and Q3 of 2020 as in figure 1. Sales of Harley-Davidson motorcycles fell in the Q2, with worldwide retail sales falling 6.7%. Harley-Davidson sales in the US alone fell 9.3%, while international sales decreased 2.3%.



Figure 1: Units sold by Harley-Davidson in India

The second quarter of 2020 was very poor for the world economy leading to recession. Harley-Davidson had 8% fall in Q2 sales in 2019 when compared to Q2 sales in 2018. On the dollar side of the equation, Harley-Davidson reported a net income of \$195.6 million earned, from a consolidated revenue of \$1.63 billion in Q2 2019. This is nearly a 20% drop in net income, when compared to the \$242.3 million that Harley-Davidson made on the \$1.71 billion in consolidated revenue in Q2 2018, struggling with their sales in Home country. Their global sales have fallen over 20%, in the first half of 2020, against already-slipping sales figures from 2016. Year over year, sales of motorcycles, parts and branded merchandise is down 6%.

HARLEY-DAVIDSON'S DENIAL IN INDIA

It is very difficult for an organization to reach expectations of a customer to its full extent. This is where most of the companies seem to have a gray area. Once my company fails to attract their customers, it has to be prepared for the worst scenarios. This is exactly where the company was facing in 2020 and before. Harley-Davidson which couldn't satisfy their customers and ended up decamping one of the largest super bike markets in the world. Nevertheless, a giant company in despair, least competition for their market segment was much anticipated. Strategies made by Harley-Davidson didn't give any expected results in Indian market. The heavy iconic American cruiser had a hiccup in its journey in India as they stopped production in the Haryana plant division in September 2020 following decline in sales.

Poor Market for Big bikes

A day-to-day observation conforms to the fact that India has a very low number of heavy motorbikes. It's crucial to know the

local flavor of the targeted consumer before putting any product into the market and it's very important to know the history behind the sales in the market before launching any product.

The hypothesis is supported by the statistics of motorbike sales in Indian Markets. Over 17 million bikes were sold in India last year about which 90% were below 200cc and rest of them were heavy (greater than 200cc) bikes. This statistical evidence makes it clear about the actual flavor of the Indian bike buyer and gives us much clarity on the mindset of the Indian bike buyer. Even though the country is one of the largest motorbike markets, Harley-Davidson got a very less segment of market and had to compete in the available narrow segment which made every decision in the organization a very defining and impactful one.

Inadequate portfolio

Diversity being a very important factor in marketing, it's natural for a customer to seek variety in the segment in which he/she is looking for. It's very essential for a company to provide a suitable range of options to the customers in terms of price as well as engine (referring to cc). Since the majority of Indians consist of middle-class people, companies have to be very cautious about pricing.

However, Harley-Davidson was not cost favoring the customers which made it out of scope for a majority of Indian population. Its bikes came at a starting price range of 4-5 lakhs. The options they provided were about 12 bikes all of which belonged to the higher cc segment, which is not so for any Indian buyer as we can see from the sales of the year (4.1) Harley-Davidson didn't provide any low cc segment bikes. Its portfolio didn't reach every middle-class person and this caused them to miss a bulk of customers.

Threat from Competition

Competition is quite obvious in the market but the intensity of competition could vary from motherland to the stranger country. At times it is not easy to gain dominance in a strange country with varying cultures, policies and people. There were a lot of elite and branded bikes available for a customer which he/she could opt from as compared to a Harley. The most resembling and renown was Royal Enfield which provided aesthetics and comfort at a much cheaper price starting from 1.5lakhs. It provided the rumbling and speed that a customer could opt as compared to the former

Many of the rivals including superbike companies which serve high price models had collaborated with the low cc bike provider to get a greater slot of the market. There are examples where collaboration leads to a boom in sales of the hybrid product, which is exciting because of included features of both the companies. A local support was very much essential but Harley-Davidson did not collaborate and instead sat inert. It didn't make any move towards the collaboration step in order to filter a great level of competition and get a good share of the market.

Not suited for Indian roads

Design of Harley-Davidson motor bikes was not tuned for the Indian road conditions. Rugged roads, potholes, and speed breaker and traffic added to the woes of the rider. Faulty brakes and burnt clutch brakes were the most general problems-replacing them or repeated visits to service centers was a costly affair. Maintenance of such heavy bikes is quite expensive with the bill of nothing less than 10k per visit. Sometimes parts won't be available for weeks which irritates the customer. Customers are not satisfied with the service as they express their problems in social media. On top of all, Harley-Davidson bikes modes were not suited for the off-road drives which many people are interested in.

CONCLUSION

The shortcomings of the big billionaire brand- lack of strategic understanding in a foreign market and the prevailing conditions which weren't fought with the necessary game plan, led the company to choose the flight response rather than a fight response. This immediate reaction is a black mark on a company's image to have left not just on its loyal customer fan base but also on the dealers who are completely clueless of their dealership's future and their own. We derive from the content that the marketing team could have made more than a futile attempt to revive the losing battle and overturn the tables to their side to ensure a long term sustainability in the field. There is a deliberate strategy employed by organizations, established by the marketing team that shows the most basic levels of employee the importance of a marketing model and surely enable a company and its products reach greater heights.

Harley-Davidson has an awe of its own in the global market. It built motorcycles for the world, survived the two world wars and battled through the financial crisis. It is a brand that has survived varied intensities of challenges and hurdles in its reign. Every Harley owned is a unique product suiting to the customer's personality. It is fair to say that every experience on a Harley is a fulfilling dream of an unending loyalty.

Unfortunately, in India they couldn't drive up the volume of units sold or derive cost efficient bikes. In their decade long run, they didn't structure their sales strategy to suit the Indian market. Also, their inability to compete with other Indian two-wheeler bike brands prompted the decision to quit. It would appear pertinent to conclude, therefore, what has happened with Harley-Davidson is unfortunate and highly unanticipated proving it didn't suit the Indian culture. Nonetheless to say even the big tides fall and it's awaited to anticipate their future move.

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