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Harley-Davidson Case Study

As Harley-Davidson riders age, the brand has been unable to successfully appeal to the younger generations in the same manner as baby boomers. As a result, I have been hired for 27 months to make decisions for the marketing position of both the Harley-Davidson brand and the Buell brand. Ultimately, my goal is to successfully appeal to a new generation of riders and a more diverse customer base, all without losing our current customers. Moving forward, the company has five options: continue with the dual brand strategy, double down on the Buell brand, endorse Buell using the Harley-Davidson brand, divest Buell to another company, or discontinue Buell altogether.

There are many marketing issues we need to address in order to find the most feasible solution regarding the two brands. Brand positioning, consumer perception, and consumer behavior are all necessary to address in order to fully understand the situation and make a decision.

First, let's identify the problems within Harley-Davidson's current marketing position with both of its brands. Although known for extremely high brand equity in the past, Harley-Davidson's brand does not hold the same level of equity with the younger generations as compared to baby boomers. According to the case, "In 1987, the median age of a Harley-Davidson customer was 35; by 2007, it was 47." This indicates high brand loyalty from the baby boomer generation, and a strong lack of appeal from Millennials and Gen Z. Harley-Davidson's current brand position does not allow them to easily attract new market segments. Buell's brand positioning on the other hand does capture the attention of the younger generations. However, the level of brand equity within the Buell brand is significantly lower than Harley-Davidson's. Although a better product for the new generations, Buell's brand equity is weak compared to its foreign competition.

The perception customers have of these two brands is correlated with their brand positioning. In other words, brand positioning reflects how companies want consumers to view their brand while customers' perceptions are how consumers view the brand in reality. The perception of Harley-Davidson's brand is perceived as high-quality, reliable, and stylish while Buell's brand is seen as having an innovative design, responsive handling, and overall performance. As more research emerges, younger generations are not looking to purchase motorcycles like baby boomers were. According to the case, "Young adults also preferred stripped-down bikes over the heavily adorned cruisers sold to Harley's core customers." Young consumers' needs and wants are more closely aligned with Buell's consumer perception rather than Harley-Davidson's.

As we analyze our consumer behavior, we can break it down into two groups: core customers and target market segment (Young Adult Market). According to the case study, the average U.S. retail purchaser of a new Harley-Davidson motorcycle was a married male in his mid to late forties with a median household income of approximately \$84,300. And for the past 20 years, brand loyalty was tremendous as 80% of these core customers had a repurchase intent and 52% owned multiple bikes.

In addition, Harley-Davidson's brand loyalty is one of the strongest to have ever existed. Harley-Davidson purchasers' "loyalty embraced not just repurchase but also commitment, a psychological state in which the individual has a large stake in continued affiliation with the brand and its community". Harley-Davidson used this brand loyalty to support the "motorcycling lifestyle by sponsoring events, rides, rallies, and membership in H.O.G., and by offering financing through Harley-Davidson Financial Services." These actions fortified the brand and increased brand loyalty even further. Buell has been unable to achieve the level of brand loyalty that Harley-Davidson has.

In order to determine if Harley-Davidson supporting the Buell brand will lead Harley-Davidson followers into rebellion or support Buell, we need to compare the two brand personalities respectively to the core consumer's personality. If Harley-Davidson supports a brand that is too far away from the personality of its core customers, this will result in the rebellion of core customers and the lack of new customers from the target market segment. Both Harley-Davidson and Buell are known for making high-quality motorcycles. However, besides these brands have little else in common. In addition, the personality of Harley-Davidson's core customers is strong in commitment and exclusivity. According to the case study, the groups within the Harley-Davidson subculture rarely recruited new members and often had to overcome multiple barriers to gain membership. The subculture of Harley-Davidson found strength in an intense, exclusive, and intimidating brand community. It is my belief that supporting the Buell brand will lead to a loss, as the rebellion of Harley-Davidson's core customers will overpower the attraction from the new market segment.

I recommend that Harley-Davidson should divest Buell to another company. According to the case study, Harley-Davidson bikes, which had a gross profit margin of 35%—the highest in the industry—Buell bikes had only a 5% gross margin. Buell rarely showed a profit because of its higher level of R&D investment." Even still appealing to the new generation, the profit margin for Buell is only 5% and is expected to increase to only 10% in the future. Although Buell is better suited to appeal to the younger generation, these profit margins are slim, especially compared to Harley-Davidson's brand. Continuing to invest in Buell will only take away from Harley-Davidson's resources and generate smaller profit margins. Due to Harley-Davidson's extreme brand loyalty, using the Harley-Davidson brand to endorse Buell will lead to a significant decrease in core customers and raise confusion about Harley-Davidson's brand personality. This decrease in brand equity will setback both Harley-Davidson and Buell. Even endorsement through sub-branding will still raise questions about the Harley-Davidson brand and certainly cause retaliation from core customers. It is true that both brands want to achieve a position where their brands feel like "(1) a transformational journey, in which riders become who they truly want to be; (2) a means of escape from a monotonous, constraining life; and (3) a way to connect with other like-minded souls" (Case). Although it is enticing to double down on Buell or endorse the Buell brand as these brand positioning visions are similar, the customers' polarized perceptions of the two brands and Harley-Davidson's brand loyalty will ultimately harm the company if we continue to pursue both brands. Discontinuing Buell altogether is not necessary as the chances of selling the brand are very high. Buell is in a great position for another company with stronger resources to appeal to younger generations to take control and be successful. Selling Buell allows us to make a profit on our assets while freeing our resources to solely focus on the Harley-Davidson brand.

Harley-Davidson's high brand equity gives our company a unique position to profit from the brand in other ways instead of just motorcycles. Although the younger generation is not interested in purchasing Harley-Davidson motorcycles, these generations are still familiar with the brand personality of rebellion. Harley-Davidson can continue to take advantage of its brand presence amongst the young generation by marketing its Sportster model of motorcycle, which is a better fit for the Young Adult Market under the Harley-Davidson brand compared to their more classic models. The opportunity cost to invest more time in the Sportster instead of a new brand with slim profit margins will be much lower for Harley-Davidson.