Marketing Management

Group Assignment 4

WALLSTREET WOLVES

						
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PREFACE

The ultimate in motorcycle riding is the Harley…or is it? One strong competitor (like Harley also pre-world war 2 relic) is challenging Harley directly and starts to gain market share worldwide.

Concentrate specifically on the Indian Chieftain model as the competitor to Harley in the analysis.

1. Do a market segment analysis that describes the target market segment of Harley Davidson in South Africa clearly. Then, match the product offering of Harley to the segment characteristics.

2. Now consider the Indian bikes and how well they fit the identified market share of Harley. Clearly identify matched that Indian can use to compete with Harley in this segment and also note where Indian might have the advantage (or disadvantage) in their competitive stance.

3. Formulate a competitor strategy for Indian motorcycles to attack the market segment Harley is dominating. Focus your strategy specifically for the South African market.

EXECUTIVE SUMMARY

Purpose

The purpose of this study was to conduct a market segment analysis of Harley Davidson and Indian Motorcycles in South Africa. Our aim was to compare the stance of both companies in the industry as a whole and how they fare in the South African market. Furthermore, analysis was conducted on the current models available on the market from Indian Motorcycles, its strengths and weaknesses, with the advantages and disadvantages they might have in the market. The information gathered from the analysis on the motorcycle market was used to formulate a comprehensive competitor strategy plan for Indian Motorcycles to compete more effectively in the South African market.

Scope

The scope of the study is to measure the market segment in which Harley Davidson is currently operational in South Africa, to measure Indian Motorcycles' footprint, its market share and to formulate a competitor strategy for Indian to compete effectively in the market.

Methods of investigation

Firstly, the methods of investigating the market and gathering information consisted of a SWOT analysis – measuring the Strengths, weaknesses, opportunities and threats of Indian Motorcycles as a brand in the South African market and its presence in the USA since the revival of the brand in 2011.

A brand analysis was conducted to identify all of the available models of motorcycles Indian are manufacturing in the USA at present and also what motorcycles are available for purchase in South Africa, secondly brand awareness of Indian in South Africa investigated and illustrated in the findings.

A market segmentation analysis was conducted to analyse and illustrate the profile of an average South African motorcycle rider interested in purchasing an Indian or similar style motorcycle.

The global and local market overview of motorcycle sales were conducted to measure the strength of the market in around the world and how the South African market contributes to the global industry.

A market size analysis was conducted to measure the volume, sales and geographical locations of motorcyclists in South Africa as well as the volume of motorcycles being imported and market share of different manufacturers operational in SA.
The Porters five forces model was used to measure and understand the forces that shape the competition in the motorcycle industry in South Africa.
Several key success factors were identified to indicate what important factors manufacturers should consider focusing on to be a successful player in the market.
Lastly, key trends in the industry were identified and measured which were applied and included in the strategy developed for Indian Motorcycles.

Findings

Indian Motorcycles have grown in popularity since its acquisition by Polaris Industries in 2011 (NYSE-listed company) and have churned out numerous motorcycles since then which have been very popular in the USA. At present, all Indian components and motorcycles are manufactures exclusively in the USA but there are plans for the company to expand to Europe, more news is yet to be released by the company on its European expansion.
The South African motorcycle market have grown in recent years, even in increasing fuel and living costs experienced by the population of the country. The competitor strategy is focused on improving brand awareness for Indian, promotion of its niche products and improving brand equity. Indian's main competition, Harley Davidson is relying on the heritage of the brand, strong merchandising and products its customers are used to and enjoy. Indian should appeal to potential new customers as well to improve market share and become an established brand in the country. Indian is known within the community for the reliability and performance of its products, an ideology that has been integral to the brand since its establishment in 1897.

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CAGR	Compound Annual Growth Rate
eNATIS	Electronic National Administration Traffic Information System
HOG	Harley Owners Group
R&D	Research and Development
USA	United States of America
US	United States

REPORT

Indian Motorcycle Company is a North-American motorcycle manufacturing company, specialising in designing, developing, manufacturing and supplying motorcycles for customers in the United States of America and across the globe. Indian also prides itself in giving its customers a wide range of optional accessories which can be incorporated into their designs, giving customers a tailor-made motorcycle according to their specifications. Indian also offers customised protective clothing, motorcycle accessories, personal accessories and headgear (Bloomberg, 2018). Indian is also known as being “Americas oldest motorcycle company” (Indian, 2018), established in 1897, the company has been an important part of American history, serving its military during both World Wars. Breaking and maintaining records have always been an important element to the brand’s heritage and success as Indian have held records in almost all the motorcycle categories of the time. The speed- and reliability-records the company held boosted sales significantly and Indian garnered large market share because of this. Indian Motorcycles have always been at the forefront of technology, with most of the new models it released over the years showcasing improved technology and engine specifications, being regarded as a leading manufacturer in the industry.

Unfortunately, Indian have faced turmoil during its lifetime, going out of business on numerous occasions (1953, 1977 and 2003 (Indian, 2018)) and resorting to selling rebranded motorcycles from other manufacturers and supplying motorcycles with engines from different suppliers as well. Fortunately, Polaris Industries revived the brand in recent years in an effort to supply the market with quality, reliable and affordable motorcycles to rival competitors like Harley Davidson. More recently Indian have released all-new motorcycles based on their notable traditional styling of the Indian marque, loaded with new technology and features. Since 2013, Indian have expanded its line up to ten different models available in the USA.

1.2.1 History

- **1897:** Hendee Manufacturing Company was established by George M. Hendee, manufacturing bicycles known as Silver King, Silver Queen and American Indian, later simplified to “Indian” which became Hendee’s primary brand name.

- **1901:** The first manufacturing factory was established in Springfield, Massachusetts.
- **1906:** The first V-twin factory race motorcycle was built and put in production the following year, making it the first American V-twin production motorcycle engine.
- **1910s:** During this time, Indian made numerous technological innovations and broke industry records with performance and reliability of its motorcycles.
- **1917:** WWI began and Indian provided the U.S. military with nearly 50 000 motorcycles between 1917 and 1919.
- **1923:** Hendee Manufacturing Company changed its name to The Indian Motocycle Company, released more variants and became a household name in U.S.A.
- **1927:** The 45-ci, 750cc V-twin engine was released, regarded as one of the best engines Indian Motorcycles has ever built.
- **1930s:** Changes in the company's management team and facing a poor economy in the United States, Indian showed continued growth and won the first Daytona 200.
- **1940-1945:** Indian Motorcycles focused on contributing to the war efforts of WWII in supporting the French government and the U.S. Army. In 1945, Indian Motorcycles was sold to Ralph. B. Rogers.
- **1950s:** Indian Motorcycle Company dominated motorcycle racing in the early 1950s but later ceased operations in 1953. New president, John Brockhouse sold imported Royal Enfield models branded as Indian Motorcycles until 1960.
- **1967:** A new land speed record was set by Burt Munro on a heavily modified 1920 Indian Scout Streamliner, reaching nearly 300 km/h.
- **1970s:** Despite efforts to revive the Indian Motorcycle brand during the 1970's and declining sales, Indian officially ceased production in 1977.
- **1998:** A nine company merger formed the Indian Motorcycle Company of America (IMCA) in an effort to resurrect the brand and a production facility was established in Gilroy, California.
- **2003:** IMCA went bankrupt and production ceased once more for "America's first motorcycle company".
- **2008:** Stellican Ltd. purchased Indian Motorcycles assets and established an Indian Motorcycle Company in Kings Mountain, North-Carolina.
- **2011:** Polaris Industries acquired Indian Motorcycle Company from Stellican Ltd.
- **2014:** Indian motorcycles begin to distribute motorcycles to the South African market.

- **2011-2018:** The Indian Motorcycle Company re-introduced and released new models and new technologies to the industry, making its presence known across the world.

1.2.2 SWOT Analysis

The following SWOT analysis was conducted on Indian motorcycles (see Annexure B) to measure the strength of the brand in the market.

Strengths: The Indian Motorcycle brand is synonymous with “biker culture” in the USA. The brand is known as being “America’s oldest motorcycle company” (est. 1897). Indian Motorcycles has a rich heritage in the industry but has gone through hardships throughout its existence. The Indian Motorcycle company has been bought and sold numerous times, sales have increased and decreased over time and timeless classics have set impressive records over the years, but one thing is for certain, Indian Motorcycles have always produced remarkable motorcycles when in operation. Since the acquisition of Indian Motorcycles by Polaris Industries in 2011, the brand has gone from strength to strength, constantly growing in sales and producing innovative and exciting motorcycles for its customers.

The general perception of the Indian brand is of the reliability and comfort of its motorcycles, always focusing on the needs of the rider and never compromising on quality. The components used in the motorcycles are also designed to produce the most comfort and leisure for the riders of the motorcycles, for example Indian only uses Kevlar engine mountings, which drastically reduces vibration to the frame of the motorcycle and also provides added stability and comfort. This small, yet important innovation is what lures potential buyers to the products. The motorcycles are designed to give the rider the best riding experience available on the market. The motorcycles created by Indian are also manufactured in such a way that its balance and weight transfer of the motorcycle, together with larger front and rear wheels provide optimum handling and cornering for motorcycles in its class.

Weaknesses: As the revived Indian brand is still relatively new (<10 years) on the market and are still growing its distribution channels around the world. At present, Indian is primarily based in the USA with 100% of its manufacturing being completed in the United States. Polaris Industries has a large distribution network across the world and Indian is sure to follow suit but at this time, all parts are manufactured in the USA creating extended lead times if customers outside the USA wishes to order parts or new motorcycles.

Even though Indian motorcycles are well known in the industry, the company still lacks in the merchandising department, its closest competitors, Harley Davidson has grown its merchandising department to an immensely profitable income stream and Indian still needs to grow brand awareness outside the USA to effectively compete on this level. Coming back to distribution networks, Indian has a relatively small presence in countries outside the USA, compared to its competitors, for example Indian motorcycles only has seven dealers/service centres in South Africa, while its closest competitor (HD) has more than ten different centres across the country.

Opportunities: International growth of the brand will improve its international footprint and provide the company with new customers and revenue streams across the world. In early 2018, Indian stated that they are considering moving some manufacturing into Europe (Brandt, 2018), this shift will improve sales and brand awareness to European countries and will provide support to their existing customers on the continent as well. Their aim is to move production to Poland, where Polaris Industries have a large manufacturing facility in place. Indian have released the details of an all new motorcycle to be released in October 2018, the FTR 1200. The FTR 1200 is an all new concept form Indian based on the flat track racing heritage of the past. More information on the FTR 1200 is yet to be released but this alternative to cruiser-style motorcycles is an attempt to embark on new markets and will be an opportunity for the company to expand its already growing market share in the motorcycle industry.

Threats: The recent “revival” of Indian Motorcycles by Polaris Industries, Indian can be considered as a “new” brand in the market. Indian faces numerous challenges to grow market share and attain new customers. Fortunately, the brand can rely on having a strong heritage in the industry, however the industry has grown into being an intensely competitive market with manufacturers from around the world competing in similar segments. The South African economy has taken a significant downturn in recent months, with ever increasing fuel prices looming. This increase in fuel prices might have a negative impact on the sales of Indian motorcycles as most of their engines are based on comfort and performance, not fuel efficiency. Improving on this department might be a step in the right direction but might scare off existing customers as they might feel that the brand is losing focus on their core products. Furthermore, with the economic uncertainty, high production costs of Indian Motorcycles might result in their products becoming unaffordable for potential buyers in the country. Lastly, although there are variants of different models on the market, form an outsiders' perspective it might seem that they have a limited range of products available on the market at present, this can be perceived as a threat as they are not currently providing different types of motorcycles for different types of riders (different segments).

1.2.3 Location and facilities

Indian Motorcycles' Manufacturing facilities have moved between different states throughout the company's lifetime. Since the Polaris Industries acquisition in 2011, Polaris have merged Indian's manufacturing with its existing facilities Minnesota and Iowa in the United States. At present, all Indian engines are manufactured in Osceola, Wisconsin. Indian Motorcycles currently has dealers in virtually every state in the United States of America, continually increasing its footprint across America. Furthermore, Indian stated that it is considering moving some of its production to Europe (Brandt, 2018). In South Africa, Indian have expanded its presence to seven cities with dealerships in Johannesburg, Pretoria, Bloemfontein, Port-Elizabeth, East-London, Cape Town and Durban.

1.2.4 Brands

At present, Indians' line up consist of six models with different variants of each model (see Annexure A), each designed with its own unique features and functionality to appeal to every type of motorcycle rider. The following models are available for consumers in South Africa:

- **Scout:** Scout Sixty, Scout and Scout Bobber
- **Chief:** Chief, Chief Classic, Chief Vintage and Chief Dark Horse
- **Springfield:** Springfield, Springfield Dark Horse
- **Chieftain:** Chieftain, Chieftain Classic, Chieftain Limited, Chieftain Dark Horse and Chieftain Elite
- **Roadmaster:** Roadmaster and Roadmaster Classic

Indian have released a new model or variant of its motorcycles every year since the release of the “revived” brand in 2011. Each model has its own distinctive style and features, aimed at serving the market with unique, reliable and note-worthy models.

The Scout model, first released in 2015 is a cruiser with a 1133 cc liquid cooled, dohc (double overhead camshaft) V-twin engine. The Scout was named the 2015 motorcycle of the year by Motorcycle.com. A variant of the Scout, the Scout Sixty, released one year after the release of the Scout, has a smaller 999 cc, liquid cooled, dohc V-twin engine, it has all of the features of the Indian Scout but with a smaller engine.

The Indian Chief has the famous Thunderstroke 111 engine with 1811 cc displacement and a six-speed transmission, electric fuel injection, keyless starting and anti-lock braking system as standard. The Chief Vintage shares its chassis, drivetrain and styling with the Indian Chief but has tan quick-release saddlebags, a matching two-up seat, additional chrome trimmings and a quick-release windshield.

The Indian Springfield was named after the birthplace of Indian (Springfield, Massachusetts), it is known as being a hybrid between the Indian Chieftain and the Indian Roadmaster as it shares parts and steering geometry of the mentioned motorcycles but with an added quick-release windshield as with the Indian Chief.

The Indian Chieftain is known as a touring motorcycle, the first Indian motorcycle with a front fairing and hard saddlebags. The Chieftain also has a sound system built into the fairing, bluetooth connectivity, tyre-pressure sensors, air-adjustable rear suspension and a motorised windshield system. The Chieftain has been praised by the motorcycle community and media for its comfort, styling, performance and handling and has been named the 2013 motorcycle of the year by the US magazine, Roadrunner Motorcycle Touring & Travel magazine. The Chieftain is highly regarded as being one of the best motorcycles in its class, competing on all levels with its competitors, most notably, the Harley Davidson Street Glider.

Last but not least, the Indian Roadmaster, mainly made up the same as an Indian Chieftain, but with an added loading space, low front fairings, heated grips and heated seats. The Roadmaster has all the necessities of the Chieftain but with added luxuries built in as standard.

The motorcycle design varies greatly to suit a range of different purposes: long distance travel, commuting, cruising, sport (racing) and off-road riding (Lovejoy *et al.*, 2012). In developing countries, motorcycles are considered utilitarian due to lower prices and greater fuel economy (Rose, 2009). The Asia-Pacific motorcycles market dominates the global market, making up 64.6% of the global market value in 2017 (Marketline, 2018a). This is followed by Europe at 13.4% and America at 5.7% (Marketline, 2018a). South Africa is a net importer of motorcycles and imports have been declining for the past five years (Marketline, 2018b).

No local manufacturing is taking place and the domestic industry relies solely on imports. The industry is small in global terms with the number of registered motorcycles at around 348 257 units as of 2017 (eNaTIS, 2018), which is less than 1% of the global share and the number of new registrations is on the decline (Marketline, 2018b). The number of industry participants is also dwindling as more local dealers, distributors and importers of motorcycles close down operations. According to Kruger (2018) the market segmentation of motorcycles of engine size 800cc and above are categorised accordingly.

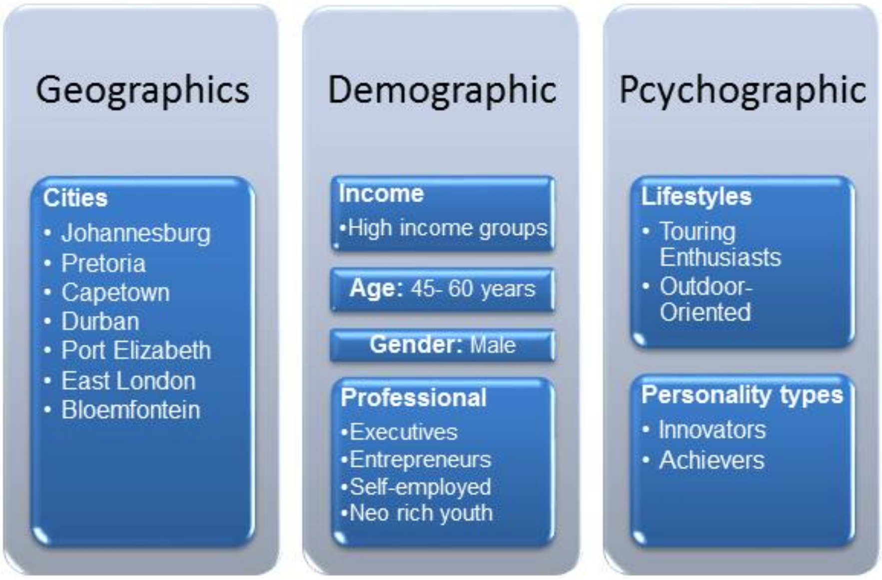


Figure 1: Heavy Motorcycle Market segmentation Siegal (2014)

According to Siegal (2014) within the heavyweight cruiser motorcycle category, the target market is men aged between 45 and 60, This demographic has a medium to high household income, earning approximately R71 287 monthly and they range in occupation from blue-collar workers to investment bankers. This age group have a higher disposable income as a result of dependent children leaving home, they have increased leisure time and are influenced by nostalgia as they are trying to recapture their youth (Sykes & Kelly, 2016) . Therefore, this market is more likely to purchase these premium priced, luxurious motorcycles prior to retirement (Swimberghe *et al.*, 2018).

When searching for a motorcycle, this audience desires reliability, styling and performance. They appreciate a high level of customization and spare no expense in relation to their motorcycle (Ackermann *et al.*, 2018). They desire optimal comfort from their motorcycles, and when riding prefer to do so in a group than singularly (Willis, 2014). This market like working on their bikes and appreciate the motorcycle for its raw beauty, whilst they are nostalgic, valuing the 'traditional' 1940's and 1950's motorcycle design. Their heavyweight cruiser motorcycle purchase is generally not their first bike, but more commonly their last (Siegal, 2014) and although they may use their motorcycle for commute purposes, their desired motive is for pleasure.

1.3.1 Market Overview

The global motorcycles market had total revenues of $73,101.7m in 2017, representing a CAGR of 2.4% between 2013 and 2017 (Marketline, 2018b). In comparison, the Asia-Pacific and US markets grew with CAGR of 2.5% and 1.4% respectively, over the same period, to reach respective values of $47,259m and $4,185m in 2017 (Marketline, 2018a). The South African motorcycles market has varied in recent years, and though there has been strong double-digit growth in 2016 and 2017 this is unlikely to be long lived, with market growth slowing significantly over the next five years. The South African motorcycles market had total revenues of ZAR1.66 billion in 2017, representing a CAGR of 1.1% between 2013 and 2017 (Marketline, 2018b). The market has been turbulent as the result of the weak Rand (Mudakkar & Uppal, 2018), which discouraged consumers from making expensive purchases such as motorcycles in 2015. Market consumption volumes declined with a compound annual rate of change (CARC) of -2.6% between 2013 and 2017, to reach a total of 32.6 thousand units in 2017 (Marketline, 2018b). The market's volume is expected to fall to 25.0 thousand units by the end of 2022, representing a CARC of -5.2% for the 2017-2022 period (Marketline, 2018b). Motorcycles are a popular form of transport in South Africa, offering a cheaper alternative to cars and a convenient method of bypassing the common congestion in urbanized areas (Bishop *et al.*, 2018). The performance of the market is forecast to decelerate, with an anticipated

CAGR of 0% for the five-year period 2017 - 2022, which is expected to drive the market to a value of ZAR1.66 billion by the end of 2022 (Marketline, 2018b).

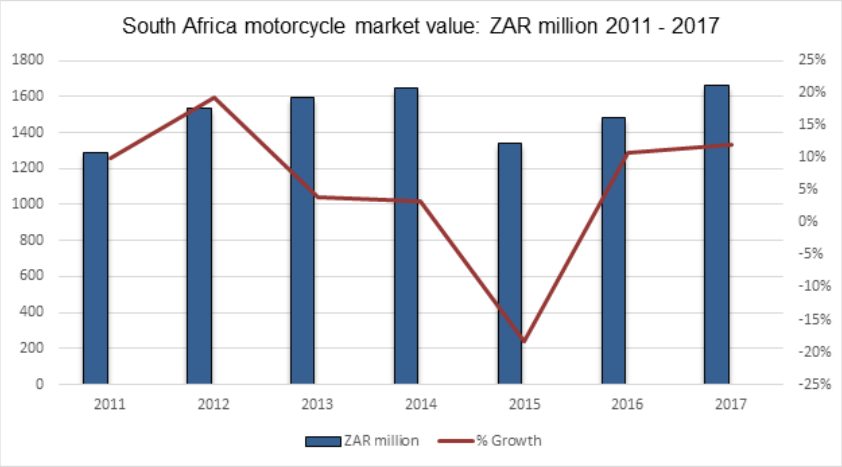


Figure 2: South Africa Motorcycle Market Values (Marketline, 2018b)

1.3.2 Market Size

South Africa do not manufacture motorcycles (Bishop *et al.*, 2018) and therefore evaluating the import volume, we can draw a conclusion on the market size per motorcycle size. Motorcycles falling in the engine capacity size of higher than 800cc is by far the most popular, amounting to 7 335 or 48.92% of all motorcycle imports. The 50-250cc engine size followed by 4750 or 31.67% (Marketline, 2018b). According to eNaTIS (2018) motorcycles amount to only 3.12% or 348 257 of the 11 175 509 self-propelled vehicles in South Africa.

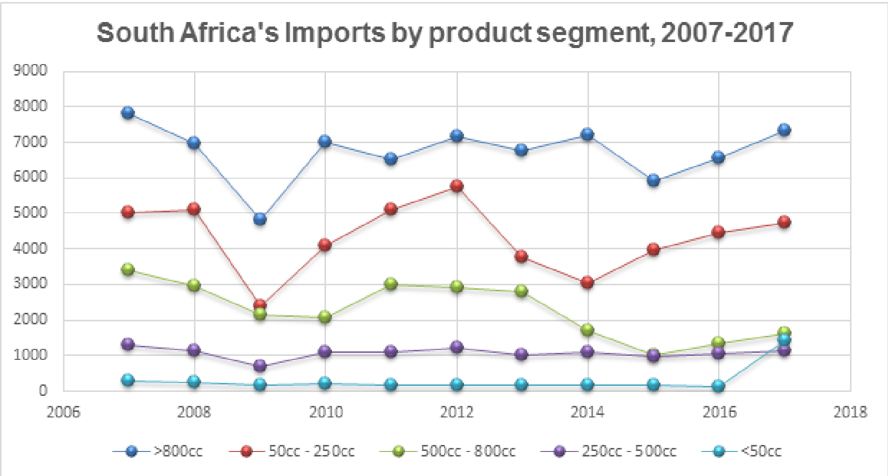


Figure 3: South African imports by product segment (eNaTIS, 2018)

1.3.3 Key Success Factors

The market in which Indian and Harley Davidson motorcycles are competing in is highly differentiated (Willis, 2014). Motorcycles need to be unique to meet customer's needs. The market segment falls in the high-end luxury category which is a highly competitive segment (Willis, 2014). The motorcycles produced need to meet the following key success factors to gain a competitive advantage in this market segment:

Quality – To compete as premium product quality needs to be of the upmost importance, since it is linked to customer safety. Performance and product issues can be discouraging and damaging to the brand.

Agile operations – With consumers demanding higher service levels, new product development and tighter delivery time, supply chains are growing in complexity. Increased agility in manufacturing is therefore essential to keep pace with change.

Supplier relationship – Suppliers form the starting point of integrated supply chain management. Hence their role and responsibilities in achieving the ultimate objectives of the supply chain becomes extremely important. This is imperative as poor relationships pose a great risk with regards to quality or disruption due to modern just-in-time processes.

Efficient distribution – As distribution centres form the link between manufacturers and consumers it plays a key feature in the sales, promotion, service and brand image.

Innovation – As with the motor industry, research and development is crucial for the motorcycle manufacturer's long-term success. Innovation provide the company with a technological competitive edge.

Marketing – Motorcycles are a highly emotional category. Consumer research has moved from dealerships to digital, based on a study by Polaris Marketing Director, Pam Kermisch (2018). Potential customers of motorcycles spend hours researching online and only make one or two visits to the dealership before purchasing.

After sales service – plays an important role in customer satisfaction and customer retention. It generates loyal customers and increase a brand value.

1.3.4 Key Role-players

Indian motorcycles are currently competing with Harley-Davidson, Triumph, BMW and Japanese manufacturers Honda, Yamaha and Kawasaki in the highly competitive motorcycle market. These competitors have a strong position in this market due to their value for money, reliability and greater handling and overall customer satisfaction (Weinstein, 2016). Currently the market leader within South Africa is Honda who sold 4,049 road motorcycles in 2015, claiming 17.4% of the market, followed by BMW with 12% as can be seen in table 1 below (Cokayne, 2016).

As Indian motorcycles and Harley-Davidson operate under a premium pricing strategy, the aggressive discounting Honda and Yamaha utilise are their key advantage for obtaining customers who don't necessarily associate with American heritage brand message. BMW, Honda and Yamaha products are differentiated by their extensive technological integration in the cruiser market and are known to have a more consistent products as they are able to mass produce efficiently (Willis, 2014).

Harley-Davidson is known to be Indian motorcycles' biggest rival. Harley-Davidson have strong brand associations with the cruiser motorcycle category as a global brand with a deep cultural and lifestyle brand image (Todalbagi, 2017). Harley-Davidson have stayed true to their roots, producing 'retro' bikes, dripping with nostalgia that are stripped back and rugged.

Harley-Davidson have managed to identify an audience who will not only pay the premium price but will also wait the extended time for delivery (Grant, 2016). Associations include product-related attributes, where consumers associate the brand Harley-Davidson with quality, power, a rumbling engine and leather and also non-product attributes including their premium status (Özcan, 2014).

According to AMID (2016) the dominant manufacturers in the South African market based on sales of 2015 is as follows:

Table 1: AMID report (2016) on SA motorcycle sales

No	Brand	Units Sold	% Market Share
1	Honda	4049	17.4%
2	BMW	2799	12%
3	Big Boy	2787	12%

4	Yamaha	1492	6.4%
5	KTM	1487	6.4%
6	Harley Davidson	1332	5.7%
7	GoMoto	1285	5.5%
8	SYM	1264	5.4%
9	Kawasaki	975	4.2%
10	Suzuki	920	3.9%

To evaluate the competition in the industry a Porter five forces framework was used. Please refer to Annexure D for graphs pertaining to each section.

Buyer power: Brand power, is a significant factor in customer preference. Leading manufacturers in South Africa are Honda, BMW and Suzuki which have strong established brands which lowers buyer power (Bhatia, 2016). This market is fairly fragmented, with the top three players accounting for 41.4% of market volume. The overall buyer power is assessed as moderate.

Supplier power: To ensure timely delivery of materials, market players often sign contracts with their providers, thus strengthening their power. The high importance of the raw materials to the manufacturers of motorcycles can enhance supplier power moreover. Typical suppliers are also likely to sell to a wide variety of manufacturing components, with the motorcycles market only constituting a minor part of their revenues, which strengthens the suppliers' position. However, with minimal differentiation of raw materials there is little to distinguish between suppliers. Manufacturers also have low switching costs thus lowering supplier power further. Overall, supplier power within this market is moderate.

New Entrants: Due to the existing strength of premium motorcycle brands, it is difficult for new entrants to introduce their products into the market. Besides setting up a production facility involves large capital outlay, thus constituting a significant entry barrier and resulting in high fixed costs. Most motorcycle market's products are so technologically sophisticated that barriers to entry are often merciless for potential newcomers. Additionally, leading motorcycle brands enjoy a high level of brand recognition, which is reflected in their high sales volumes and market dominance. Overall, the threat of new entrants with respect to the motorcycles market is moderate.

Threat of Substitutes: Substitutes to the motorcycles market consist of other types of vehicles or means of transport. The threat of substitution with respect to the motorcycles market is dependent upon the necessity of motorcycle use to the end-user. In South Africa, the threat from substitutes is higher, as consumers are more likely to continue using other vehicles or public transport, than purchase a motorcycle which may be viewed as a luxury rather than a necessity. However, this is not the case in many low-income areas of the country, where motorbikes and scooters are the primary mode of motorised transport and so the threat of substitutes is reduced somewhat in these areas. Another alternative threat to motorcycle manufacturers is used motorcycles. These may be sold privately, or by dealers who also offer new motorcycles, and will almost always be cheaper than a new vehicle of similar specification. The threat of substitutions is considered to be moderate.

Degree of Rivalry: The South African motorcycles market is characterised by the presence of large multi-national companies, with exceptionally high assets which boosts the degree of rivalry. On the other hand, the smaller number of players means a smaller number of competitors are in the market for a share of the market's revenues. Most of the players try to diversify their business models through geographical expansion. The South African motorcycle market's negative forecast in forthcoming years will increase the degree of rivalry. Overall, rivalry within the domestic motorcycles market is assessed as moderate.

To evaluate the attractiveness per province, we reviewed the live vehicle population as per the national traffic information system of South Africa. The statistics indicate that there are currently 347 792 registered motorcycles in the country (eNaTIS, 2018). It also breaks it down into province as indicated in figure 4 below. Gauteng is the province with the largest population of motorcycle owners (41%) followed by the Western Cape (25%) and Kwazulu Natal (9%) (eNaTIS, 2018).

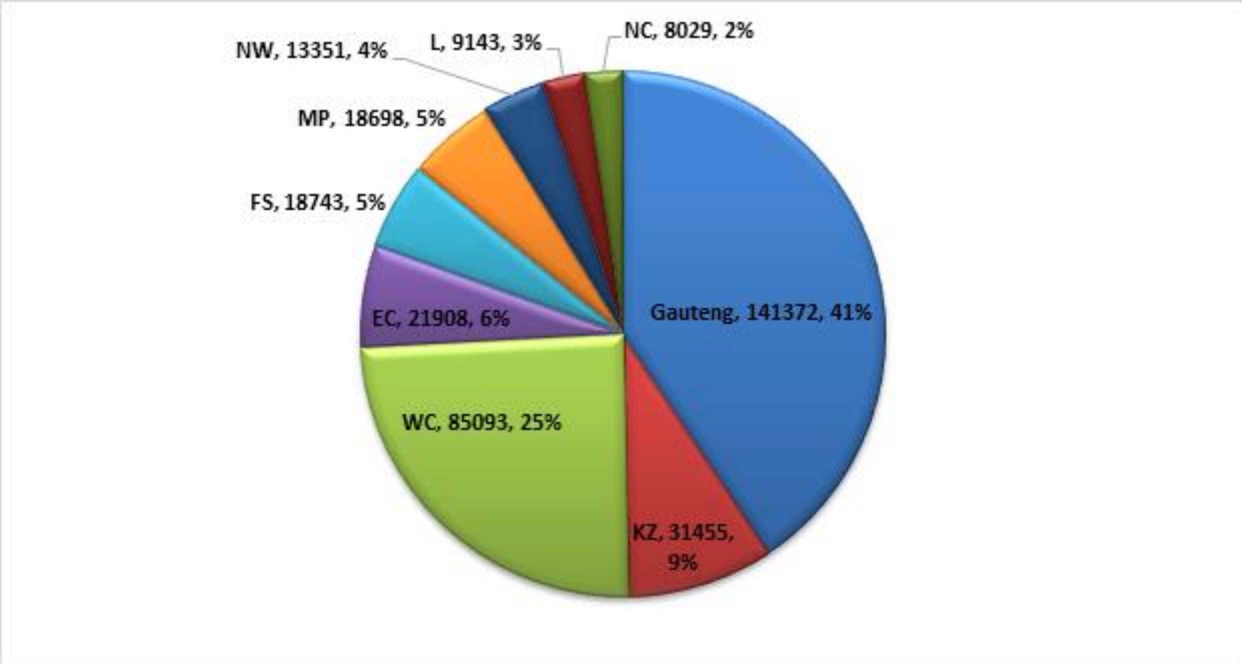
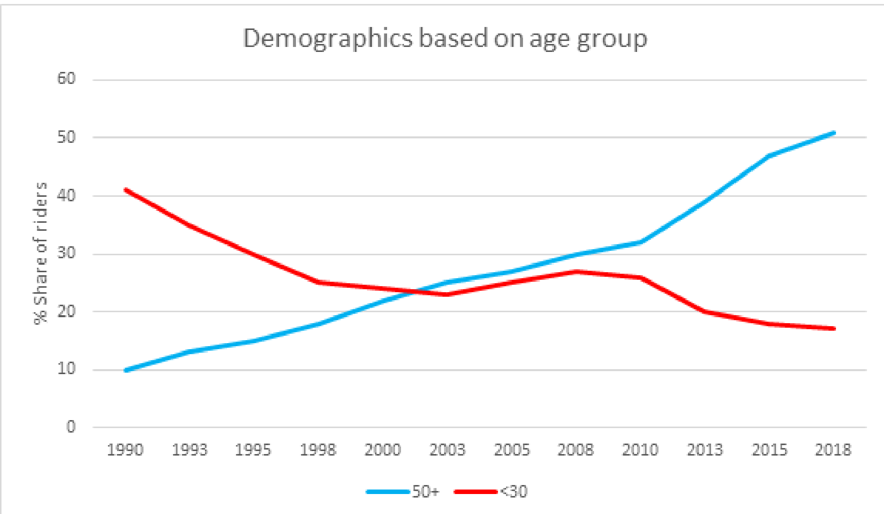


Figure 4: Motorcycle vehicle ownership per province (eNaTIS, 2018)

Over the last three decades it is evaluated that the age group fifty years and over increased to more than 50% of the motorcycle drivers (Stock, 2017). In contrast the age group thirty years and bellow's percentage share of riders declined over the same period to below 20% (Stock, 2017). Based on a stereotype assumption that people in this age group need to make family decisions, such as getting married, promotion and transport of a family, being safety conscious and most probably still be growing his career. Expensive motorcycles will not practically fit this age transport requirements. People passing the 50 years mark is established in their careers and can afford the premium



price, they have less family responsibility since children is moving out of home, providing them with more freedom and time.

Figure 5: Motorcycle industry demographic trend (Stock, 2017)

As per the above price comparison the cost of a touring motorcycle falls within the leisure category with most of the motorcycles costing more than the average car. This means that in many consumers eyes, purchasing motorcycles is a luxury rather than a necessity. Because the manufacturers in this category need to compete for funds from what at least sometimes can be volatile discretionary budgets for consumer. When economic conditions are challenging, the motorcycle market tends to experience difficulties in terms of generating adequate sales.

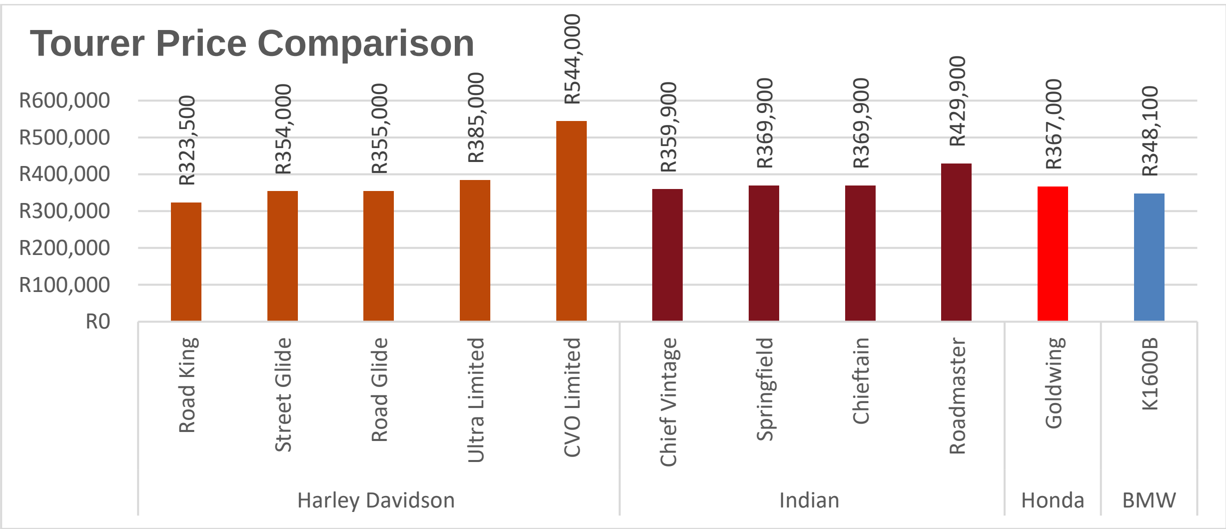


Figure 6: Tourer price comparison (Harley, Indian, Honda, BMW, 2018)

These findings may not be representative of the South African population as this was a global survey done by Consumer Report (2016). Based on the result of the survey of more than 11,000 respondents, owner satisfaction reflects the percent of owners who would purchase the same motorcycle if they had it to do all over again. Victory (Polaris) scored the highest in the measurement, this is a good indication that the product produced by the company satisfy their clients' needs. Honda and Harley-Davidson also scored relatively high in this area. With regards to fun, styling, acceleration, comfort and handling Victory out-performed its rivals. Overall consumer satisfaction achieved for Victory is 80% with Harley Davidson receiving a 72%. The biggest area that is dissatisfying the Harley clients is the high cost of maintenance and repairs. The statistical model estimates satisfaction ratings for 4-year-old motorcycles and adjusts for mileage driven over a 12-month period.

Reliability plays a big role in choosing a motorcycle, since the last thing a biker wants to worry about is a breakdown on the open road. Brands with better-than-average reliability tract records tilt the odds in their favour. Based on the consumer reports survey in figure above shows that the Japanese brands are significantly more reliable than Victory, Harley or Triumph (the American/UK Heritage brands) with the German BMW more prone to breakdowns.

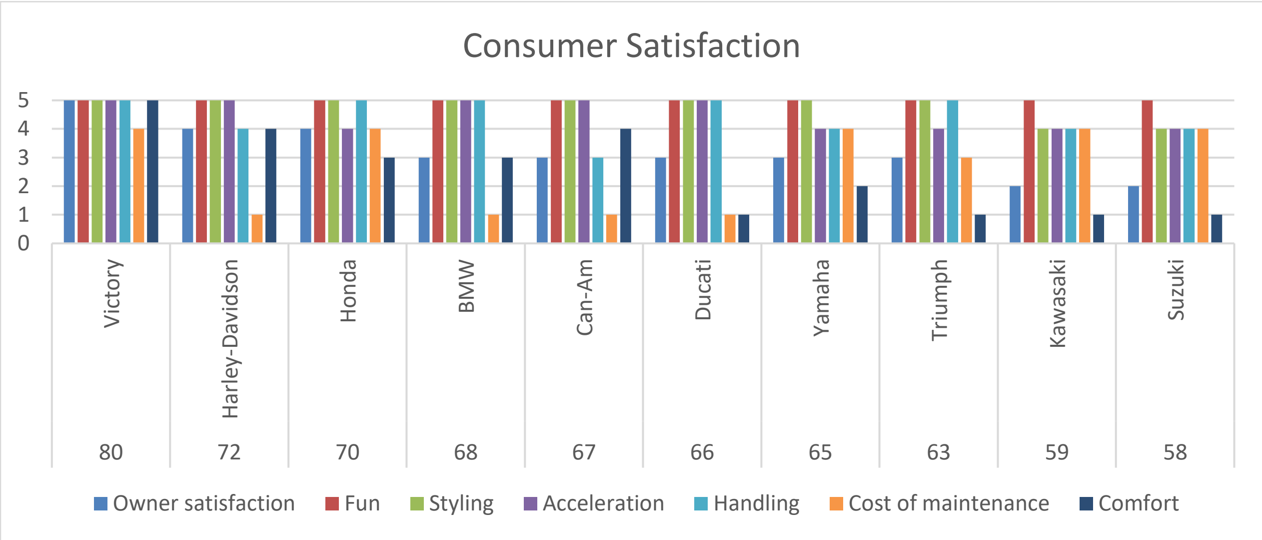


Figure 7: Motorcycle consumer satisfaction report (Consumer report, 2016)

Even though Indian does not feature on the list, Victory form part of the umbrella brand (Polaris) and it gives a good indication to where they may fall in terms of reliability. Polaris has seized its Victory brand operation in 2017 to focus exclusively on the Indian brand. One in four Harley Davidson's clients suffered from breakdowns or high repair costs. The Consumer Report statistics was found based on the feedback of more than 11,000 subscribers reporting on over 12,300 motorcycles purchased new between the period of 2008 and 2014. The graph shows percentage of motorcycles from each brand that will likely require repair work within the first four years. The higher the score the lower the reliability of the motorcycle.

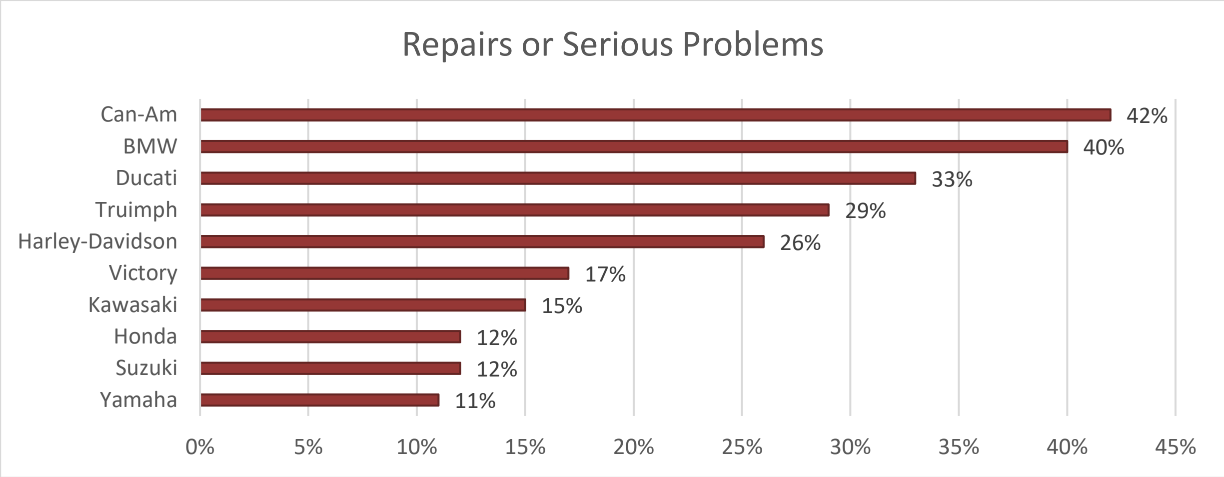


Figure 8: Motorcycle consumer reliability report (Consumer report, 2016)

KEY FINDINGS

The following findings is regarded as key findings gathered from the analysis of Indian Motorcycles, competition between Indian and its competitors and the motorcycle industry in South Africa:

The acquisition of Indian Motorcycles by Polaris Industries gave the brand fresh perspective, a new outlook on the industry and backing from a strong, established and financially stable automotive brand. Indian Motorcycles has a rich heritage in the industry and in the USA (oldest motorcycle brand and supporting the military during both World Wars), with countless records and incredible feats accomplished by their motorcycles over the years, something they are very proud of and pursuing to grow in the years to come. The management team at Indian are still continuing to improve the technology, comfort and reliability of their motorcycles to strengthen their brand to be remembered as being reliable, comfortable, with exceptional performance.

Another key finding and an aspect to improve on is the need for the brand to expand globally, it will be difficult for them to achieve global superiority if they continue to only manufacture their products in the USA. It is evident with the brand being predominantly American, it has a strong footprint in the USA, this is possible in other countries as well if Indian decides to move or shift manufacturing to counties where the demand for Indian-style motorcycles are high.

One important aspect that stood out from the analysis was the high market share enjoyed by Asia-Pacific manufacturers, comprising of more than 60% of the total market share of motorcycles sold globally, this is an enormous challenge for manufacturers outside Asia to compete with. In South Africa, less than 1% of all motorised vehicles on the roads are motorcycles and the foresight is expected to become even less due to large numbers of dealers in motorcycles closing down and becoming less and less in the local market, this trend can increase industry rivalry if it continues on this path. However, with the reducing number of motorcycle dealers in South Africa, recent data indicates that there was growth in the local market between 2016 and 2017.

Furthermore, an important finding that stood out was the need and importance of research and development of motorcycles and technologies for motorcycles as the needs of motorcycle riders are continually changing and evolving, by researching market needs and trends, R&D can contribute to a significant competitive advantage for manufacturers. The market leader in the South African market is Honda, a Japanese manufacturer with a market share of 17.4% as of 2015.

In analysing the age of consumers in South Africa, a key factor that stood out was the fact that the average motorcycle owner in South Africa is older than 50 years. It is anticipated that the reasoning behind this finding is that the older generation do have larger disposable income that can be used on luxuries such as motorcycles, it also makes sense that the average person who wants to own (and can afford) leisure motorcycles are prepared to pay a premium for comfort and reliability.

STRATEGIC MARKETING PLAN

The strategy sets to formulate a competitor strategy for Indian motorcycles to attack the South African market segment Harley Davidson is leading. A marketing strategy canvas was used in order to systematic address the strategic objectives Indian motorcycles' need to achieve.

To compete with Harley Davidson in a market that they have dominated over decades, Indian motorcycles need to have a strategically objectives in place to gain market share. In order to achieve greater market-share they need provide a niche product of good quality, innovation, performance and price. They need to increase their brand equity and establish a strong revived image.

The Indian Chieftain is a comfortable long-distance touring motorcycle. It provides the latest cutting-edge technology as Indian is renowned for. Its design is a retro/modern style drawing a lot of attention.

Indian is not a well-known brand in South Africa. Consumers are not aware of the differentiated characteristics, its technology or range of features. As with Harley Davidson it is a heritage brand with a good reputation especially in America. In South Africa the Indian motorcycle reputation is limited to the recollection of a few older enthusiasts. Indian motorcycles need to effectively position themselves in the motorcycle industry as a heritage motorcycle. They need to show the South African market that they are not a new motorcycle brand, but rather a well establish brand with a good history.

The Indian Chieftain is a premium product and it needs to target medium to high income households. A complimentary marketing strategy with a bank could help increase sales since private bank holders need to earn a certain gross income to qualify. Strong marketing focus should be placed on highlighting that this is high end product for professionals and not “shirtless bikers”. The target occupation should be white-collar workers ranging from executives, vice-presidents, senior managers, entrepreneurs and business owners. Age group segmentation should be lowered to mid-thirties since the design, performance, technology and safety features in the chieftain can appeal to younger drivers. The target geography should remain in the large cities as this is a luxury product, but market research should continually be conducted to evaluate in expansion is required in other cities.

Based on the marketing message of the website, they are providing the same quality, innovative products since 1901, built to set the standard. They a promoting that motorcyclist have now got a “choice” and that the Indian legacy is carrying on. They should place stronger emphasis on the great retro design that was drawn from the classic models and highlight the cutting-edge technologies it has over the Harley Davidson. They should also promote their reliability as this is the weakness of the Harley Davidson, which could result in gaining more of their market.

Indian motorcycles are the latest “new” brand in the South African market and it does not have a strong awareness. There have not yet been any adverts on any television or radio media to market the brand. Indian should develop an integrated marketing communication strategy such as the one developed below:

IMC Element	Who	When	Where	Why	How
Advertising	Selected target segment	Constant	All communication channels	To increase Brand awareness	Structured marketing campaigns
Sales promotions	Selected target segment	Regular	Point of sales	Customer retention	Providing additional benefit to client to promote loyalty
Direct marketing	Selected target segment	Continuous	All communication channels	To increase Brand awareness	Structured marketing campaigns
Celebrity ambassador marketing	Selected celebrity based on targeted market	Continuous	Social media, television and celebrity events	To promote brand awareness	Marketing it by selling the lifestyle
Indian motorcycle club	Existing Indian owners	Continuous	Regionally based on location	To create a social and a sense of association to Indian	Create the platform and promote it when selling a motorcycle
Motorcycle rallies	General public	Bi-annually	Strategic geographic locations (major cities)	To increase brand awareness	Indian SA to host a motorcycle rally

As the Chieftain is a premium product with advanced features it is costly. It is priced 4.3% higher than its rival the Harley Davidson Street Glide. As the brand awareness is not as well established as the Harley's, it is recommended that Indian lower its base cost of the Chieftain to lower than that of its competitor to gain market share. Strategically this will assist in gaining the targeted market segment and might assist in swinging the odds in their favour on an indecisive customer.

Indian motorcycle differentiation can be defined as: revived brand image, innovative motorcycle design and technological features along with reliability. Another differentiated feature is that Indian focuses strongly on online purchasing, co-creation is used on its website allowing prospective buyers to customise their Chieftain on the web. Harley Davidson has a strong brand image and loyal customers, but their slow adoption to technology and high maintenance/repair cost is their weakness. Indian should ensure that the quality of the Chieftain can continuously compete to that of its Japanese and German rivals. Strong quality systems should be adopted and audited to ensure exception quality of products. As the quality and design of the Chieftain is greatly better than that of the Harley, they should use this as a selling point and communicate it in their marketing campaigns.

The motorcycle industry in South Africa is forecast to have a stagnated growth till 2022. With a niche product, Indian is competing in a luxury product market of which they need to identify what it is their client want to stay competitive. The rivalry will continue to increase as other brands will diversify their brands and offerings. Indian need to strategically understand customer’s needs, give them the freedom to customise it and then they must develop a plan to over deliver.

The Indian Chieftain is a great brand, but it lacks brand equity. Brand equity is important for Indian to gain importance and additional revenue from its competitors. Brand equity considers: brand image, brand identity, brand awareness, brand loyalty, customer perception and brand association. Since brand equity is a quantitative measure of the brands positive recognition in the minds of the customer considering the brand, Indian need to establish its current position to identify the areas of concern and improve them. Effective communication and marketing strategies need to be aligned with the what the brand image is. Brand equity should be measured, and responses should be continuously evaluated to adapt on what customers think and feel about the brand.

Through the application of integrated marketing techniques, the strategy aims to reach the target customers by means of various marketing channels. The major channel being radio and television. With a large portion of the target market being older generation, targeting these platforms will effectively increase brand awareness. However, to compete for the younger generation social media and online market should also be pursued. The customised online shopping experience would appeal to younger buyers.

Harley Davidson has a strong brand awareness and loyalty from their customers. With most of these riders having friends with Harleys and belonging in the HOG club, the loyalty towards the brand will be difficult to break. An effective marketing plan needs to focus on the professional businessmen, targeting first time buyers. With Harley Davidson persona of heavy bearded, tattooed, rebel bikers. Indian should focus on providing "class" to the industry by means of trend setting apparel to fit with their bikes. Their focus should be to sell something unique, most people driving a tourer have a Harley, but what makes Indian exclusive is that there is a small base in South Africa.

In order to evaluate the success of the strategy the following key performance indicators is recommended to evaluate the effectiveness.

Metric	KPI	Desired result
Advertising	• Brand awareness surveys • Website traffic	Increased brand awareness.
Product quality	Number of defects or repairs per product	Zero defects, good brand image based on quality
Price competitiveness	Average selling price	To offer greater perceived value for money than competitors
Market Share	% market share	Drastic increase in South African market share
Customer Loyalty	Second time buyers	Increased brand loyalty and image

Indian should strategically invest in sponsoring rallies to help increase brand awareness. Dedicated investment needs to be made available for the integrated marketing communication strategies to improve brand awareness in South Africa. Effective quality systems should be implemented to ensure reliability of motorcycles. Research and Development plays an overbearing role for the company to stay competitive, a lot of resources should be invested to stay innovative.

CONCLUSION

In closing, Indian Motorcycles do have the opportunity gain sustainable market share and a strong customer base in South Africa. With the assistance of our strategic marketing plan, we believe that Indian Motorcycles can become the primary choice for customers in the heavy motorcycle segment as well becoming a strong competitor in other segments as well. At this point of time it seems likely that Indian is exploring new frontiers with its release of the FTR 1200 model and if this model is successfully released with the brand's known performance and reliability, we believe that the successors of the current models and future models will be a step in the right direction for Indian to reign supreme in the motorcycle industry.

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ANNEXURE A: INDIAN PRODUCT RANGE

Prod. Years	Description	Variants	Price	Place
2014-present	Chief	Dark Horse ®, Chief ® Vintage	From $17 999 / R290 900	USA, RSA
2014-present	Chieftain	Chieftain ® Classic, Chieftain Dark Horse ®, Chieftain ® Limited	From $21 999 / R369 900	USA, RSA
2015-present	Scout	Sixty ®, Scout ®, Scout ® Bobber	From $8 999 / R159 900	USA, RSA
2015-present	Roadmaster	Roadmaster ®	From $28 999 / R410 900	USA, RSA
2016-present	Springfield	Springfield ® Dark Horse ®, Springfield ®	From $20 999 / R369 900	USA, RSA
2019-present	FTR 1200	TBD	TBD	TBD

ANNEXURE B: SWOT ANALYSIS

Strengths:	Weaknesses:
• Rich heritage (Oldest motorcycle company in the USA). • Wholly owned by Polaris Industries (listed on NYSE). • Strong brand name associated with performance and reliability. • Kevlar engine components reduce vibration and enhances driving experience. • Superior handling and cornering over close competitors	• Small network of distribution channels outside USA. • Merchandise department significantly smaller than that of competition (Harley Davidson). • Dealers/ Service centre locations are only in major metropolitan areas in South Africa. • High prices of products might scare off potential buyers
Opportunities:	**Threats:**
• International growth can improve profitability and brand awareness for the company. • Release of more motorcycles in different market segments can improve market share.	• Intense competition in the industry • Increasing fuel cost may hinder sales in the South African market. • High production costs • Limited range of products currently on the market

ANNEXURE C: COMPETITIVE PROFILE

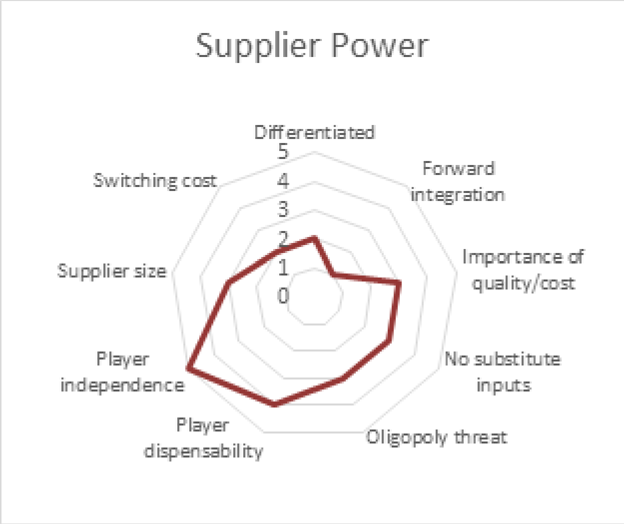
Major/Direct Competitors

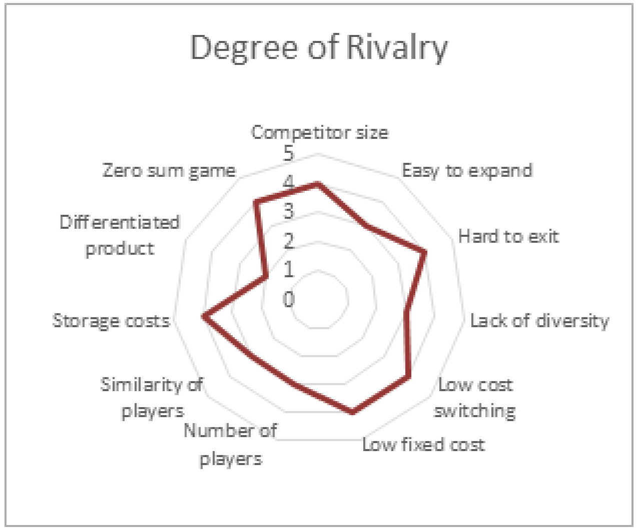
Minor/ Regional Competitors

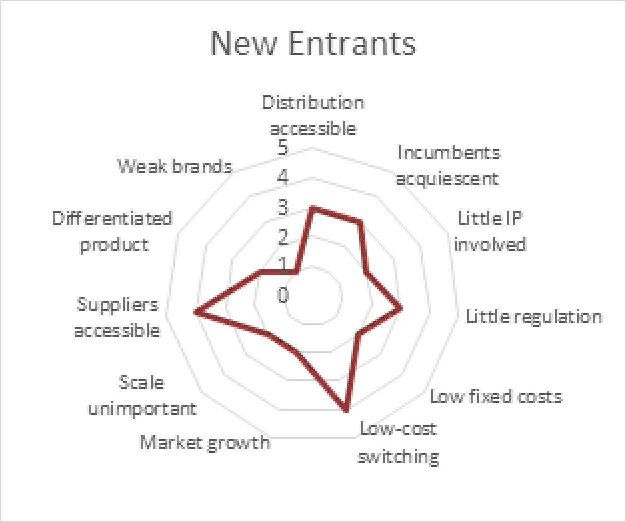
Notable Competitors

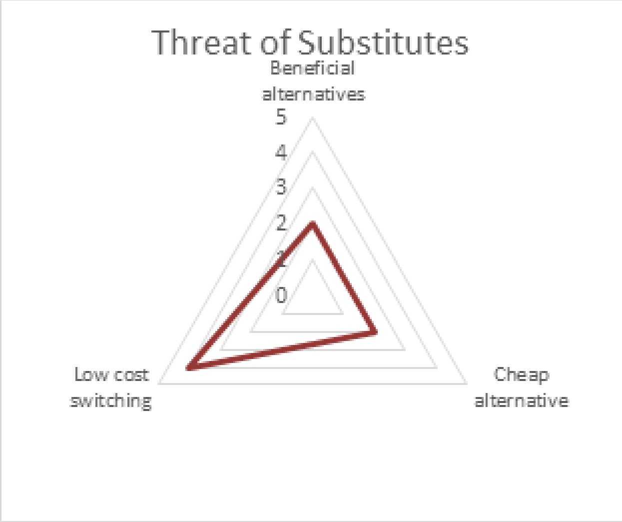
None Competitors

ANNEXURE D: PORTER'S COMPETITIVE FORCES ANALYSIS









ANNEXURE E: STRENGTH AND WEAKNESS COMPARISON

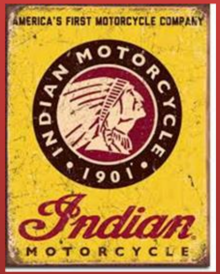
	Indian Chieftain Dark Horse	**Harley Davidson Street Glide Special**
Key Strengths	• Class leading Infotainment System • Electronically adjustable windscreen • More comfortable ride and handling	• Superior Saddlebags • Iconic Styling
Key Weaknesses	• Poor brand awareness in South Africa • Priced higher than its rival product • Limited marketing	• Low reliability and high maintenance cost • Slow adoption of technology • Oil leaks
Areas of concern	• High price may ward off potential customers • High fuel prices may influence buyer decision	• Recent drop in share price and market share • Reliability issues

ANNEXURE F: MARKETING STRATEGY CANVAS

Product

Indian Chieftain

Positioning



Message

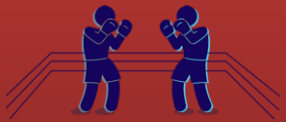
-Unique and different to the crowd
-Innovation and technologically more advance
-Sophisticated and class
-A legacy brand

Communication

Segments

Differentiation

Competitors



Brand

Price

R369 900

Channels

Customer Behaviour

VS

Objectives

Metrics

Advertising
Product quality
Price competitiveness
Market share
Customer Loyalty

Investments