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Ducati vs Harley-Davidson

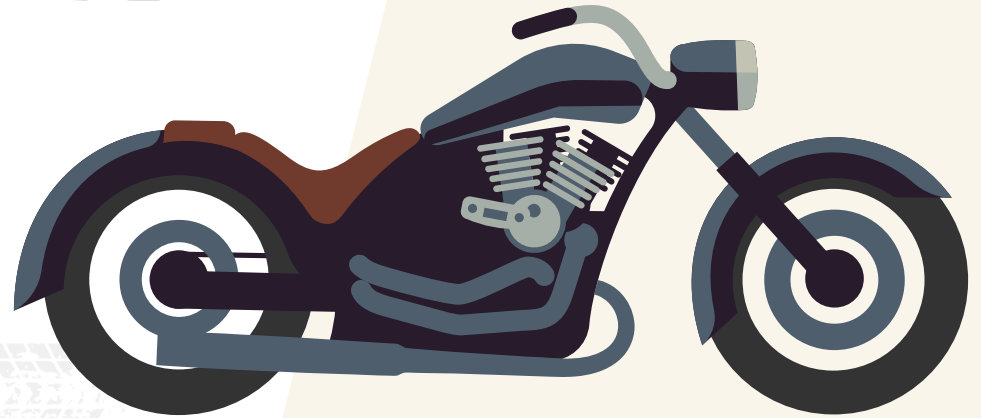
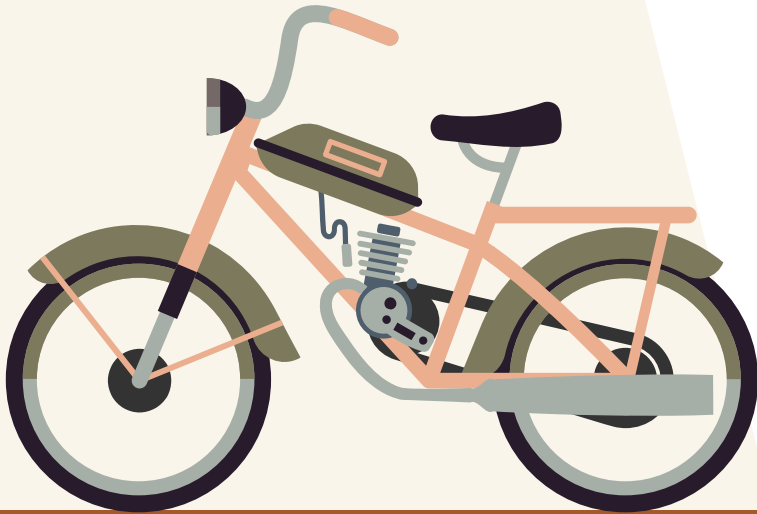


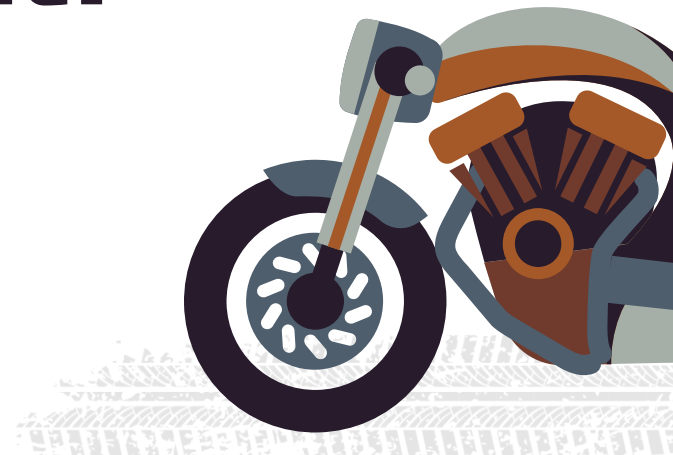
Table of contents

- 01 Ducati**
- 02 Harley-Davidson**
- 03 Digital Transformation**
- 04 Discussion**
- 05 Kvis**





01 Ducati



Company overview before digital innovation:

- Ducati Motor Holding – 1926, Bologna
- High-performance and racing inspired motorcycles
- 1996 - financial crisis
- Turnaround programme - ↑ production efficiency, net sales and profit
- New focus on R&D, marketing and sales, moving away from its initial manufacturing strength
- By 2001
 - Restructured its distribution network
 - Restructured its value chain activities
 - Outsourced – production, support, logistics
 - Cost decreasing



Company overview after Digital innovation

- January ,2000- First sold motorcycle via Internet
 - New motto - "**Produce what is already sold**"
- March, 2000 – Ducati.com
 - Significant rise in motorcycle registrations
- 2001 – 5th consecutive year of record profits
- April 2001 – STAR segment
- 2002 - 92 Ducati stores worldwide
- Products sold online were not available in the dealer outlets - limited-edition motorcycles, accessories, apparel and memorabilia.

	1999	2000	2001
Total revenues (motorcycles, accessories, apparel, spare parts, etc.)	294.5	379.5	407.8
Accessories and apparel	37.1	55.9	61.4
Gross profit	118.0	150.6	166.5
Registration (units)	32,135	38,130	38,969
EBITDA	50.8	60.0	66.1
Depreciation and amortization	(24.3)	(29.6)	(34.6)
Financing expense	(14.3)	(19.4)	(12.1)
Non-recurring items	4.5	6.7	(28)
Income tax and minority interest	(7.8)	(7.2)	(8.9)
Net profit	8.9	10.5	10.5
Net debt	112.3	97.4	112.9
Total shareholders' equity	131.1	143.1	154.6
Total net capitalization	243.4	240.5	267.5
Net debt/total net capitalization (%)	46.1	40.5	42
Net debt/EBITDA	2.2×	1.6×	1.7×

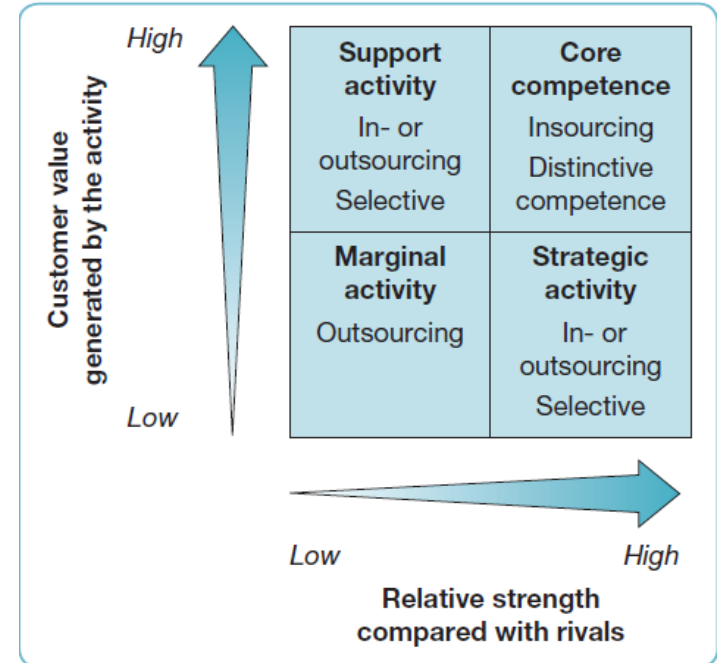
Business strategy

- **Ducati aims at the following objectives:**
 - Improving production efficiency (DIP)
 - Developing high-margin motorcycle-related businesses
 - Leveraging the Ducati brand
 - Pushing the boundaries of the Ducati products' niche
 - Reinforcing the company's core niche position
 - Improving the distribution network
 - Developing Internet and e-commerce activities



Business strategy

- Business model - narrow value chain changed to value network, which integrated online and offline processes and business partners.
 - Customers " Marketing department"
 - Suppliers - More important
 - Sponsors - Virgin Entertainment, Mattel and Maisto
- B2B software - Softway
- Two-by-two matrix - the decision to outsource or keep in-house
- Focusing on communication
 - Dynamic partnership opportunities
 - Enhance partners' brand exposure
 - Provide content to a wider audience



Innovating the value networks

R&D Design

- Developing a new motorcycle prototype
 - 7years \Rightarrow 4years
- Long sequence of single activities \Rightarrow network-based design approach
- Top-to-bottom approach in implementing

Logistics

- Outsourced (in house parts supply was carried out by Ducati)
- Reduction of expenditure and material flow – parts used the same day as delivered
- Transportation of incoming material was optimized
 - 75% \Rightarrow 97%
 - JIT introduced within suppliers and sub-suppliers
- Parts supply \Rightarrow Kanban system

Manufacturing and assembly

- Objectives
 - Enhancing motorcycle quality
 - Decreasing costs
 - Improving delivery service
 - Bottom-up approach
- Aim:
 - 98 % availability of parts
 - reduction of wait period and change-over time
 - reduction assembly stock and assembly time – synchronized production and one piece flow \Rightarrow JIT
- With workforce remaining the same
 - 25 units/day \Rightarrow 225 units/day
- Manufacture a motorcycle
 - 37days \Rightarrow 2days

Innovating the value networks

Purchasing

- Past - problems with supplier relationships
- Implementation of hierarchical structure of suppliers and subsuppliers ⇒ reduction of costs, optimized process, reduction of number of suppliers by 26 %
 - Goods and services had to be priced competitively, best-practice quality
 - Philosophy and values of company had to be shared
 - Large enough to benefit from economies of scale and to invest into RnD and new technology
- Ducati management Optimization project (DESMO)
 - Optimization of supply flow - Information through suppliers, sub-suppliers and Ducati 's production

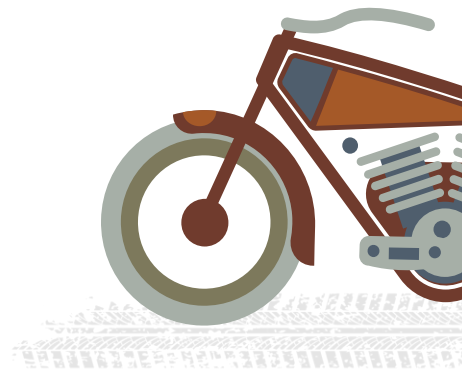
Marketing and sales

- Two distribution channels:
 - Dealer network
 - Internet: limited editions, apparel, accessories
- After sales service:
 - Dealer network: 93 % of availability of spare parts – Softway – distribution within dealers
 - Internet: Technical assistance - „flying doctors“, community of Ducati aficionados



02

Harley-Davidson



Company Overview

- 1903, Milwaukee, Wisconsin, USA.
- Two business segments: **motorcycles** and **related products** and **financial services**
- Reputation of poor quality and low reliability, no innovative product design
- Management buyout in 1981 from AMF
- Significant **restructure** and a focus on quality and brand reputation
- Turnaround programme: 40% reduction of workforce, 9% wage cut, introduction of new products
- In 2001, Harley Davidson elected **Company of the Year** (Forbes Magazine)



Business Strategy

- **Strong Brand Recognition and Community Building:** Harley Owners Group (HOG)
- **Marketing Promotion Events** for 100th Anniversary
- **Expanding Core Customer Base:** CEOs, lawyers and doctors
- **Smooth relationships with Suppliers**
- **Production increase:** significant increase in production targets for 2002 (up by 12%) and 2003 (up by 10%)
- **Global Dealer Network:** 1300 dealer outlets in 48 countries (2002)



Innovating the Value Networks



Purchasing

- Technology Integration: Electronic Data Interchange (EDI)
- Supply Chain Redesign in 1996
- Quality Control Improvements
- Increased Operating Margins
- Supplier Integration via Online Platform



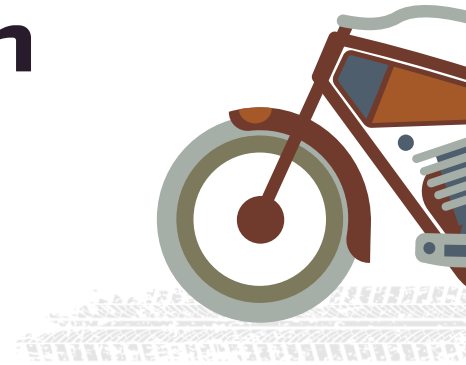
Marketing and Sales

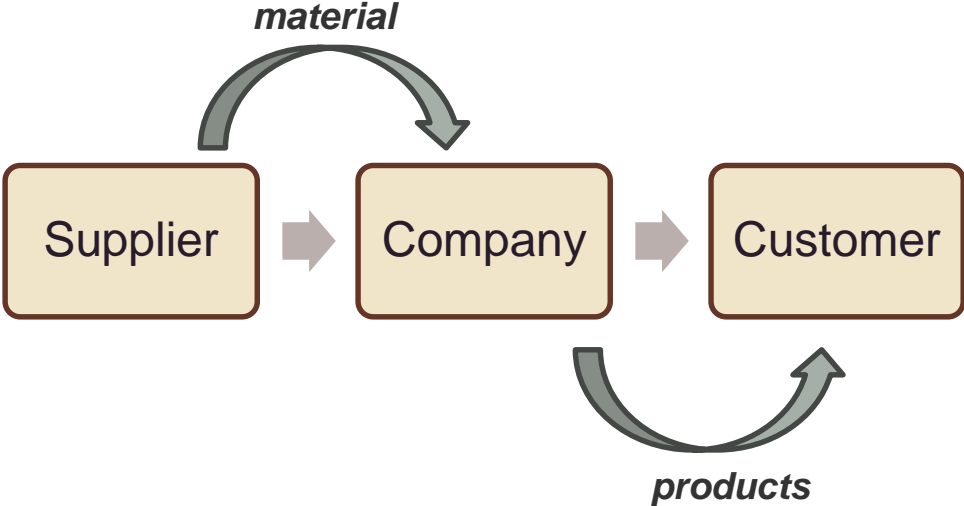
- Emotional Branding
- Community Engagement
- Product Customization and Exclusivity
- Digital and E-Commerce Integration such as Complex Functional Website or Online Catalogue
- Omnichannel Approach by combining Physical and Online Shopping Integration



03

Digital Transformation Comparison





Harley-Davidson



Harley-Davidson



Supplier Oriented Approach



Harley-Davidson



Suppliers needed to use their personalized EDI.

↳ More effective supply methods and less defective material

↳ 80% reduction of supplier amount

↳ 20% rise in profit margin





Ducati



Ducati



Customer Oriented Approach



Ducati



Desire to boost their community and expand brand reach

↳ Create custom chat rooms and offer limited-edition bikes

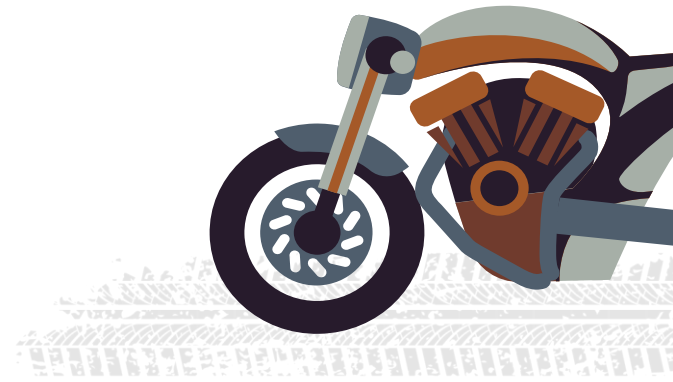
↳ 11.7% rise in share price after the MH900E sale





04

Discussion



Optional Discussion Topic

Do you think that Harley-Davidson's decision to focus their digital innovations **mainly on suppliers** rather than customers was logical?

Consider their target demographic and specific steps that they could have imitated from DUCATI.



Ducati

target infographic

Demographics

Age

< 30 years old

Specification

Athletic,
Energetic

Gender

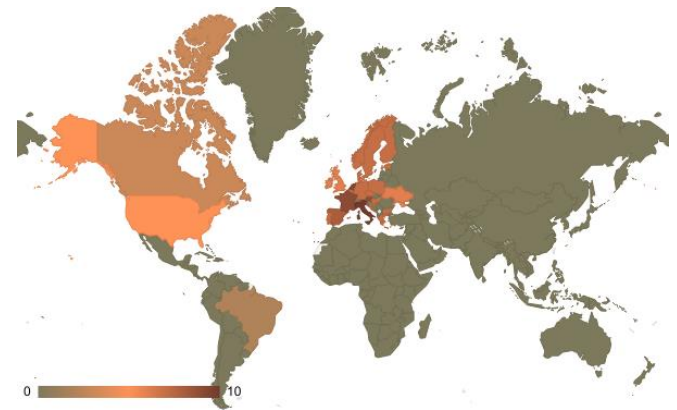
95% Male

Income

< \$60,000/year

Behavior

- 65% of customer base are repeat purchasers
- Heavily invested in motorcycle racing



Harley-Davidson target infographic

Demographics

Age

45 years old

Specification

RUBs, CEOs,
Doctors, Lawyers

Gender

91% Male

Income

\$78,300/year

Behavior

- 41% of customer base are repeat purchasers
- Strong community focused on meetups



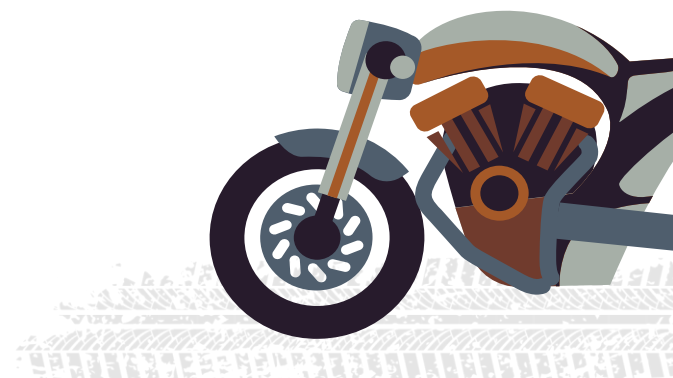
1. Do you think that Ducati's decision to exclusively sell through the Internet its MH900e motorbike model was a risky or a safe bet? Explain.
2. Since Italy is the main market for Ducati and the Internet penetration there is one of the lowest in Western Europe, is it advantageous or adventurous for Ducati to embark on a bold e-strategy?
3. Following the successful online sale of the MH900e model, do you think they should sell other products through the Internet? If so, how should they do it and what specific products should they offer?
4. ***“Success in the digital economy will go to those who can execute clicks-and-mortar strategies that bridge the physical and virtual worlds.”***
Discuss this statement and provide your views as to how companies can get the right mix of bricks and clicks in order to win the distribution channel war. You may consider one or more industries as a business context for your answer.

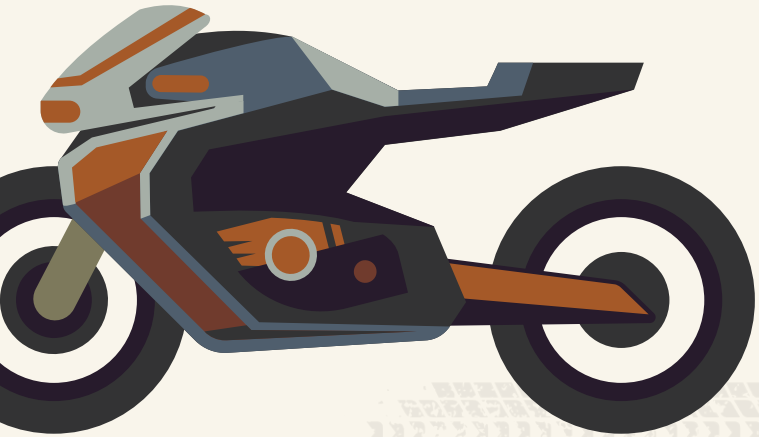




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KVIS





**Thank you
for your
attention!**