



MARKETING MATTERS

By Richard D. Czerniawski
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Where's Your Focus?

President Trump has been levying and threatening tariffs on select countries and industries. Steel and aluminum are two such industries to be targeted. Harley-Davidson, expecting a decline in profits due to the increased cost of steel and aluminum needed to manufacture their choppers has been exploring making parts overseas to scooter around the tariffs. In response President Trump tweeted that Americans should boycott Harley-Davidson if the company chooses to move production offshore.

Now this is not to debate free-trade versus protectionist tariffs, nor is it to delve into President Trump's use of Twitter or his tweet to urge a boycott of Harley-Davidson, or any other company. Instead this is to explore the management of the brand and to focus our attention, notably whom we serve. Let's start with the latter, where to focus our attention and whom we serve. Obviously, we serve multiple constituencies, stockholders and customers being two who at the center of this musing. Those who argue in favor of Harley-Davidson moving production offshore cite their fiduciary responsibility to stockholders. If the company cannot raise prices sufficiently to cover the added costs the tariffs impose then their profits will decline (assuming there is no substantial increase in volume, which we have no reason to expect, to offset it) and their stock price will drop. But we should also keep in mind that profits are a result of many actions, principal of which is satisfying customers to the extent that they prefer our brand and stick with it. It means we have to focus on delivering value, real or perceived, beyond the price tag.

Which brings us to the second point, the brand. The brand is a constellation of values, again real and perceived, that creates the bond with customers based upon their experiences with it. It is driven by the brand idea and positioning strategy. Harley-Davidson's brand is "classic, rebellious American independence" It's the Marlboro Man and The Magnificent Seven. It's unadulterated American on the fourth of July. What happens to the brand if Harley-Davidson is

not 100% American? While we can see the impact of tariffs eroding the bottom line it is more difficult, but no less injurious, to feel the erosion of the brand value, in the short term. Instead, it erodes unforeseen, like an infestation of termites nibbling at a foundation, until someone's foot comes crashing through it.

I love my clarinet. My children and their families gifted it to me on my 70th-birthday. It is a BUFFET Crampon & Cie A PARIS. Yet, I learned recently that it was (and continues to be) manufactured in Germany. I have nothing against German manufacturing. In fact, I believe it is among the best in the world. But is my BUFFET clarinet French or French design? If Harley-Davidson is making parts overseas is it American or American Design? Does it make a difference? It makes a difference to me! It lacks integrity and every brand should have integrity. If not, its positioning is manufactured. It's artificial. The brand thus is a fraud masquerading as the real thing. It doesn't have the same value to me nor, do I suspect, it has the same value to the customers who comprise the Harley-Davidson tribe, 400,000 or so who will motor out to some location in the middle of nowhere to celebrate the company's birthday. According to a company video, Harley-Davidson riders believe:

- "... in the Man upstairs and ... sticking it to the man down here"
- "... the machine you sit on can tell the world exactly where you stand"

I know where I stand when it comes to where to put your focus, and the ultimate value of the brand. What about you?

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