

# **MOTORCYCLE INDUSTRY: CAN CHOPPERS COMPETE AGAINST THE BIG DOGS?**

Gregory S. Elkins

and

Daniel M. Filer

Frostburg State University

College of Business

Frostburg, MD 21532

# **MOTORCYCLE INDUSTRY: CAN CHOPPERS COMPETE AGAINST THE BIG DOGS?**

## **ABSTRACT**

Growing consumer demands has created a new niche market in the motorcycle industry that is quickly transforming the industry itself. Successful custom builders like Orange County Choppers and Metropolitan Choppers are providing their customers with an avenue to express their individuality and uniqueness, while accommodating every need and want. As a result, custom-built choppers have cornered a continually-growing market. This fact has forced stock producers, who have historically dominated the industry, to re-evaluate their strategy to compete with these smaller companies.

By reviewing the strategies of three stock and custom motorcycle companies, evidence suggests that choppers can viably compete with the “big dogs.”

# **MOTORCYCLE INDUSTRY: CAN CHOPPERS COMPETE AGAINST THE BIG DOGS?**

## **Introduction**

Motorcycle riding in the United States today is more popular than it has been in the past. Since the early 1990s, there has been an explosion in the number of motorcyclists. This trend has spawned the rise of custom built machines that defy the imagination and teeter on the edge of a new art form. Shows like *American Chopper* and pop culture icons like Jesse James of West Coast Choppers have immortalized custom motorcycle builders. Recent box office hits such as *Wild Hogs* and *Ghost Rider* have prominently featured custom motorcycles. Out of this resurgence of motorcycle popularity, custom shoppers have begun to take market share from industry leaders.

The motorcycle industry is very volatile and a highly competitive market. Since the emergence of custom motorcycle shops, they have had to face fierce competition locally and nationally. Major brands such as Harley-Davidson, Honda, and BMW have dominated motorcycle sales in the United States for years. Thousands of custom-build motorcycle shops have sprung up all over the nation within the last decade, providing more stiff competition within the market. Furthermore, common misconceptions portray custom-built cycles as too expensive and too high-maintenance.

The growing trend in the motorcycle industry creates opportunities for small businesses and entrepreneurs to enter the market. Analysts expect the global motorcycle industry to possibly grow as much as 40% by 2007 [11]. Aside from the major manufacturers like Harley-Davidson and Honda, a growing industry like that of motorcycles can support:

A myriad of small and mid-size players, including motorcycle dealers, manufacturers/retailers of aftermarket add-ons, custom builders who create small numbers of highly individualized bikes, and apparel manufacturers/retailers [11].

The motorcycle industry is the strongest it has been since the inception of the machines in the early Twentieth Century. The industry is expanding rapidly with new competitors and new customers entering the market.

## **Economic Environment**

The United States economy has a strong correlation to the performance of the motorcycle industry. There are several factors within the economy that shape how the economy will perform in the future. First, the gross domestic product (GDP) is the most comprehensive measure of U.S. economic activity. GDP has been growing close to 3% after a shortfall in 2001 [41]. This shortfall was the direct result of substantially high unemployment and business failures. GDP is expected to be slightly less than 3% in 2007. This suggests that the motorcycle industry's production will drop slightly in 2007 [48]. Second, the Federal Reserve Board has been steadily increasing interest rates over the past few years [42]. This raise in interest rates decreases the discretionary income of consumers by increasing mortgage and credit card payments. Third, energy prices have been steadily increasing after hurricane Katrina and Rita in the fourth quarter of 2005 [46]. A rise in energy prices will result in less discretionary income for consumers and a decrease in the sales of high end motorcycles. Fourth, the national savings rate was at its lowest since the Great Depression in 2005 [45]. Consumers are overextended with debt from their purchases

over the last few years and do not have the ability to purchase new items, such as motorcycles. The current U.S. economy overall does not appear to be conducive for the outlook of the motorcycle industry.



Source: [48]

The income in the United States is skewed because of the demographics in our society. “The baby boomers make up 26% of the U.S. population and are currently at the height of their earning potential” [69]. Baby boomers are individuals born from 1946 to 1964. The baby boomers have a higher household income and greater purchasing power than any other age group in the United States [44].

### Socio-cultural Environment

In the first half of the last century, motorcycle trends and culture were not distinct from other modes of transportation. People who owned and rode motorcycles were seen as people with the mechanical ability to keep their vehicles running. Motorcycles were not as dependable as current day vehicles and there was no special aura attached to using a motorcycle for transportation. Trends in the motorcycle business tended to follow the same ups and downs as other areas of life following political and financial events. However, with the 1954 motion picture, *The Wild One*, a new mystique was born and attached to motorcycle riders. They were now seen as wild, dangerous and carefree. People used this movie to form a stereotype of motorcycle riders as dangerous gang members and outlaws outside the normal bounds of society. This was modified to some extent by the Honda slogan, “You meet the nicest people on a Honda” in the 1960’s. Honda’s were seen as non-threatening, small motorcycles and the people who rode them did not fit the menacing gang member stereotype.

In 1983 Harley-Davidson launched the Harley Owners Group (HOG) to try to appeal to a wider group of people. They aimed to attract rich urban bikers, called rubies [68]. Gradually over the years Harley owners have tended to be older, more affluent and better educated than in the past. In recent years, more women have been attracted to motorcycle riding. These female riders have the same demographics as their male counterparts. Motorcycle fashions have also become an important trend in the United States and are an important source of revenue for Harley-Davidson.

## **Motorcycle Industry History**

The history of the motorcycle began with an idea taken from a bicycle maker by the name of John Kemp Starley in 1885. His bicycle, known as the Rover Safety was a popular bicycle for its time. It was an idea from a man by the name of Gottlieb Daimler. Daimler produced the first gas-engine motorcycle in 1885 which had a chassis made of wood. The motorcycle engine itself was invented by Nicolaus August Otto in 1876. Otto is also responsible for inventing car engines. These engines are known as the 4 stroke internal combustion engine, the same one we use today. What Daimler did was he assembled the Otto engine to a motorcycle and hence this was the first motorcycle [70].

William S. Harley and Arthur Davidson decided to mount an engine on a bicycle in 1903. They wanted to improve the speed of the bicycle. This was the beginning of the Harley-Davidson Motor Company and a cultural phenomenon that can sometimes be almost cult like. Harley-Davidson's efforts were preceded by the Triumph Cycle, Co. Ltd. of England. They started producing bikes with their own designs in 1902. In the early 1900's cars were relatively expensive. Motorcycles offered an inexpensive alternative means of transportation.

As time went on, automobiles became more affordable and the motorcycle business began to slow down. World War I saw a dramatic increase in the manufacture of motorcycles for use by the military. Harley-Davidson produced over 20,000 motorcycles by the end of the war [14]. This made Harley the biggest motorcycle manufacturer in the world. Unfortunately, consumer demand went down after the war and Harley was hard hit by the Great Depression with only 4,000 vehicles being produced in 1929 [14]. World War II saw an even greater increase in Harley-Davidson motorcycle production, with them making 90,000 cycles for the military. Bavarian Motor Works, BMW, supplied motorcycles to the German armed forces during World War II. It produced a motorcycle with a sidecar that featured a driven wheel in the sidecar and a lockable differential which gave the vehicle an off-road performance similar to a Jeep [9].

During the 1970's and 1980's Japanese motorcycles of all sizes almost put Harley Davidson out of business. They were easier to start, thanks to an electric starting system. They were more reliable and cheaper and faster than the American competition [36]. After a slump in Japanese cycle sales during the late 1970's, Harley was able to separate itself from its previous parent company, American Machine Foundry, and redefine itself. The company introduced a new engine and concentrated on making reliable motorcycles. They also pursued two additional marketing strategies. They made an effort to sell motorcycles to rich urban bikers, rubbies. If enough of these people bought motorcycles, it would not only increase their sales, but it would soften the image of the outlaw, dangerous biker. They also decided to emphasize the sale of Harley Davidson (H-D) branded merchandise of all types. This would provide additional revenue and help attract and maintain interest in the Harley name. Thanks to this turnaround (in quality and marketing); H-D dominates the large custom motorcycle niche in the United States [14].

## **Customer Profile**

Around the world, motorcycles have historically been associated with subcultures. Some of these subcultures have been loose-knit social groups such as the café racers of 1950's Britain, and the Mods and Rockers of the 1960's. In the early 1980s, people who rode motorcycles were coined as ruthless and evil. It was believed that people who rode motorcycles were part of a gang, and should be feared. There were

many movies made during this era including “Mad Max” which helped shape and influence people’s beliefs about motorcycles and their riders.

During the late 80’s, social motorcyclist organizations became popular. When these groups started to organize and promote themselves as good people who just loved motorcycles, the perception that motorcycle owners were ruthless and evil changed. These new social groups were sometimes organized geographically, focused on individual makes, or even specific models. Examples of motorcycle clubs include: American Motorcycle Association, Harley Owners Group, Gold Wing Road Riders, and BMW MOA. Motorcycle organizations have enthusiastic members, and many raise money for charities through organized events and rides. Some organizations hold large international rallies in different parts of the world that are attended by many thousands of riders. In today’s world, there are approximately 8.8 million motorcycles owned by approximately 6.6 million owners. In addition to those who own a motorcycle, 23.5 million people operated a motorcycle in 2003 [35].

Examining owner profiles and buying patterns, companies are able to identify significant trends. Analyzing the trend data allows each participant in the market to apply the results in a practical way and use it in day to day business strategies, which will help to contribute to the industry’s growth and prosperity.

The following list indicates statistics about the average customer who purchases a motorcycle. In brief, the average motorcycle owner is:

- Male
- Married
- Age: 41
- Earns a median household income of \$55,850.
- Has graduated from a college or university [35]
- Occupation: Professional/Technical

Women are increasingly becoming part of the motorcycle landscape. Female ownership increased from 6.4% in 1990 to 9.6 % in 2003 [35]. Women from all subgroups are purchasing and riding motorcycles. Women are also becoming major customers in the sale of motorcycle apparel. Major competitors like Harley-Davidson have recently added a clothing line specifically designed to cater to women motorcycle riders [20]. Even though some women are not owners of a motorcycle, wives and girlfriends who ride behind “their man” more frequently want to dress the part. As a result, a whole new niche market has developed that can be capitalized upon by competitors.

## **Products and Services**

The motorcycle industry offers a wide variety of products and services. With the main product of the industry being motorcycles, let’s first examine the different types of motorcycles that are available on today’s market.

For the purposes of this analysis, an examination of road or on-highway motorcycles was conducted. This category of bikes is made up of street and dual sport motorcycles. As a segment of the market, it can be divided into four basic types of motorcycle: standard, performance, touring and custom.

Standard: Standard class motorcycles are also known in the industry as street bikes or naked bikes. These are the basic form of motorcycles that are stripped down to their basic parts with an emphasis on functionality, performance, and ergonomics rather than on flashy body panels and paints jobs. These

bikes also allow the rider to sit in a straight, erect position instead of the exaggerated, forward-leaning riding position that is most common on sports bikes. Standard bikes were very popular in the 1970s and early 1980s, but declined in popularity as motorcycles evolved and niche markets developed for cruising, sport and touring bikes. Standard bikes range in price from \$2,700 to \$4,000 and have engines from 50 (cubic centimeters) or cc's to 250 cc's. They offer lower cost and are usually less complex than more expensive motorcycles.

**Performance:** Performance class motorcycles are sometimes referred to as sport bikes or “crotch rockets,” and they are typically much smaller and lighter than touring bikes or cruisers. They are basically consumer versions of the bikes used in motorcycle sports competition and they are the flashiest of all motorcycles. Honda and Kawasaki are the leading makers of these types of bikes [40]. Performance class motorcycles range in price from \$5,000 to \$6,000, with engines running from 251 cc's to 1,200 ccs. These bikes are designed for racing and are built for speed.

**Touring:** Touring class motorcycles are the ultimate long distance motorcycles. They are designed to meet the specific needs of long-distance touring and heavy commuting riders. These bikes are equipped with the biggest engines, great acceleration and cruising speed, and lots of storage including top trunks and saddlebags. Touring bikes also come with plenty of amenities like cruise control, stereo radio and communication systems, windshields, heated seats and grips, and more. They also have very large fuel tanks, air bags, ABS brakes and some even have air conditioning. Honda has the largest portion of the touring bike market with the Gold Wing 1500 leading the field [39]. Touring motorcycles cost from \$10,000 to \$18,000 and have about the same size engines as performance bikes [68].

**Custom:** Custom class motorcycles are a type of motorcycle that is highly stylized and very different from the design of a standard bike. Each custom built motorcycle is very unique and it is individually produced in a limited quantity, as opposed to stock bikes which are mass produced. Custom bikes have become fashionable status symbols and are very expensive to build. Shops that specialize in custom-built motorcycles have become very popular and have been featured in TV shows and other forms of media. Custom bikes range in price from \$12,000 to \$25,000 or more. High end custom bikes can cost \$100,000 or more. Their engines are usually 751 ccs to 1,200 + cc's. These custom bikes are built for style and individuality along with super heavyweight engines [68].

**Choppers** are a type of custom motorcycle that is radically customized and prominently features high handlebars and extended front forks that are stretched out to make the signature “chopper” look. The first choppers to gain national attention were the customized Harley-Davidson's seen in the 1969 film “Easy Rider.” These bikes have become extremely popular with the public and have driven the custom bike industry. It is also important to note that most bikes that are called choppers are actually custom cruisers or custom bikes, and are not true choppers.

<b>Approximate Price Ranges of Motorcycles (Source: Various Dealerships 2003)</b>		
<b>Class</b>	<b>Price Range</b>	<b>Engine Size</b>
Standard	\$2,700 - \$4,000	50 cc – 250 cc
Performance	\$5,000 - \$6,000	251 cc – 1,200 + cc
Touring	\$10,000 - \$18,000	251 cc – 1,200 + cc
Custom	\$12,000 - \$25,000	751 cc – 1,200 + cc

**Other Products and Services:** Many motorcycle dealers offer service on the bikes they sell and will often perform regular maintenance and repairs on a wide variety of motorcycles. Custom bike shops also

provide maintenance and repair services but they spend more of their time on customizing and building new bikes.

Most new dealers and custom bikes shops now offer a large variety of parts, accessories and clothing. This is one of the fascinating phenomena of the motorcycle industry today. The fashions and apparel associated with motorcycles has become extremely popular in recent years. In fact, you will often find that some showrooms have almost as much floor space devoted to the fashions and accessories as they have for their bikes. Another unusual twist is that many people who wear the biker gear never own or ride a motorcycle. It just appeals to an image that they are attracted to and many motorcycle products lines, like Harley-Davidson, use this as a great way to keep their name circulating in popular culture.

According to the Motorcycle Industry Council's 2003 retail sales figures for U.S. Motorcycle outlets, new motorcycles accounted for 57.4% of sales volume and used motorcycles was 12.7% of the market. Sales from parts, accessories and riding apparel took in almost 22% of total retail sales generated by all motorcycle outlets.

### **U.S. Industry Trends**

The U.S. motorcycle industry is on the verge of the thirteenth year of consecutive growth. "In fact, the popularity of motorcycles in the U.S. has accelerated so rapidly that 24% more units have been sold in the past four years than in the entire previous decade" [3]. In 2005, the motorcycle industry was "approximately one billion and one hundred and forty-two million dollars at retail" [47]. This represents an "increase of 4.1 percent over the previous year and an increase of 55.8 percent since 2000" [47]. There has been a tremendous growth rate in the motorcycle industry which can be attributed to many variables within the United States economy.

An estimated 24 million people in the U.S. drove a motorcycle at least once in 2003 [3]. This projection is expected to continually rise over the next several years according to the Motorcycle Industry Council. There has been a 34 percent increase in the number of motorcycles since 1998, which translates into approximately 8.8 million motorcyclists in the United States [35]. Over one third of the nation's motorcycles were concentrated in California, Florida, New York, Ohio, and Texas [68]. Overall, there has been an average of "2.5 motorcyclist per 100 people in the United States in 2001, up from 1.5 per 100 in 1995" [68]. Although sales have been rapidly growing since 1998, a majority of purchases were made by older customers who have re-entered the market after previously being on a sabbatical for several years.

### **Industry "Big Dogs"**

Since 1903, Harley Davidson has been the chrome standard in the motorcycle industry. The passion of Harley Davidson's customers towards their products has evolved into a lifestyle. The name and logo of Harley Davidson represents a symbol of American individualism. Customers are drawn to Harley Davidson for a variety of reasons. For some, the thrill of riding on the open road during the weekend is appealing. For others, it could have been hearing the distinctive sound of the legendary Harley Davidson V-twin engine. Whatever the reason, Harley Davidson's loyal customers have ensured their success over 100 years in the face of fierce competition.

Harley Davidson manufactures close to 30 different motorcycle models, which are primarily comprised of touring and custom heavyweight motorcycles [2]. Prices range from around \$6,000 for the Sportster to

over \$30,000 for a custom heavyweight motorcycle [20]. Harley Davidson charges a premium for its motorcycles because of their perceived value and the high demand for the company's products. Individuals will purchase a Harley Davidson sometimes for the pure purpose of displaying it outside of their house. Harley Davidson's motorcycles are often replicated by other Japanese manufacturers; however customers seek the "Harley experience," not just a motorcycle.

Harley Davidson produces motorcycles in each market segment of the motorcycle industry; however their primary focus is on the heavyweight segment. The heavyweight segment (over 650cc) has been the most rapidly growing part of the motorcycle market between the twentieth and twenty-first century [35]. North America was the largest market for heavy and super-heavyweight motorcycles, representing 56 percent of the total sales in the world market [68]. Between 1999 and 2003, sales of heavyweight motorcycles increased by 14% annually in North America, compared to about 2% growth in Europe and Asia [68]. Harley Davidson has been able to maintain a market share between 46.2% and 48.2% in the United States heavyweight and super-heavyweight market segment since 1993 [2]. Internationally, Harley Davidson has been unable to replicate the level of market dominance it achieved within the United States. However, during 2000-2003, Harley Davidson became the heavyweight market leader in Japan, pushing Honda into second place [20].

Harley Davidson also has a very profitable clothing line and general memorabilia line. Approximately 20% of Harley Davidson's revenue came from their clothing and general memorabilia sales in 2006, which is the highest in the industry [2]. Harley Davidson has been able to capitalize on their "cult" like following by marketing a wide range of products with their logo.

The Harley Davidson image and customer loyalty are the organization's greatest asset. The famed spread eagle signifies the only U.S. motorcycle in the industry and the American motorcycle lifestyle. Harley Davidson has been described as "the ultimate biker status symbol...a quasi religion, an institution, a way of life" [6]. In 1983, the Harley Owners Group ("HOG") was founded for Harley Davidson aficionados. "By 1999, worldwide membership had hit the half-million mark, and the number of local chapters totaled 1,157" [22]. This organization of loyal Harley Davidson enthusiasts continues to grow at a record breaking pace across the world. "The old saying is that if you can persuade the customer to tattoo your name on their chest, they probably won't switch brands." [19].

Honda, or the American Honda Motor Corporation, Inc., as it is known today, accounts for 10 percent of motorcycle sales in the United States and 24% of the world market. In fact, Honda has become the world's best selling motorcycle with 100 million sold to date. For 2007, Honda has a line of 107 motorcycle models to choose from. They carry everything from mini-bikes, motorcross and off-road (dirt) bikes, ATV's, cruising bikes, and even a custom line of police bikes. Honda has the widest variety of cycle products.

They have introduced a new heavyweight cycle, the Shadow Spirit 750, and the 781cc Interceptor, the AMA Superbike Champion from several years ago, continues to be a big seller and one of the fastest bikes going. Honda makes a line of large touring bikes that compete with the Harley-Davidson line. They include the VTX 1800T (V-twin engine) touring bike, the Super Hawk, the Valkyrie Rune, and the Honda Gold Wing. These bikes have lots of features and creature comforts and resemble the Harley Hog. In fact, the Gold Wing beats all contenders in its class by being voted best of 2006 by the Robb Report, a luxury lifestyle magazine [49].

Honda has always been involved in racing and has also had a great reputation for performance. Honda Racing has dominated World Grand Prix, Baja, Motorcross bike competitions and they have won many world championships. Their company motto is "Performance First" [24].

The Honda Riders Club of America (HRCA) has over 600,000 members and it is part of the Motorcycle Division of the American Honda Motor Co., Inc. When you purchase a motorcycle from Honda, you get one-year free membership in HRCA, which pays for bike safety training, discounts, magazine, event calendar, riding sites, etc. Their mission is to nurture a relationship with customers through direct communications and a comprehensive package that offers real benefits to its members. It also includes travel packages, insurance, discounts, 24-hour weather, key retrievals, emergency road service [28].

BMW is an international firm with over 94,000 employees and offices and manufacturing plants in 12 countries in addition to their headquarters in Germany. They produce more than a million vehicles a year.

Since the late 1980's, the motorcycle division of the BMW Group is called BMW-Motorrad. BMW Motorrad, in contrast to the BMW Group, has only about 3,000 employees and is similar to a medium sized company. BMW-Motorrad has five divisions, "project portfolio strategy, marketing, events and exhibitions, dealer development and rider training" [68]. The product portfolio unit makes sure the customer gets his motorcycle and related clothing and accessories along with any needed services. Marketing develops advertising and online material emphasizing the uniqueness and fun of owning a BMW motorcycle.

The events and exhibitions unit organizes events and exhibitions to promote BMW racing, including the Boxer Cup established in 1999. The dealer development division is responsible for establishing and maintaining the way BMW motorcycle dealerships present themselves to the public. They also control the computerized information system linking all BMW dealerships. The training division also helps dealers by providing educational material and holding sales workshops.

BMW makes four main families of motorcycles. Each type may contain special models designed for touring, as roadsters or for off-road use. The families are designated R, K, F, and G type motorcycles. The R type bikes have oil cooled twin cylinder flat head engines of just fewer than 1,200 ccs. The K type cycles have 4 cylinders in line water cooled engines of about 1,200 ccs. The F type bikes are available in single vertical cylinder models of 652 ccs and in twin vertical cylinder models of 800 ccs. The G type bikes are made in partnership with the Italian firm Aprilia. These motorcycles are smaller, single cylinder off road bikes [9]. They are seen as entry level BMW's and have water cooled engines of 650 ccs.

BMW's positioning strategy for its motorcycles is the same as for its cars. They emphasize luxury and performance along with the uniqueness of owning a BMW motorcycle. BMW likes to emphasize the fun and adventure possible with their motorcycles. They sponsor and participate in many off road competitions. BMW has won the grueling and prestigious Paris to Dakar rally six times [9]. A BMW K 1,200 S set a world land speed record of 174 mph for production motorcycle of its class recently [9]. BMW also makes the RT-P police motorcycle which is preferred by most law enforcement agencies worldwide [9]. BMW's positioning strategy enables them to price their motorcycles at the high end of the market and contributes to the profitability of the company. The BMW goal is to capture 10% of its major markets.

### **Custom Choppers**

Paul Teutul, Sr., metalworker by trade and founder of Orange County Choppers, Inc., first began his business of building custom choppers out of his basement in Montgomery, NY. With the creative help of his oldest son, Paul Jr., the two were soon on their way to the top with the success of Paul Sr.'s first bike "True Blue" at Daytona Bikeoberfest in 1999. From that point on, Paul Sr. knew he had something and established Orange County Choppers, Inc. that same year.

The Teutuls quickly became recognized by chopper enthusiasts everywhere. They were not only making name for themselves in the custom chopper world, but were picked up by the Discovery Channel in 2002 as the basis for what is now the hit television series, American Chopper. Their popularity has led them to build custom theme bikes for some of the biggest names in corporate America, such as Microsoft, Lincoln, and Coca-Cola. Today, Orange County Choppers is regarded as one of the world's premier builders of custom motorcycles [57].

Anywhere you go, you are bound to see something with Orange County Choppers name or logo on it. Orange County Choppers has positioned itself to be the best in the business. They have built a brand, marketed it, promoted it and have reaped the profits from having a successful company. In addition to the company's home store in Montgomery, NY, Orange County Choppers have several authorized dealers in Texas, Florida, New Jersey and Florida. These dealers sell Orange County Choppers in their stores. This allows customers to purchase bikes up and down the East Coast.

Orange County Choppers pricing strategy is consistent with the rest of the bike builders in the market. Prices for a custom chopper start around \$30,000. Depending on the different aspects of the bike, wheels, engine, paint, etc., one could easily spend \$200,000 on a bike from Orange County Choppers. Orange County Choppers provides its customers with a wide array of products to meet their customers' demands. In addition to custom choppers, apparel and merchandise, American Chopper, a television show, aired on TLC. These provide the company with the opportunity to capitalize on the market through various mediums.

Savage Cycles, Incorporated, is a custom motorcycle shop located in Frostburg, Maryland. It was formed about five years ago by three partners who had a wealth of experience in the business and a dream of creating awesome bikes for a living. The firm builds custom motorcycles, does custom work on stock motorcycles, does general cycle maintenance on all makes and models, and sells apparel [64]. The firm actually consists of three companies: one company manufactures motorcycles (Savage Cycles Manufacturing, Inc.), another sells the finished product (Savage Cycles LLC), and the third firm markets and sells apparel and other small products bearing the company's name (Savage Cycles Sales, Inc.) [64]. Currently, the company employs two additional fabricators other than the original owners. All five employees are involved in the building and fabrication of every motorcycle [62]. Sean Snyder, the principle owner, has always tried to keep Savage Cycles a small company so that unique, well-built motorcycles remain the goal.

Their ability to wield a dream into reality gives Savage Cycles a competitive advantage in the motorcycle industry. Their recent build for Nationwide Insurance serves as a perfect example of the firm's craftsmanship and incredible vision. Although the management desires more business in the form of unique builds, the owners do not want to reach the point where they have too many builds at once and quality begins to suffer [64]. The firm has always considered their market to be the Mideast region, and sometimes even nationwide. They have utilized the Internet for both a webpage and a myspace.com account [64].

More recently, Savage Cycles has begun to do all types of service work and custom fabrication on stock motorcycles. This effort, according to management, is an attempt to create more steady business from the local area. The largest revenue earner for the firm still remains the countless custom built motorcycles, but service and customizing work has been on the rise for the company. Savage Cycles will service any brand motorcycle, and can customize any stock bike for customers. Savage Cycles has experienced moderate growth since its inception and continues to change its positioning within the industry in order to achieve brand equity.

The Savage Cycles management philosophy can best be summed up by two quotes that are attributed to co-owners Sean Snyder, Mike Dixon and Jeremy Gordon. The quotes are “Less people means less @#%\$ ups,” and “This ain’t no TV show, this is a custom bike business.” The quotes can be found on their web site and in the latest edition of Deep Creek Magazine, which features a four-page profile of the unique bike shop. Both quotes are prominently highlighted in the layout of the article and the management team went out of their way to put extra emphasis on what seems to be “words to live by” in the way they run their business. Both axioms permeate everything they do in their small shop [16].

As managers, the Savage Cycles team has a great deal of confidence in the team of employees they have assembled and each member of the team brings a wealth of knowledge to the table. Each employee has a specialty and they are treated as the expert in their area of craftsmanship. After they have agreed to work on a particular bike build, the Savage team puts their heads together to plan out how the work is going to progress and who is responsible for various parts of the project. From there, the management team simply lets their employees get to work on the bike and they get out of the way.

One of the big advantages with Savage Cycles having a small staff is that it is a shop where everyone works on the bikes. The co-owners are down in the shop, working side-by-side with the other employees. Everybody knows what is going on and there are very few layers of management. This is not a shop where you have an isolated owner who sits upstairs in some big office and rarely sees the day-to-day operation. Everyone works together very well and they are very close, literally, to each of their projects. V-twin Biker Magazine’s staff stated, “in fact, you could say that this group manages itself.”

Metropolitan Choppers, located in Frederick, Maryland, is a relatively new custom motorcycle shop in the industry that has been making waves since their induction in 2004. Donald Trump has dubbed Metropolitan Choppers the “Rolls Royce of Choppers.” Rick Hill and “Big” Dan Kessinger manage the shop together. Metropolitan Choppers, like most other custom-build companies, fabricates motorcycles, customize stock bikes, and sells apparel. Much like the Teutuls of Orange County Choppers, Rick Hill’s family originally owned Metropolitan Steel, which served as a perfect segway into the motorcycle industry. “Big” Dan Kessinger was a former employee of Metropolitan Steel and is now the manager of Metropolitan Choppers.

Metropolitan Choppers quickly gained recognition when several high-profile individuals purchased a custom motorcycle. Word of mouth marketing from these celebrities has spawned new interest from viable customers nationwide. As a result of this success, large corporations are now seeking out Metropolitan Choppers. For example, the recent success of the Treasure Island build has made the firm an attraction of its own in Las Vegas. A joint venture between Metropolitan Choppers and Treasure Island Casino and Resort is being established to launch a product line based off of the bike. This success has attracted the interest of other well-known casinos in sin city to adopt similar strategies with Metropolitan Choppers.

Metropolitan Choppers claims that each of their motorcycles is a unique work of art which cannot be duplicated by any other firm. Each machine is carefully crafted and designed intricately to coincide with a theme chosen by the purchaser. As a result, Metropolitan Choppers has positioned themselves in the market as a high-end, uniquely original motorcycle producer. The average price of a motorcycle purchased at Metropolitan Choppers is around \$100,000 [25]. Only the most affluent individuals or successful corporations could afford this price, which is the target market Rick Hill seeks to attract.

All three custom motorcycle shops operate similar businesses with similar strategies. Like any other custom shop, these three firms attempt to offer unlimited options to their customers. Each company is in different phases regarding their pursuit of establishing brand equity. Orange County Choppers has successfully established brand equity and is at the peak of popularity. In addition to becoming television

icons, the firm now offers apparel and memorabilia in addition to their uniquely designed motorcycles. Metropolitan Choppers is on the verge of establishing brand equity on a national level. Recent builds have been completed for 84 Lumber, Treasure Island, John Daly, and for the popular television show Fear Factor. Savage Cycles is on the other spectrum of brand equity. Only recently has the firm peaked interests on a national level with their Jack Daniel's and Nationwide Insurance themed bikes. All three custom builders have penetrated the market and stole market share from the "big dogs" who have historically dominated the industry.

### **Emerging Strategies to Compete Effectively**

There are several strategies emerging for custom motorcycle companies to compete effectively against large motorcycle manufacturers. First, corporate themed bikes have been growing at an unprecedented rate over the last two years. These corporate bikes are a means for a custom motorcycle company to get national exposure and free advertising from their corporate customer. For example, Savage Cycles' Nationwide Insurance bike is currently being advertised through Nationwide's corporate newsletter and local newspapers. Nationwide is using their newly purchased corporate bike to position their company as the number one motorcycle insurance company in the United States. Corporate themed bikes are a strategy that has been widely successful and continues to grow.

Second, a custom motorcycle company will continue to take away sales from Harley Davidson if the customers' expectations can be met. Many companies in the custom motorcycle market have been outsourcing their motorcycle designs to artists. Customers in today's market are dreaming of a custom motorcycle that is difficult to conceptualize and the need for professional artists is required. Artists have the uncanny ability to transfer an idea to a medium. This method of creating a motorcycle design is out of the box type of thinking that has been effective and is expected to grow in the future.

Finally, modern methods of advertising have brought custom motorcycle companies to the forefront of pop culture. Advertising through internet networking website, myspace.com, has allowed custom builders to have one-on-one marketing with potential customers. Myspace has become an advertising avenue untapped by major motorcycle competitors. Cable television shows based on custom motorcycle shops have given viewers an up close and personal relationship with the company that major competitors can only dream about. These television shows have showcased the craftsmanship of custom motorcycle builders and have given potential customers another option when purchasing a motorcycle. By capitalizing on marketing opportunities that major corporations will not enter, custom motorcycle companies are seeing increased motorcycle sales.

### **Conclusion**

As a result of cultural shifts in American Society towards customization and uniqueness, a new niche market for custom motorcycles has come to fruition. This niche market is constantly expanding and continually decreasing the amount of sales going towards stock motorcycles. Custom motorcycle shops are driving changes within the industry. A prominent example of this change is that now the stock industry offers more models than ever before to attract consumers. Honda currently offers 107 different models; however, the firm cannot meet every demand of every customer. Currently, the demographics of the economy are supportive of the growing niche market. Motorcycling has become mainstream; consequently, successful and affluent members of the baby boomer generation now find themselves wanting to ride. Lawyers, doctors, and other wealthy Americans want to join the motorcycling trend, but

still want to retain their individuality and uniqueness while flaunting their wealth. Buying a custom chopper represents this avenue.

## REFERENCES

- [1] "ABATE." 2007. 23 Feb. 2007 <<http://wvuabate.org>>
- [2] "Annual Report: Harley-Davidson." Harley-Davidson Motorcycles. 2007. 16 Feb. 2007 <<http://www.harley-davidson.com>>
- [3] Arabe, Katrina C. "On a Roll, Motorcycle Industry Hums Along." ThomasNet. 26 Jan. 2005. 11 Feb. 2007 <<http://news.thomasnet.com>>
- [4] Associated Press. "Lawmaker Comes Down on Plastic Gonads." Baltimore Sun. 22 February 2007. 26 Feb. 2007 <<http://www.baltimoresun.com/news/sns-ap-vehicle-vulgarity,1,1450090.story>>
- [5] Associated Press. "Transportation Secretary Urges Helmet Use." 17 February 2007. 25 Feb. 2007. <<http://www.indystar.com/articles/>>
- [6] Ballon, Marc. Born to be Wild. New York: Bantam Publishing, 1997.
- [7] "Big Bear Chopper." Big Bear Chopper. 2007. 14 Feb. 2007. <<http://www.bigbearchopper.com>>
- [8] Biker's Rights.com. "History: The New EPA Motorcycle Emissions: EPA'S Regulations May Threaten Motorcycling As We Know It." 27 Feb. 2007. <[http://www.bikersrights.com/epa/EPA\\_emmissionsHistory.html](http://www.bikersrights.com/epa/EPA_emmissionsHistory.html)>
- [9] "BMW." BMW. 2006. 14 Feb. 2007 <<http://www.bmw.com>>
- [10] "BMW Canada." BMW Motorcycles. 2007. 16 Feb. 2007. <[www.bmw.ca/english/enterprise/milestones.html](http://www.bmw.ca/english/enterprise/milestones.html)>
- [11] Campbell, Anita. "Motorcycle Industry Offers Opportunity for Smaller Enterprises." Small Business Trends. 3 Nov. 2003. 11 Feb. 2007 <<http://www.smallbiztrends.com>>
- [12] Canfield, Kevin. "Who Watches NFL, by the #'s." Media Life Magazine. 13 Sept. 2002. 8 May 2007 <<http://www.medialifemagazine.com/>>
- [13] Easyriders Magazine. 2007. 27 Feb. 2007 <<http://www.easyriders.com/>>
- [14] "Examining the Motorcycle Industry Today." Harley-Davidson Motorcycles. 2006. 20 June 2006 <<http://www.harley-davidson.com/co/his/en/history.asp>>
- [15] Gangloff, Corinne. "World Motorcycles Demand to Exceed 41 million Units by 2009." Freedonia Group. 15 Nov. 2005. 3 Mar. 2007 <<http://www.marketwire.com>>
- [16] Glotfelty, Amy. "Savage Cycles - Building More Than Just a Bike!" Deep Creek Magazine. Jan.-Feb. 2007: 18-21.
- [17] Greene, Julie. "Choice Choppers." Hagerstown Herald-Mail. 25 March 2007.

- [18] Greywitt, Michael & Scroggs, Matthew. "More than Two-Thirds of All New-Motorcycle Owners Ride the Information Superhighway." J.D. Power and Associates Reports. 18 January 2000.
- [19] Hall, Robert W. Indiana University. Interview.
- [20] "Harley Davidson." Harley-Davidson Motorcycles. 2007. 14 Feb. 2007  
<<http://www.harley-davidson.com>>
- [21] "Harley-Davidson – Canada." Harley-Davidson Motorcycles. 2007. 11 Feb. 2007  
<<http://www.harleycanada.com>>
- [22] "Harley Owners Group." Harley Owners Group (H.O.G.). 2007. 11 Feb. 2007  
<[http://www.harley-davidson.com/wcm/Content/Pages/HOG/hog\\_selector.jsp?locale=en\\_US](http://www.harley-davidson.com/wcm/Content/Pages/HOG/hog_selector.jsp?locale=en_US)>
- [23] Hauf, Amy. "Savage Cycles - A Shop/Industrial Dungeon Like No Other." P&OM Garage.Com. 15 Jan. 2005. 4 Mar. 2007 <<http://www.p-omgarage.com>>
- [24] "History." Honda in America. 5 Jan. 2007. 23 Feb. 2007  
<http://corporate.honda.com/america/history.aspx>
- [25] Hill, Rick. Personal Interview. April 2007.
- [26] "Honda." Honda. 2006. 14 Feb. 2007 <<http://www.honda.com>>
- [27] "Honda 2002 Annual Report." Motosargentinas. 2007. 11 Feb. 2007  
<<http://www.motosargentinas.com.ar/bmw.htm>>
- [28] "Honda Rider's Club of America." Honda Motorcycles. 1 Jan. 2007. 25 Feb. 2007  
<<http://hrca.honda.com>>
- [29] Hunger, J. D. & Wheelen, T. L. (2007). *Essentials of Strategic Management* (4<sup>th</sup> ed.). Upper Saddle River: Pearson Education, Inc.
- [30] "Justice for All – Facing up to the consequences of crashes." American Motorcyclist Association. 16 January 2007. 26 Feb. 2007  
<<http://www.amadirectlink.com/justice/index.asp>>
- [31] Keyes, Scott. "In House Operation." Biker Beauties. 10 Nov. 2006. 3 Mar. 2007  
<<http://www.bikerbeauties.com>>
- [32] Lautenberg, Senator Frank R. Letter. "National Helmet Law Letter to Governors." 12 September 2006.
- [33] "Motorcycle Dealers." Answers.com. 2007. 19 Apr. 2007  
<<http://www.answers.com/main/ntquery?tname=motorcycle%2Ddealers&print=true>>
- [34] "Motorcycle History." MotorHelmets. 2007. 20 Feb. 2007  
<<http://motorhelmets.com/htm-service/resources-motorcycle-history.htm>>

- [35] Motorcycle Industry Council (MIC). 2004 Motorcycle Statistical Annual. Discover Today's Motorcycling: Irvine, California. 2004.
- [36] "Motorcycle Menace: Introduction." Morning Side. 2007. 20 Feb. 2007  
<<http://webs.morningside.edu/masscomm/DrRoss/Intro.html>>
- [37] "Motorcycle Sales Top One Million, Again." MotorcycleUSA.com. 2007. 16 Feb. 2007.  
<[http://www.motorcycle-usa.com/Article\\_PrintPage.aspx?ArticleID=4359](http://www.motorcycle-usa.com/Article_PrintPage.aspx?ArticleID=4359)>
- [38] "Motorcycle Section." NoiseOff. 2007. 27 Feb. 2007  
<<http://www.noiseoff.org/motorcycles.shtml>>
- [39] "Motorcycle Test Drive." Motorcycle Test Drive. 2007. 2 March 2007  
<<http://www.motorcycletestdrive.com/>>
- [40] "Motorcycle Types - The Styles of Motorcycles." About.com. 2007. 2 March 2007.  
<<http://motorcycles.about.com/od/basicsofmotorcycling/ss/motorcycletypes.htm>>
- [41] "Motorcycles." Central Intelligence Agency (CIA). 2007. 21 Feb. 2007 <<https://www.cia.gov/>>
- [42] "Motorcycles." Federal Reserve System. 2007. 19 Feb. 2007 <<http://www.federalreserve.gov/>>
- [43] "Motorcycles." Japanese Automobile Manufacturers Association. 2007. 27 Feb. 2007  
<<http://www.jama.org/>>
- [44] "Motorcycles." Market Research. 2007. 12 Feb. 2007 <<http://www.marketresearch.com/>>
- [45] "Motorcycles." National Savings and Investments. 2007. 24 Feb. 2007  
<<http://www.nsandi.com/>>
- [46] "Motorcycles." www.fueleconomy.gov. 2007. 16 Feb. 2007 <<http://www.fueleconomy.gov/>>
- [47] "Motorcycles." Motorcycle & Moped Industry Council. 2007. 11 Feb. 2007  
<<http://www.mmic.ca/newsite/content.asp?ContentId=1075>>
- [48] "Motorcycles." NASDAQ. 2007. 19 Feb. 2007 <<http://www.nasdaq.com/>>
- [49] "Motorcycles." Robb Report MotorCycling Magazine. 15 Feb. 2006. 26 Feb. 2007  
<<http://www.motorcyclingmag.com/News/Press-Releases/Robb-Report-MotorCycling>>
- [50] "Motorcycles." U.S. Census Bureau. 2007. 26 Feb. 2007 <<http://www.census.gov/>>
- [51] "Motorcycles." U.S.-Vietnam Trade Council. 2007. 9 Feb. 2007  
<<http://www.usvtc.org/index.htm>>
- [52] "Motorcycles in the United States, Industry Profile." Datamonitor.com. 2006. 25 Apr. 2007  
<<http://datamonitor.com>>
- [53] "MRF Leaders Report." Motorcycle Riders Federation. 12 January 2007. 24 Feb. 2007  
<<http://www.mrf.org/reports/2007>>

- [54] "New EPA emissions rules may mark end of two-strokes." American Motorcyclist Association. 2007. 27 Sept. 2003 <<http://www.ama-cycle.org/legisltn/releases/2002/g02029.asp>>
- [55] "New Motorcycle/ATV Owner Survey." webBikeWorld. 2007. 11 Feb. 2007 <<http://www.webbikeworld.com/Motorcycle-news/motorcycle-owner-survey.htm>>
- [56] Nordwall, Eric. "Motorcycle Sales Grow for the 14<sup>th</sup> Year." USA Today. 16 February 2007, Money edition, Section B: 1B.
- [57] "Orange County Choppers." Orange County Choppers. 2007. 14 Feb. 2007 <<http://www.orangecountychoppers.com/>>
- [58] "Population Division of the Department of Economic and Social Affairs of the United Nations." United Nations. 2007. 4 Feb. 2007 <<http://www.un.org/>>
- [59] Powell, Kimmy. "The Facts about Myspace." Big Bruin Tech News and Reviews. 11 April 2006. <<http://www.bigbruin.com/reviews05/article.php?item=myspace&file=1>>
- [60] "Products." Savage Cycles. 12 Jan. 2007. 24 Feb. 2007 <<http://www.savagecyclesonline.com>>
- [61] Ramspott, Becca. "Alum's Co. Makes State-of-the- Art Motorcycles with Personal Touches." FSU's Profile Magazine. Spring 2007
- [62] "Savage Cycles." Savage Cycles Incorporated. 2007. 14 Feb. 2007 <<http://www.savagecyclesonline.com>>
- [63] "Savage Cycles Grand Opening / Frostburg, MD." Thunder Roads of PA. 1 Dec. 2004: 44. 03 March 2007 <<http://www.thunderroadspa.com>>
- [64] Snyder, Sean. Personal Interview. 6 February 2007.
- [65] "State Motorcycle Laws." American Motorcyclist Association. 2007. 14 Feb. 2007 <<http://www.amadirectlink.com/index.asp>>
- [66] Student Kit. Discover Today's Motorcycling. 2007. 15 Feb. 2007 <<http://motorcycles.org/>>
- [67] "Summary of 2006 U. S. Motorcycles Sales and Statistics." webBikeWorld. 2007. 5 Apr. 2007 <<http://www.webbikeworld.com/Motorcycle-news/blog>>
- [68] "The Global Motorcycle Industry - 2003." Stanford Technology Ventures Program. 17 Jan. 2004. 24 Feb. 2007 <http://stvp.stanford.edu>
- [69] The Krause Fund Research. 2006. 26 Feb. 2007 <<http://www.biz.uiowa.edu/krause/page3.html>>.
- [70] "The Motorcycle History." Motorcycle History. 2007. 11 Feb. 2007. <<http://www.themotorcyclehistory.com/>>
- [71] "The World Motorcycles Market to 2009." The Freedonia Group. 2005. 1 Oct. 2005. <<http://www.biz-lib.com/ZFR89555.html>>

- [72] "Violator - Why Push the Envelope?" V-Twin Magazine. 15 Feb. 2007. 2 Mar. 2007  
<<http://www.easyriders.com/magazine>>
- [73] Walker, Nathaniel. "Recreational Vehicles." Ram Fund Research. University of Rhode Island.  
9 Sept. 2006 <<http://www.rhodeisland.edu>>
- [74] "Women and Motorcycles, What do women want?" The Kneeslider. 2007. 21 Mar. 2007  
<<http://thekneeslider.com/archives/2005/11/29/women-and-motorcycles-what-do-women-want>>
- [75] Wyckoff, John. "Motorcycle Industry Learns Women Rule." Small Business Trends. 11 Aug.  
2004. 11 Feb. 2007 <<http://www.smallbiztrends.com>>