CASE STUDY I.2

Manchester United: still trying to establish a global brand

Manchester United (abbreviated as ManUtd, www.manutd.com) has developed into one of the most famous and financially successful football clubs in the world, being recognized in virtually every country, even those with little interest in the sport. Real Madrid has displaced ManUtd from the pole position in Deloitte's football money league. The list, which has been running for the last 9 years, identifies the top 20 clubs in terms of revenue.

The top five in 2008 were: Real Madrid with €365.8 million, Manchester United (€324.8 million), FC Barcelona (€308.8 million), Bayern Munich (€295.3 million) and Chelsea (€268.9 million) (Deloitte, 2009). Having won the Premier League and Champions League in 2007/08, United would have overtaken Real Madrid at the top of the Deloitte Football Money League had it not been for the depreciation of the pound. The top 20 clubs now generate more than three times the combined revenue of the clubs in the first Money League publication in 1996/97.

The most valuable US sport teams, the National Football League's Washington Redskins and baseball's New York Yankees, are both worth somewhat more but more than any US sports team, ManUtd has built a global brand.

Since the mass commercialization of football in 1992, Manchester United has unquestionably been the team to beat. In the past 16 seasons, it has collected 10 Premier League titles, four FA Cups and two Champion League trophies. Old Trafford regularly attracts more than 75,000 fans paying above and beyond £45 a ticket, 30 or so times a season.

The intangible assets of ManUtd

ManUtd has developed a huge fanbase. In 2009, its global fan base reached 100 million. Europe had 35 million, Asia (including Australia) had 50 million, Southern Africa had 8 million, and the Americas had 7 million. Expanding this base and developing life-long allegiances is critical to ManUtd's long-term growth, and providing international fans with a taste of the excitement at a game, through TV and Internet coverage, is key to maintaining and building the brand.

Manchester United Ltd.

Brand assets

ManUtd's brand assets includes (1) the physical aspects of logos, colours, names and facilities, and (2) the intangible aspects of reputation, image and perception. The official mascot of the team is the Red Devil. Although centrally featured in ManUtd's logo, the mascot doesn't play a prominent role in promotions. The team's nickname is the Reds, which seems logical enough, given the dominant colour of its home jerseys, but unfortunately, Liverpool, another top team in the Premier League, is also referred to as the Reds.

International brand evolution

For British fans of ManUtd, passions run deep. Although the brand is solidly entrenched in British soccer fans' psyches, it is in transition. ManUtd is no longer simply a British brand; it is a world brand. It boasts incredible number of fans in China. A survey of China's 12 largest markets shows that 42 per cent of fans are between 15 and 24, and that 26 per cent are between 25 and 34. The team is positioned to take advantage of China's growing middle class, with members who are anxious to enjoy the good life and associate themselves with successful Western brands. As an early entrant, ManUtd has the chance to establish itself as one of Asia's dominant brands (Olson *et al.*, 2006).

Although the absolute numbers are much smaller, the United States also represents fertile ground. Of course, international soccer must compete with established groups such as the Major League Baseball, National Football League, the National Basketball Association and the National Hockey League, but soccer has become a staple at schools across the country. A recent, unprompted awareness study of European soccer teams revealed that among North American fans, the most frequently mentioned team was ManUtd, at 10 per cent; Liverpool, Real Madrid and Barcelona each generated 3 per cent, and Arsenal generated 2 per cent. The study also showed that awareness of ManUtd is strongest in the north-eastern and western parts of the United States.

In order to be successful in foreign markets, ManUtd must generate memberships, sell kits and other merchandise, have access to media markets (including TV, Internet, mobile phones and publishing), set up soccer schools, form licensing agreements with strong local sponsors and embark on tours to create halo effects.

The challenge ManUtd faces is accomplishing this transition without destroying what made it distinctly British and highly successful. Today's team is composed of players from around the globe. (Although ManUtd still has British players, the Premier League is no longer dominated by them.) This raises another concern: strong teams employ strong players who become brands themselves. Most notable for ManUtd was the rise of David Beckham to the ranks of superstar, on the pitch and in the media, through his marriage to Victoria, previously one of the Spice Girls. ManUtd considered that Beckham's market value was greater than they could afford, so they sold him to Real Madrid one year before his contract expired. Now the brand building of ManUtd depends on new and upcoming stars such as Wayne Rooney, Cristiano Ronaldo and Rio Ferdinand. At the same time as they are ManUtd brand-builders, they are also able to build their own personal brand.

Brand challenges

ManUtd is in the enviable position of market leader during a time of dramatic media growth in the world's most popular game. However, leaders can stumble and the team is not immune to the sensitive nature of sports fans. To address this concern, ManUtd has developed a customer relationship management (CRM) database of more than 2.5 million fans. Many of these database members are game-day customers.

A substantial group of US ManUtd fans are not loyal. They climb on the bandwagon of the team when it has success, only to climb off the instant it stumbles. With the number of US soccer players holding steady at 18 million, the market is relatively small.

Chinese fans don't possess the same level of experience with professional teams as US fans and might not be as fickle. Nevertheless, cultural and physical barriers exist between British and Chinese fans. To develop deeper loyalties in Chinese markets, ManUtd established a Mandarin website, started a soccer school in Hong Kong, and is constantly planning Asian tours while looking to add Asian players to the roster. Although these are sound moves to build brand loyalty, well-funded competitors such as Chelsea or Liverpool can copy ManUtd.

Even in England, ManUtd faces significant challenges. Especially after the Glazer invasion (see below) it generates a love-them-or-hate-them mentality. Fans of opposing teams were thrilled to see Chelsea, Arsenal and Liverpool secure the three major championships – leaving ManUtd without a major trophy in the last two years.

Then Glazer came . . .

In the late 1990s and early part of the 2000s, an increasing source of concern for many United supporters was the possibility of the club being taken over. The supporters' group IMUSA (Independent Manchester United Supporters' Association) were extremely active in opposing a proposed takeover by Rupert Murdoch in 1998. However, they could do nothing in May 2005 when the US sports tycoon Malcolm Glazer (who also owns the American Football team Tampa Bay Buccaneers) paid \$1.4 billion for a 98 per cent stake in ManUtd, following a nearly year-long takeover battle. So is the ManUtd brand worth \$1.5 billion? Glazer seemed to think so, as he paid roughly \$200 million more than the team's open-market stock valuation.

It was a hostile takeover which plunged the club into massive debt as his bid was heavily funded by borrowing on the assets owned already by ManUtd, and the takeover was fiercely opposed by many fans of the club. Many supporters were outraged and some formed a new club called F.C. United of Manchester.

After the takeover the Glazer family (Malcolm Glazer and his three sons) took big steps to shore up the club's finances. They cut more than 20 staff members, including some executives. They also raised ticket prices and were lending 23 players to other clubs, saving ManUtd more than $20 million in fees and salaries. In general, they have been cutting expenses everywhere they can.

ManUtd in recent seasons

Both 2007–08 and 2008–09 were very successful for Manchester United.

In 2007–08 they won both Premier League and the Champions League.

The 2008–09 season was Manchester United's seventeenth in the Premier League, and their thirty-fourth consecutive season in the top division of English football. After winning a third consecutive Premier League title for the second time to equal Liverpool's record of 18 league titles, the team aimed to become the first team to retain the Champions League since Milan in 1990. However, they were beaten 2–0 by Barcelona in the final at the Stadio Olimpico in Rome on 27 May 2009.

In December 2008, the club became the first English side to win the FIFA Club World Cup when they beat LDU Quito (Ecuador) 1–0 in the final. Two months later, on 1 March 2009, the club added the 2008–09 League Cup to their trophy cabinet. United secured a third consecutive Premier League with a goalless draw at home to Arsenal on 16 May 2009. This made them the first team ever to win three consecutive English top titles on two separate occasions, having previously done so between 1999 and 2001.

Sponsorships

On 23 November 2005 Vodafone ended their £36 million, four-year shirt sponsorship deal with ManUtd. On 6 April 2006, ManUtd announced AIG (US-based financial services giant) as its new shirt sponsors for the team in a British record shirt sponsorship deal worth £56.5 million to be paid over four years (£14.1 million a year). The four-year agreement has been heralded as the largest sponsorship deal in British history, eclipsing Chelsea's deal with Samsung.

AIG's sponsorship with ManUtd runs through to May 2010 and AIG have no plans to renew it. In the wake of the global credit crunch in 2009, AIG needed a $150 billion bailout from the US government to avoid bankruptcy.

The 13-year deal with American sportswear manufacturer, Nike, assures the English club a guaranteed annual fee of about £23 million as well as a share of revenue over an agreed level.

Financial situation

The last two years for Manchester United Ltd look like this:

	2008	2007
Revenues (£m)	257	308
Profit after tax (£m)	66	60

The biggest cost element are the wages for the players: in 2008 they accounted for approximately £80 million. On the surface the financial figures look very good, but the financial figures from the Red Football Ltd (Manchester United Ltd's parent company = the owner), are somewhat surprising. Red Football Ltd recorded a pre-tax loss of £44.8m in 2008, while its debts increased from £604m to £649m. As a result, United needs to spend more than £70 million a year in financing costs, just to service the debt. Manchester United's debt is far more than any other club in the Premier League. Liverpool has about £350m and West Ham has about £230m.

Sources: Deloitte (2009) *Football Money League report*, 12 February; Kemp, E. (2009) Manchester United, *Marketing*, 29 April; Cohn, L. and Holmes, S. (2005) 'ManU gets kicked in the head – Again', *Business Week*, 12 December, pp. 34–35; *Accountancy* (2006) 'Manchester United loses top spot in Deloitte football league', March, 137(1351), p. 16; Olson, E.M., Slater, S.F., Cooper R.D. and Reddy V. (2006) 'Good sport: Manchester United is no longer just a British brand', *Marketing Management*, 15(1), pp. 14–16.

QUESTIONS

1. How do you evaluate the international competitiveness of ManUtd after the takeover by Malcolm Glazer?
2. Discuss and explain how the different alliances can increase the international competitiveness of ManUtd.
3. What are the main threats to retaining 'Manchester United' as a global brand?

CASE STUDY IV.4

Triumph Motorcycles Ltd: rising from the ashes in the international motorcycle business

When Marlon Brando led a group of outlaw bikers in the 1950s film *The Wild One*, he rode a Triumph. It was the obvious choice back then. Britain was the biggest motorbike maker in the world and led the motorcycling world in performance and engineering innovation with such bygone makers as BSA, Matchless and Vincent, to name just a few. And Triumph was winning every race in sight. But after bad management and botched rescue attempts by successive governments Triumph went bankrupt in 1983. However, the marque is back, starring in films such as *Mission Impossible 2*. When Tom Cruise roared on to the screen on a sleek motorcycle it wasn't a Harley or a Honda but a Triumph, which is also featured in Arnold Schwarzenegger's *Terminator 3*. The Triumph bike has captured approximately 75 per cent of the 'Hollywood' market, one of few US markets where Triumph is the market leader.

Triumph Motorcycles Ltd.

Product segments in the motorcycle market

Motorcycles were often classified by engine capacity in three categories:

1. lightweight (50–250cc)
2. middleweight (251–650cc)
3. heavyweight (651cc and up).

Triumph's motorcycles are in the middleweight and heavyweight category only, competing mainly with companies such as Harley-Davidson, Ducati, BMW and of course the main Japanese motorcycle manufacturers.

Motorcycles were also classified by types of use, generally separated into four groups: standard, which emphasized simplicity and cost; performance, which focused on racing and speed; touring, which emphasized comfort and amenities for long-distance travel; and custom, which featured styling and individual owner customization. The standard models tended to have the smaller engines, while the performance motorcycles often had an engine capacity of more than 251cc. The touring models typically had a comfortable seating position and their engines ranged from middleweight to super heavyweight types.

History

The credit for Triumph's rebirth goes to John Bloor, a builder who bought the company's remains (the Triumph brand name and the company's designs and tooling) for about US$200,000. He has invested £80 million on, among other things, a new plant in Leicestershire. The product has been completely revamped. New engines were crucial. Most have a distinctive three-cylinder layout, which makes them more powerful than the two-cylinder bikes made in Europe and the United States, and more relaxing than the high-revving four-cylinder bikes made in Japan.

Bloor was betting on the nostalgic power of the Triumph brand. Back in the 1950s and 1960s, Triumph and Harley-Davidson were fierce rivals. The original Triumphs offered lighter weight and better handling than Harley's machines, and sales of the British bikes were stronger in the United States than they were in their home market. The bikes are also part of US folklore. Despite what flag-waving Harley guys in bars may mistakenly claim, Steve McQueen in *The Great Escape* and Marlon Brando in *The Wild One* rode Triumphs. James Dean had one too. Legend and myth and the power of branding do not come any better.

Bloor's first act as a prospective motorcycle manufacturer was to hire three employees of the original Triumph company who had been involved in developing new models. Bloor realized that the engine is everything in a motorcycle, and there is no way to make a bike with a dull motor feel red-hot to the customer. So while he outsourced other parts of the bike, he put his team of engineers and metalworkers to work designing new liquid-cooled, three- and four-cylinder engines that would save costs by sharing internal parts.

Bloor's decision to keep a three-cylinder engine from the original line-up turned out to be a great marketing move, and it has helped the company stand out from the crowd. Most other bikes use two- or four-cylinder engines. Triumph's soulful three-cylinder has won a place in the hearts of many bikers, who tend to be a discriminating bunch when it comes to how an engine feels and delivers power on the road. Three-cylinder engines are also perfect for middle-aged men who are getting back into bikes.

Today

Big-bike sales have doubled in Britain over the past five years, and the buyers are no longer youngsters needing cheap wheels but older people with the money to spend on expensive toys. Many of these born-again bikers have not touched a motorbike since their teens, and find Japanese offerings just a bit too fast and flash for their taste.

Triumph's sales have risen from 2,000 in 1991 to approximately 50,000 in 2008 – similar to the old Triumph's peak of 50,000 in the late 1960s. Most buyers now are aged between 35 and 55. US sales (which make up 27 per cent of the total) have increased since in 2001 Triumph introduced a retro-styled bike, called the Bonneville, and are now rising at an annual rate of 40 per cent. The Bonneville (a twin-cylinder, 800cc machine, priced at US$7,000–8,000) is about 85 per cent faithful to the 650cc Bonneville of yore, which was the machine to ride in the 1960s if you were not a Harley man. Further introduction of a Harley-style cruiser bike is being considered by the Triumph management team. Taking marketing cues from Harley-Davidson, Triumph also offers a line of clothing and accessories.

Growth should be consistent. Sales are rising by 15 per cent a year, putting Triumph within sight of European rivals such as BMW and Ducati. Triumph's marketing manager believes there is plenty of scope for growth in the United States, where 550,000 big bikes are sold each year. Triumph currently accounts for around 2 per cent of that, compared with 12 per cent of the British market. To grab more, it needs to exploit not just its classic name but also its old race-winning reputation.

Total sales in 2008 were approximately £255 million, the number of employees was about 550 and net profit was approximately £15 million.

Triumph offers a clothing and accessories line designed according to bike and rider style and sells its bikes in more than 20 major national markets.

Of the motorcycles Triumph produces, 56 per cent are sold in Europe, 27 per cent in the US and Canada, 3 per cent in Japan and 14 per cent in the rest of the world. The company is actively reviewing niche markets for other specialized forms of motorcycles to add to its line-up, and is keeping to the trend of dealers who stock a full range of branded motorcycle, and only motorcycles.

The downturn of the Japanese manufacturers' market shares

In 1981 Japan's motorbike industry was in a state of blissful ignorance. Its manufacturers had managed to dominate the world in not much over a decade and annual production had hit 7.4 million units. Although they did not know it, this was to be their best year.

Two decades later and Japanese manufacturers are nowhere near as dominant. While they still loom large on the global motorbike market, 1981s record domestic production has declined to just 2.4 million. This serves as a stark reminder of a painful trend for all types of Japanese manufacturers as their domestic costs have risen, their markets have matured and their rivals have sharpened their game.

In 2001 two Japanese manufacturers – Suzuki and Kawasaki – joined forces to jointly produce and develop new bikes, marking the end of the 'big four' in Japan, where they ruled alongside much bigger rivals Honda and Yamaha.

The hollowing out shift to overseas production through joint ventures and wholly owned plants has also cut into domestic production in Japan.

The Suzuki–Kawasaki tie-up also serves as a symbol for what has happened to Japan's motorbike industry in the last two decades. Once-lazy and inefficient rivals such as Ducati, BMW and Harley-Davidson have found a way of replying to the competitive threat from Japan and are clawing back market share. In Europe, for example, Japan's market share has fallen from 80 per cent to 50 per cent over five years, although numbers have risen. In the vital US market its share has fallen by 10 per cent over the past decade.

The rise and rise of the Japanese motorbike manufacturers owed as much to luck as to design.

Manufacturers were servicing a huge domestic market for many years, which generated the profits that financed the export drive. It also gave the Japanese a finely honed design and production machine that churned out faster, more reliable and better-looking bikes – and did so every year. The weak yen also made Japanese exports intensely competitive.

In addition, they were up against severely weakened domestic manufacturers in the West. Triumph, BSA and Norton in the United Kingdom, for example, were spent forces, and the country was in the middle of labour disputes that generated a lazy attitude towards design and technology, producing machines that looked old-fashioned in comparison to their Japanese rivals.

The Japanese manufacturers, perhaps complacent in their success, failed to spot a key change in the motorbike-buying world. They were too obsessed with technology and assembly quality and did not recognize that motorbikes had become consumer goods which had a brand value. Harley-Davidson led the way here with branded goods ranging from desk clocks to women's thongs, feeding hugely into profits.

Japanese manufacturers based their bikes on racing models. Undoubtedly Japanese bikes are lighter and faster, but it takes a lot of skill to ride them. Western manufacturers have been designing for people who like to ride normal bikes in a normal environment. As Japan's rivals have caught up with the technology they have also managed to inject something extra.

Ducati conveys on two wheels the kind of image its Italian counterpart, Ferrari, has on four. Triumph has capitalized on its Britishness and the appeal of the marque's previous incarnation with such models as the Bonneville. Harley-Davidson has built up an appeal for weekend rebels with US$70,000-plus salaries. BMW has combined engineering excellence with design flair.

However, to talk of the demise of the Japanese motorbike industry would be unwise. Honda remains the largest manufacturer of motorbikes in the world, but the Japanese are removing themselves from the big bike category. Honda, Yamaha and Suzuki are concentrating on 100–500cc bikes for mass production in the developing countries of Asia. The bulk of Japanese-made bikes are small and service the growing economies of Asia, where having a 50cc or 100cc bike is the first step on a transportation ladder that eventually leads to a Toyota Corolla. India and China are huge and growing markets for the Japanese and Suzuki says it hopes its new link with its smaller rival will help its efforts in China.

The alliance between Suzuki and Kawasaki has more to do with these markets than the competition in the superbike league. It allows them to pare costs considerably by jointly procuring parts and joining forces on product design, development and production. It also matches similar moves by Honda, which has reduced the number of its Japanese motorcycle production lines from five to two in recent years. While Japanese manufacturers may be facing competition at the top end of the market, motorbikes are a high-volume game – and in this game the Japanese are still the winners.

The global competitive situation today

The competitive market situation in the three main regions of the world is shown in Table 1.

Market trends

In industrialized wealthy economies such as Japan, the United States and Europe motorcycles are often purchased for recreation in addition to basic transport. In developing economies and others with low income per capita, motorcycles or smaller two-wheelers were purchased primarily for basic transport, and the market was distinctly different. Historically large touring bikes, cruisers and racers sold almost exclusively in the wealthy economies while motorcycles with small engine displacement and mopeds made up the vast majority of sales in the developing nations. Decreasing trends in the overall market in some nations were due in large part to replacement of two-wheeled vehicles by automobiles as the countries became more affluent.

Table 1 The three main market areas for heavyweight motorcycles (651cc) number of registrations 2008

	North America	Europe	Asia/Pacific
Total industry (1,000s)	480	397	80
Market share	%	%	%
Harley-Davidson/Buell	48.0	9.6	25.0
Honda	14.3	12.3	17.8
Yamaha	9.2	13.6	12.0
Kawasaki	7.5	11.3	13.8
Suzuki	12.7	16.5	10.7
BMW	2.0	15.1	4.4
Ducati	–	5.9	3.2
Triumph	2.0	6.5	1.0
Others	4.3	9.2	12.1
Total	**100.0**	**100.0**	**100.0**

Source: adapted from Harley-Davidson Financial Report 2008, and other public sources.

The challenge

A big problem for Triumph is still the relative low unit volume of motorcycles. Triumph sells about 15 per cent of the Harley-Davidson sales volume. Being so small makes it hard to develop new bikes or to buy good components at a decent price. To maintain quality Triumph makes about a third of its components in-house, and imports many from China and Japan. That clobbers profits. In 2003 Triumph also lost money. Bloor's building business, which is quite profitable, could cover those losses, but that is not a long-term solution.

As a consequence the strategy was set for increasing sale and market share in the area of large motorcycles. In 2003 Bloor hired a McKinsey consultant, first as an advisor and, later, as a commercial director (Tue Mantoni). Among other projects, Tue has worked with the introduction of the world's biggest motorcycle: Rocket III, which has a 2,294cc motor. Now Tue has contacted you as an expert in the marketing field and you should answer the questions at the end of the case study. As Bloor thinks that Triumph's market share in North America is not satisfactory, and he considers the potential for Triumph in the United States is huge, he has collected the following information about US motorcycle consumers.

The motorcycle market in the United States

The Hollywood myth of the young and wild motorcycle rider became less and less a reality in the 1990s and beginning of 2000s, according to Motorcycle Industry Council statistics regarding heavyweight motorcycle owners (see also Table 2).

The 1990s rider was more mainstream and less likely to be a part of some counterculture motorcycle gang. 'The end of the road for today's motorcyclist is just as likely to be a boardroom as a burger joint,' said Beverly St Clair Baird, Managing Director of Discover Today's Motorcycling, a public awareness campaign of the Motorcycle Industry Council. The average motorcyclist is male, 32.5 years old, married, had attended college and earns US$50,000 – about 12 per cent more than the average US household.

The average income of the motorcyclist of the 2000s has more than doubled since 1980. In 1980 fewer than 10 per cent of riders made over US$50,000 per year: in 2005 more than 90 per cent of riders had attained that income level. Riders from the 1990s onwards were also much older. They used their bikes more for leisure and recreation than had the riders of the early 1980s. The typical rider was interested in the outdoors. In surveys about their other interests fishing and hunting

Table 2 Motorcycle owner profile in United States

	% of total owners		
	1995	2000	2005
Age			
<17	24.6	14.9	8.3
18–24	24.3	20.7	15.5
25–29	14.2	18.7	17.1
30–34	10.2	13.8	16.4
35–39	8.8	8.7	14.3
40–49	9.4	13.2	16.3
>50	5.7	8.1	10.1
Not stated	2.8	1.9	2.0
Median age	24.0	27.1	32.0
Mean age	26.9	28.5	33.1
Marital status			
Single	51.7	47.6	41.4
Married	44.3	50.3	56.6
Not stated	4.0	2.1	2.3
Highest level of education			
Grade school	13.5	7.5	5.9
Some high school	18.9	15.3	9.5
High school graduate	34.6	36.5	39.4
Some college	17.6	21.6	25.2
College graduate	9.2	12.2	12.4
Post graduate	3.1	5.2	5.2
Not stated	3.1	1.7	2.4
Occupation of owner			
Laborer/semi-skilled	20.7	23.2	24.1
Professional/technical	18.8	19.0	20.3
Mechanic/craftsman	23.3	15.1	13.1
Manager/proprietor	8.6	8.9	9.3
Clerical/sales	9.3	7.8	6.8
Service worker	7.1	6.4	6.6
Farmer/farm labourer	4.6	5.1	2.1
Military	1.9	1.6	1.5
Other	0.0	4.6	13.1
Not stated	5.7	8.3	3.1
Household income for prior year			
<$24,999	9.1	6.9	3.4
$25,000–$49,999	13.0	9.3	4.4
$50,000–$69,999	13.9	11.6	7.8
$70,000–$89,999	12.9	12.4	15.8
$90,000–$109,999	5.5	18.3	26.4
$110,000–$149,999	5.9	14.4	19.6
>$150,000	2.4	6.1	9.9
Don't know	30.3	21.0	12.7
Median	$72,500	$78,600	$90,100

Source: based on Motorcycle Industry Council.

topped the list. Motorcycle use for commuting purposes was down 14 per cent since 1980 to only 56 per cent. The demographic profile showed that motorcyclists came from all walks of life and a variety of occupational, educational and economic backgrounds.

Motorcycle accidents and fatalities dropped by more than half between 1985 and 2005. In addition to state helmet laws, this was attributed in part to an increasing trend for rider education and training programmes. Enrolment in these programmes, sponsored by individual manufacturers and industry groups such as the Motorcycle Industry Council, rose dramatically in the 1990s and 2000s. Motorcyclists today are likely to be more skilled and responsible than the riders of the 1970s and 1980s.

Women and motorcycling

Women, though not more than 10 per cent of the US riding population, are a growing segment of the industry. The AMA (American Motorcycle Association) has had women members since 1907. In the 2005 nearly a million women in the United States rode their own motorcycles. The average female rider was almost 48 years old compared to her 32-year-old male counterpart. Of the women riders 74 per cent were married, and 44 per cent attended college. The largest segment of women riders had professional/technical careers. They belonged to a riders club and were passengers for a few years before they purchased their first bike. Most women used their motorcycles for either long-distance touring (36 per cent of riding time) or for local street use (31 per cent). Only 10 per cent of their riding time was spent commuting or running errands. More women's families positively supported their riding than the families of male riders (64 per cent vs 55 per cent); however, more men's friends than women's friends supported their riding.

Profile of the typical Harley-Davidson rider

As with the average, Harley-Davidson (H-D) has about 90 per cent male and 10 per cent female riders. However, the household average income is higher than for the average rider, about US$100,000. The manufacturer has researched the 2005 purchases of H-D motorcycles. It shows that 41 per cent previously owned a H-D; 31 per cent were competitor motorcycles and the rest (28 per cent) were new to motorcycling.

Fashion trends

Motorcycling was a major fashion trend in the 1990s. The sales of motorcycles increased 50 per cent from 1995 to 2005, and motorcycle accessories, fashions and parts followed this upward trend. Owners were making personal statements by customizing their bikes with accessories, and more than 60 per cent of all owners purchased accessories in 2005 (compared to only 30 per cent in 1985). Many non-motorcycle riders or owners invested in motorcycle fashions. Men spent more on average on motorcycle fashions than women (US$227 per year for men vs US$180 for women). Overseas motor-cyclists followed the trend as well. Motorcycle fashions and accessory sales rose in both Europe and Japan in the 1990s and 2000s.

The motorcycle market in general

Motorcycle registration requires compliance with state and federal Motor Vehicle Safety Standards. Over one-third of the nation's motorcycles were concentrated in just five states: California, Texas, New York, Florida and Ohio. Over 15 per cent of the motorcycles in the United States were in California alone. Overall, there were an average of 1.5 motorcycles per 100 people in the United States in 2000. Most motorcycles in the country were registered for on-highway use: over half of these had engine displacements over 749cc, and more than 80 per cent over 450cc.

Sources: Stuart F. Brown (2002) 'A sweet Triumph' *Fortune Small Business*, 12(3/4), pp. 48–51; Kampert, P. (2003) 'British motor-cycles "Triumphant" return – Triumph motorcycles are roaring back into the American market,' http://money.cnn.com/2003/08/04/pf/autos/triumph/index.htm; http://www.mic.org/.

QUESTIONS

1. Design a global marketing programme for Triumph, including a suggestion for the priority of the 4Ps: product, price, place and promotion.
2. How should the marketing programme for the US market differ from your suggested marketing programme in question 1?
3. A member of Triumph's management team has proposed designing a special motorcycle for women. Do you think this is a good idea?

CASE STUDY V.1

Sony Music Entertainment: new worldwide organizational structure and the marketing, planning and budgeting of Pink's new album

On a sunny December day in 2009 the Executive Vice President Marketing for Sony Music Entertainment (SME), Tim Prescott, gets on a plane from New York bound for London where, among other things, he is going to meet megastar Pink about the marketing campaign of her new CD release in Autumn 2010. Pink was one of BMG's best-selling artists, and Tim is looking forward to meeting the star personally.

New in his job as Executive Vice President, Tim uses the plane trip over the Atlantic to study the global music industry more thoroughly,

With a world market share of 22 per cent (Universal Music has 26 per cent) SME is still number 2 in the industry, but they can not relax – the competitors (EMI and Warner Music) are not far behind.

In August 2008 the international media and entertainment companies Sony Corporation and Bertelsmann AG announced that Sony had agreed to acquire Bertelsmann's 50 per cent stake in Sony BMG. The new music company, to be called Sony Music Entertainment Inc. (SME), became a wholly owned subsidiary of Sony Corporation of America. SME's HQ is in New York.

SME operates music labels such as Arista Records, Upstate Records, Columbia Records, Epic Records, J Records, Jive Records, RCA Records, LaFace Records and Zomba Records. The sale price was not disclosed when the deal was announced in August, but news reports valued it at $1.5 billion.

After landing in London Tim hurries to the meeting with Pink, but on the way he thinks about the new global organizational structure of Sony Music Entertainment.

In spring 2009 Sony Music Entertainment introduced a new organizational strategy for its music labels and corporate staff that would allow the company to focus on creating global music superstars who reach across geographical boundaries. The streamlining of the organization eliminates regional corporate groups in Europe, Asia and Latin American regions, and creates four new strategic groups within SME: Office of the Chairman, Label Group, Territory Management and Corporate Center. All management from the groups will report directly to the CEO, Rolf Schmidt-Holtz.

Sony Music Entertainment wants to strengthen relationships with its artists. The top management of the company thinks this structure allows its creative executives to be closer to artists, while allowing managers to better support their creative executives. Sony Music Entertainment wants an organization built on record labels with global reach. The labels and the creative executives should be able to work more closely with artists while being able to rely on effective global marketing capabilities.

Label Group will consist of US-based record labels including Arista Records, RCA Music Group, Jive/Zomba, La Face Records and RLG-Nashville, as well as Music Publishing.

Territory Management will consist of major territories and country groups, such as Japan, Germany/Switzerland/Austria, the United Kingdom, Australia and South Africa.

Reporting to the Office of the Chairman, Tim Prescott will serve as the company's highest-ranking marketing executive, overseeing global marketing campaigns for Sony Music Entertainment artists. Also reporting to the Office of the Chairman are Human Resources, Strategy and New Technology and Corporate Communications.

One of Tim's first tasks in the summer of 2009 was to create the worldwide marketing plan for the UK-singer Pink and her new album released in September 2010. Hence, at Tim's meeting with Pink in London they agree that the launch of Pink's CD should start up in the United Kingdom in an effort to get to the top of the charts as quickly as possible.

First some general information about the newest market data from the global music industry.

The world music industry in 2009

A handful of music companies (operating through several hundred subsidiaries and over a thousand labels) account for most records sold in the advanced economies. Music publishing – production and licensing of intellectual property rights – is even more concentrated.

Table 1 The global recorded music industry

Record company	Market shares (%) on the world market for recorded music (2009)
Universal Music Group	26
Sony Music Entertainment	20
EMI Group	13
Warner Music	11
Independent labels	30
Total	100 (approximately $30 billion)

Source: based on International Federation of the Phonographic Industry (IFPI), www.ifpi.com.

In 2009 the global recorded music industry was estimated at $30 billion. Total annual unit sales (CDs, music videos, MP3s) in 2009 were approximately 3 billion. The approximate market shares on the world market are shown in Table 1.

Over the past 100 years we have seen the music industry evolve through three basic stages, characterized by different technologies and different publishing organisations. Prior to the gramophone, when sheet music was the primary vehicle for disseminating popular music, the industry was dominated by music publishing houses. With the rise of recording (and subsequently broadcasting, which was driven by the availability of 'canned content'), those publishers were displaced by the record companies.

Today, increasingly the industry has involved entertainment groups that bring together a broad range of content distribution and repackaging activities – broadcast, film, video, booking and performance management agencies, records, music licensing, print publishing.

See also the value chain of the music recording industry in Figure 1.

Next some further information about the artist, Pink.

Pink – one of the best-selling pop-rock artists

Pink (Alecia Beth Moore) was born 8 September 1979 in Pennsylvania. To date she has sold over 31 million

Pink

WireImage/Getty images.

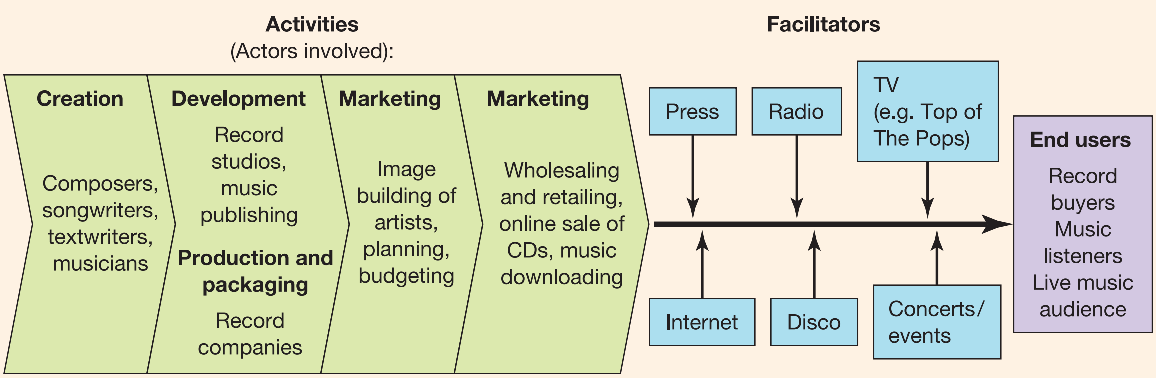

Figure 1 The value chain in the music industry

albums worldwide. Her songs are characterized by their personally rebellious tone and a statement-like strict use of the first person.

She released her first single *There You Go* and first album, the R&B-oriented *Can't Take Me Home*, in 2000 via LaFace Records, which garnered commercial success. Her more pop rock-oriented second studio album, *Missundaztood*, which began a marked shift in the sound of her music, was released in 2001, and was successful worldwide. The CD *Can't Take Me Home* was certified double platinum in the US, sold 5 million copies worldwide and produced more top 10 singles.

On the second album, Pink took her sound in a new direction and sought more creative control during the recording of her second album. She recruited Linda Perry, former singer of 4 Non Blondes (one of Pink's favourites in her teenage years). The album, named *Missundaztood* because of Pink's belief that people had a wrong image of her, was released in November 2001.

Its lead single, *Get the Party Started* (written and produced by Perry), went top five in the US and many other countries, and number one in Australia.

Pink's third and fourth studio albums went well but sales were not excellent.

Funhouse, the fifth studio album by Pink was released by LaFace Records worldwide in October 2008. Upon its release, the album reached number one on the charts in Australia, New Zealand and United Kingdom, while debuting at number two in Germany, Ireland, France and United States. The album's lead single, *So What*, was the biggest solo success of Pink's career until then, topping the charts in eleven countries so far, including her native United States, the UK, Germany and in Australia, and reaching the top five in many others. Pink has stated that this album is her most vulnerable to date. Much of the album's subject matter alludes to the fact that Moore recently separated from her husband, Carey Hart. However, they did not sign legal divorce documents: a divorce was planned but did not proceed. The first single, *So What*, opens with: 'I guess I just lost my husband/I don't know where he went' *Please Don't Leave Me* also addresses the split. The artist sums up its theme thus: 'Okay, I'm an asshole, but love me anyway.'

Funhouse became Pink's first number one album in the UK, entering at number one on 2 November 2008. It has currently been certified three times platinum with sales of over 900,000. As well as the release of the singles from *Funhouse*, other noticeable promotions which have helped the album have longevity on the charts include the first leg of her UK tour which started in April 2009 and ended in May.

In order to promote *Funhouse* a number of PR activities were performed in the second half of 2008:

Pink's *Funhouse* iPhone App was created in support of *Funhouse* and represents the first artist-themed promotional app to be made for the iPhone App platform.

On 6 November 2008 Pink performed her hit single *So What* at the MTV Europe Music Awards during a live show where 40,000 feathers were released on stage, making her unable to sing the line '*And you're a tool, so . . .*'

Pink has appeared on many talks shows to help promote the album – *The Today Show* on 28 October; *The View* on 29 October; *Late Night with Conan O'Brien* on 30 October; *CBS Early Show* on 3 November; and the *Ellen Degeneres Show* on 24 November.

Pink appeared on German talk show *Wetten, dass . . ?* in December 2008.

Pink's sixth album is expected in autumn 2010.

The typical value chain for a CD

The following shows how the 'value added' of a typical CD album is split among the various players in the value chain:

	£
Retail price to consumers	12
Price to retail	9
Price to distributor	6
Price to distributor (exclusive of artist royalty)	5

For a CD single the full retail price to consumers is about £3, but when a record is being pushed hard by the record label retailers are offered big discounts in an attempt to shift units in the all-important first week. In such circumstances singles can retail for as little as 99p.

Development

In the music industry record labels will actively seek to sign up bands and artistes on long-term exclusive contracts. A key to success in development is to spot talent and to sign it up early.

Production

Production is relatively cheap in the music industry, and the cost of digital recording equipment and production of CDs is falling rapidly. Some consumers do not understand why the sale price of a CD is so much higher than the cost of producing the actual physical disc. However, as described below, there are many different activities and costs involved in creating songs and marketing the end result, the CD.

Distributors

Major distributors have a global network of branch offices to handle the sales, marketing and distribution process. Sometimes the distributors may outsource the physical distribution process.

Retail

Retailers put in orders to the wholesalers as and when albums and singles are required. In the United Kingdom the retail chains are dominated by HMV. These chains account for about 80 per cent of the market.

The costs of a hit

Singles are released with the purpose of getting to the top of the charts. The financial risks involved in mounting an attack on the UK charts have never been greater. According to research carried out by BBC News Online, securing a top ten hit in the United Kingdom in the current climate is likely to cost a minimum of £125,000. Ever-increasing amounts of financial resources are being thrown at marketing and promotion in the hope that a single will be picked up by MTV, radio and, perhaps most importantly, the major retailers, in order to secure the highest chart entry.

Biggest cost categories

Of course the most important component of a CD is the artist's effort that goes into developing the music. Artists spend a large portion of their creative energy on writing song lyrics and composing music or working with producers and A&R executives to find great songs from great writers. This task can take weeks, months, or even years. The creative ability of these artists to produce the music, combined with the time and energy they spend throughout that process, is in itself priceless. But while the creative process is priceless, it must be compensated. Artists receive royalties on each recording, which vary according to their contract, and the songwriter gets royalties too. In addition, the label incurs the costs of finding and signing new artists.

Once an artist or group has songs composed they then go into a studio and begin recording. The costs of recording, including studio fees, musicians, sound engineers, producers and others, must all be recovered by the price of the CD.

Then come marketing and promotion costs – perhaps the most expensive part of the music business today. They include increasingly expensive video clips, public relations, tour support, marketing campaigns and promotion to get the songs played. Labels make investments in artists by paying for both the production and the promotion of the album. New technology such as the Internet offers new ways for artists to reach music fans, but it still requires that some entity, whether a traditional label or another kind of company, market and promote the artist so that fans are aware of new releases.

For every album released in a given year a marketing strategy was developed to make that album stand out from the others hitting the market. Artwork must be designed for the CD box, and promotional materials (posters, store displays and music videos) developed and produced. For many artists a costly concert tour is essential to promote their recordings.

Another factor commonly overlooked in assessing CD prices is to assume that all CDs are equally profitable. In fact the vast majority are never profitable; for example, in the United States, 27,000 new releases hit the market every year. Most of these CDs never sell enough to recover costs. In the end, less than 10 per cent are profitable and, in effect, it is these recordings that finance the rest.

Marketing and promotion costs

Singles are essentially 3–4 minute adverts for CD albums. Singles' sales guarantee chart places and, in turn, radio play – and that is why music label companies persist with them. They are a kind of loss-leader for albums, where the real money is made.

The biggest expense is normally the promotional video, which for a mainstream artist starts at about £40,000 and can cost anything up to £1 million (however, this is exceptional). If the music video is to be shown on, say, MTV it has to comply with a number of requirements, which are set out by MTV (use of alcohol, sex, etc.).

It is common practice for the big retailers, for example HMV, to charge music label companies for promoting a single in their shops. This comes in the form of a 'singles pack', which guarantees a prominent position for the product in the shop. There are also bonuses to be paid to the sales force to check that the single is being properly promoted in-store.

The singles chart – compiled each week by different organizations and TV stations, such as *Top of the Pops* on the BBC, has always been the cornerstone of the UK music industry. More singles are sold in the United Kingdom than anywhere in the world – including the United States, where the album remains king. In 2000 it took an average of 118,700 sold singles to secure a number one spot in the UK chart. Since 2005 the UK singles chart has combined actual release sales with legal online downloads. Initially the proportion of digital sales to physical sales was relatively low, but now (2009) more than 80 per cent of single sales take place online. Sales via mobile phones and video downloads are also now counted.

Here are some of the basic costs for a 'typical' UK top ten single:

	£
Recording	3,500
Promotion video	100,000–150,000
Remixes (of the original single)	5,000–10,000
Merchandising	15,000
Posters	10,000
Stickers	5,000
PR (Press)	5,000
Promotion copies to radio stations, etc.	8,000
Website	20,000
Manufacturing costs (20p per CD)	10,000
Optional costs:	
Press ads	15,000
Billboard campaign	50,000
TV/radio/Internet advertising	200,000

Because of the high costs involved combined with the general decline in the sales of CDs and singles (due to the trend towards online downloading of songs), many industry insiders think the singles market cannot continue in its current form. One possible escape route is the radio-only release, where a track from an album is promoted to radio stations, but is not actually available to buy. This often happens in the United States, where there is less emphasis on singles' sales, and the singles chart is largely based on radio play.

Sources: adapted from: International Federation of the Phonographic Industry (IFPI), www.ifpi; www.sonymusic.com; www.sonybmg.com; RIAA, 'The costs of a CD', http://www.riaa.com/MD-US-7.cfm, 2003; BMG press release, New York, 23 January 2003; BBC News, 'Sony and BMG merger backed by EU', 19 July; BBC News, 'Sony BMG deal under new scrutiny', 13 July 2006.

QUESTIONS

1. What do you think of the change in Sony Music Entertainment's organizational structure, from a geographical structure to an artist-driven organization?
2. How would you produce a sales and marketing budget for Pink's forthcoming single and album?
3. How would you control your budgets? What key figures would you monitor?
4. Which marketing mix would you suggest to increase Sony Music Entertainment's share in the UK market, where the company has less than 20 per cent market share?
5. Discuss acquisition as a possible growth strategy.