**What should NVT Management Do?**

**Group 5**

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**NVT Management should take a high price, low volume approach and adopt a strategy that leverages traditional handcrafted methods to capture the “lone ranger” persona.** NVT traditionally has a reputation for a premium quality finish and elegant styling. This intangible resource is the only measure in which they have competitive advantage over their Japanese rivals. This is a durable resource that is non-transferable, and very difficult if not impossible to replicate. **To guide the discussion below an estimated target price is as follows:** Target price is $2,253 (average market price) + $225 (10% uplift) = $2,478. Dealer markup maintained - $648, distribution costs - $496, R&D + production cost - $1,250. This gives a profit contribution of $84.This strategy will be achieved through **1. Rationalising product offering. a**. **NVT** should rationalise their product range from 17 to 5 – 6 models, with offerings initially in the 740cc + range; any unused production capacity arising from this change could be used to address quality issues. This could have the halo benefit of increasing staff morale. The focus on a smaller product range would allow NVT to reduce and simplify their engine and frame design with the goal of prioritising models that have common parts. **2.** **Focus R&D on standardising parts and meeting the lower production budget. a. Standardise** parts across the product range to increase buying power with suppliers and reduce production and assembly times**. b.** **Benchmark** common processes such as design and assembly of the UK based factories against the Japanese manufacturers. The goal here is to adopt practices that maximise efficiency with existing tangible resources. **3. Reducing the cost of production and improve quality** (as quality ranks as #1 most important attribute for buyers). **a. Invest** in new machinery with more stable tolerances. This can be a phased modernisation of tools, with the initial focus on the most problematic areas. **b. Suppliers: Procure** Other Components (which represent >50% of production costs) from better quality, lower-cost high-tech suppliers. **4. Leveraging and further developing high brand value:** **a.** **Market** the British bike’s traditional reputation for premium quality finish and elegant styling. This has relevance in the market as 84.6% of buyers rate styling and appearance to be important or very important. **b.** **Motorcycles** manufactured in more traditional ways are becoming more and more rare. With the Japanese manufacturers and BMW embracing mass production and high-tech innovations that leaves relatively few producers, namely NVT and Harley Davidson, using traditional methods. Something that is scarce can be marketed as exclusive. **c.** **Exploit** the frequent product appearances in Hollywood films and develop a “type” of NVT buyer that has cross generational appeal, e.g., a “lone ranger” character who can survive on their own, including tinkering with their bike. This is a way to make a virtue of the mechanical skills that buyers of British bikes need to have to keep the motorcycles running! **5. Increasing the quality of the dealer network:** Reduce the number of dealersand reinvest the savings in dealer support **a. Review** and rationalise dealer network - ensure major population areas are covered. **b. Incentivise** dealers to become exclusive. This will require investment in: **i. Spare** Parts availability, **ii. Improved** build quality [per section 3 above], and **iii.** **Sales** support for dealers. **6. Increasing prices: a. Price** all models 10% to 12% above what is typical for models in its displacement class. BCG have advised that this range of pricing won’t result in a reduction of sales. **b. Where** there is a model that is particularly sought after NVT should look to charge prices greater than 10% - 12%. BMW’s reputation allows them to enjoy a 30-40% premium over rivals of equal displacement.