



# HARLEY DAVIDSON

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# KEY ISSUE

How does Harley Davidson grow despite rapid change and disruption in their industry?

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Analysis

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# CORE CHALLENGES

## Changing Customer

- Trend towards scooters
- Demographic

## Emergence of Tech

- Electric Vehicles

## Financial Sustainability

- Profitability
- External factors (trade, US \$)

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# RECOMMENDATION

Launch a new brand “Vroom by Harley Davidson” for scooters and mopeds targeting international markets

*“Vroom by Harley Davidson”*

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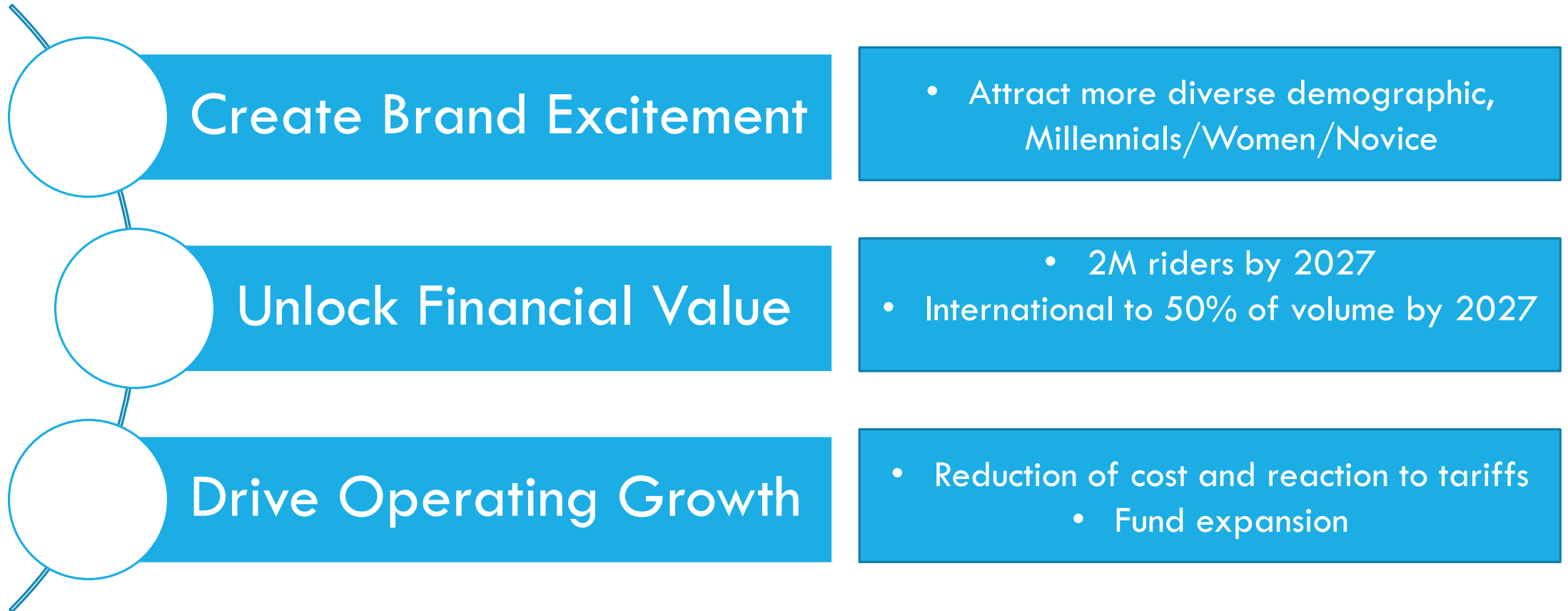
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# STRATEGIC OBJECTIVES



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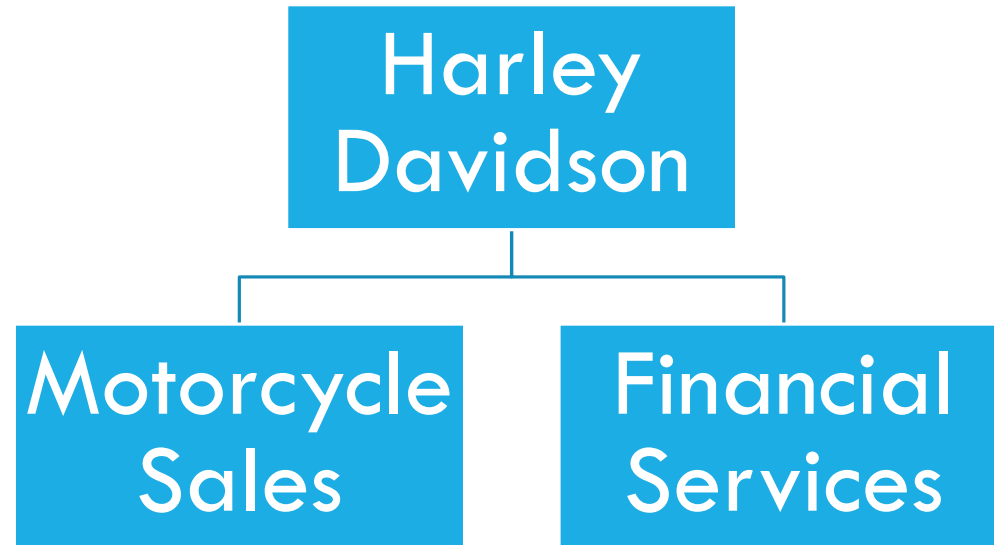
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# HARLEY DAVIDSON



- HDMS
- Motorcycles
- Motorcycles products, accessories, services

- HDFS
- Financing
- Insurance
- Deals with customer and dealers

## History

- Well known American brand
- High brand equity
- Harley name is synonymous with quality and community

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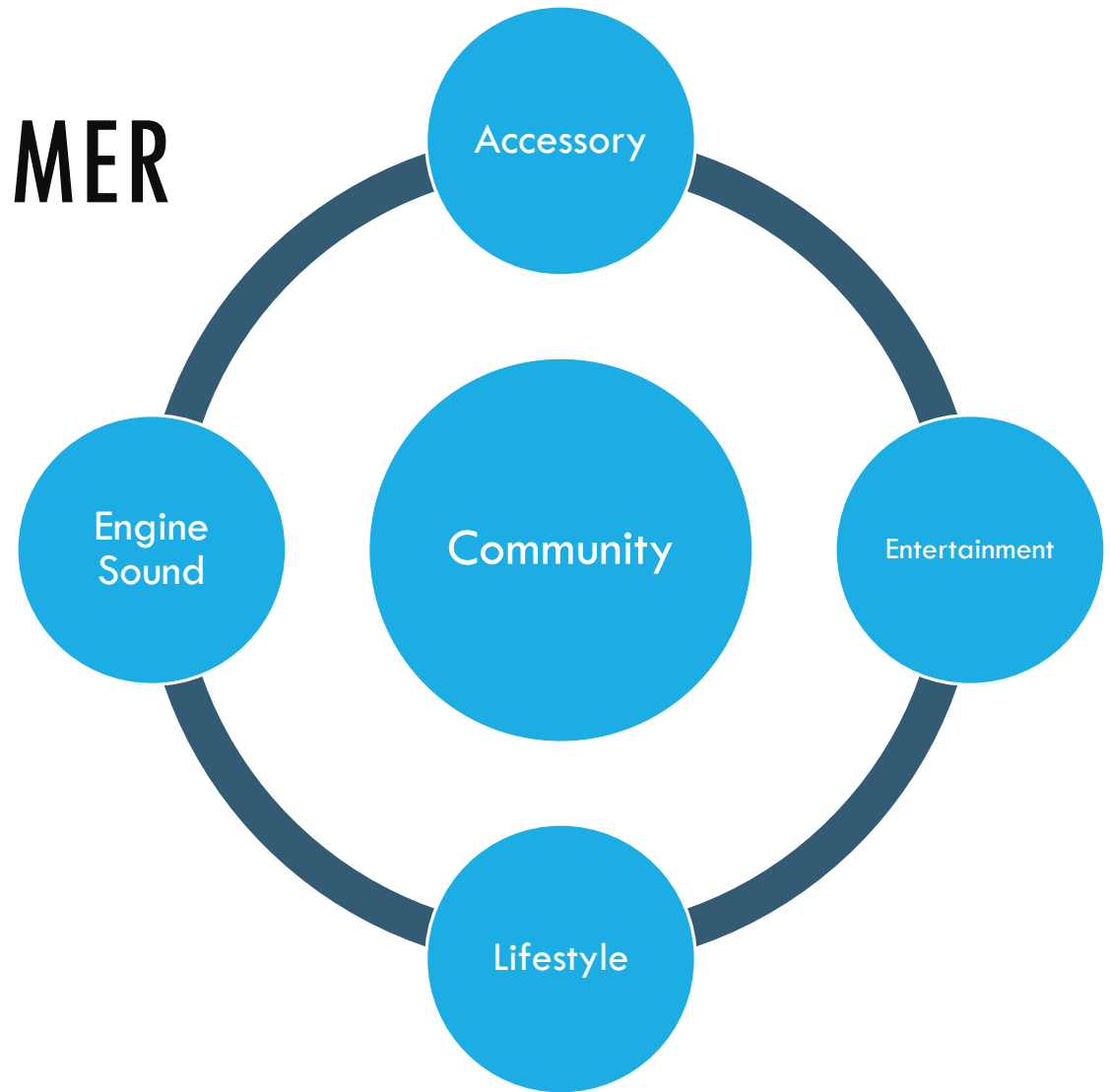
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# HARLEY DAVIDSON CONSUMER

## Traditional Consumer

- 35+
- Males
- Affluent
- North American



There is opportunity to diversify consumer base to increase market share

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# UPCOMING TRENDS

## Scooters/Moped

- Increased urbanization in emerging markets
- Environmental impacts
- Convenience
- Expected to grow to \$22B by 2025

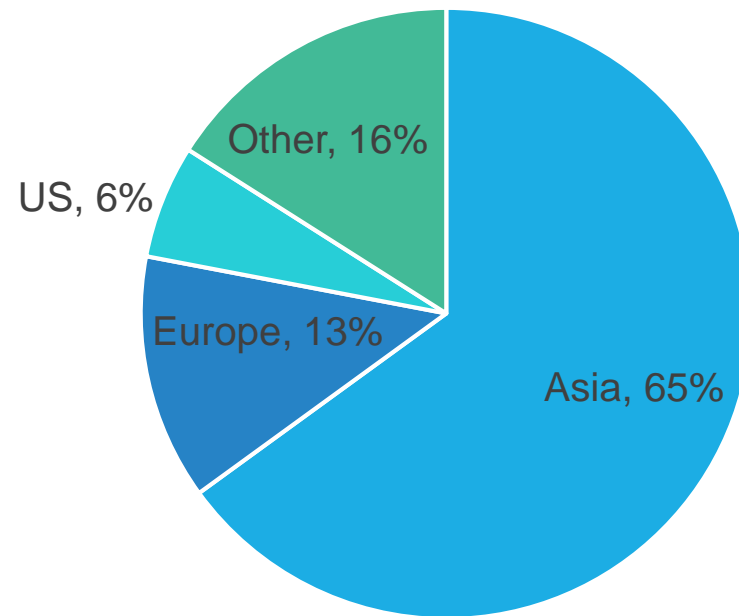
## Consumer Trends

- Buying power of millennials
- High disposable income
- Women and native riders



# MARKET VALUE

Motorcycle/Moped Market Value



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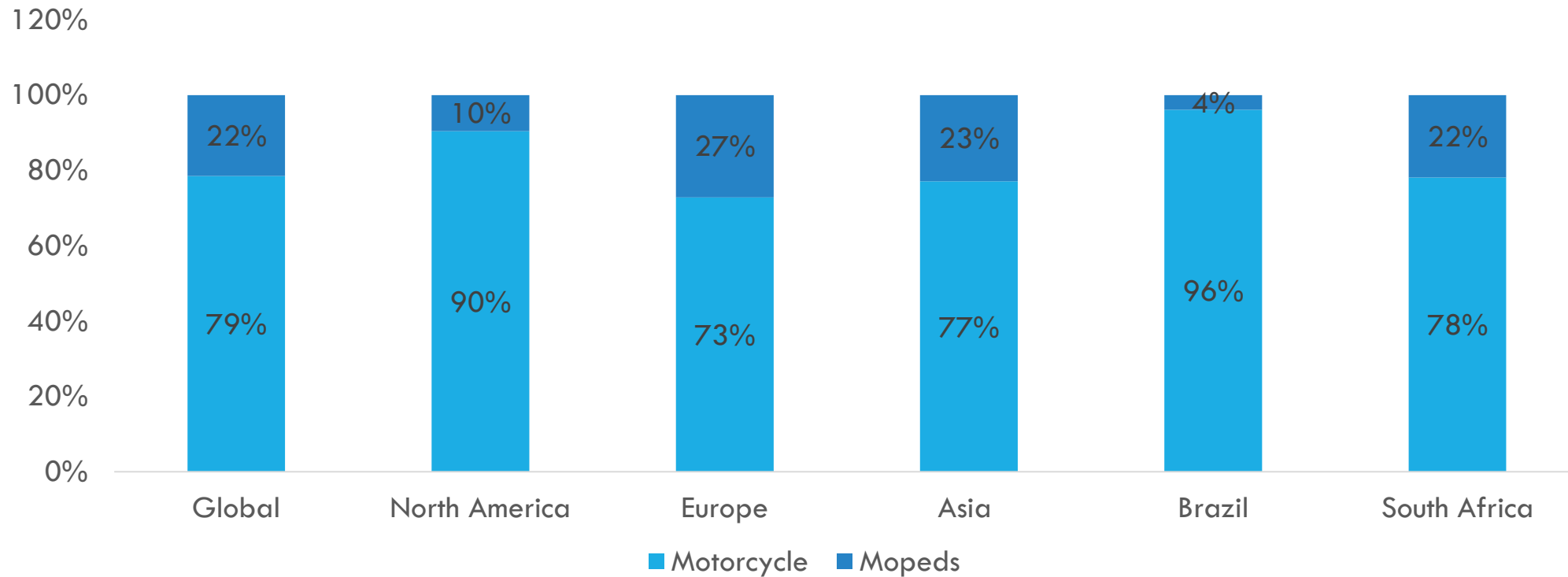
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# MARKET BY CATEGORY

Market category by volume



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# COMPETITIVE LANDSCAPE

## Indian (USA)

- On/off road recreational vehicles
- Stylistically similar

## Jiangmen Dachangjiang (China)

- Lightweight gas/electric
- Owns 23.5% of Chinese market

## Hero Motorcorp (India)

- Lightweight gas/electric

## Royal Enfield (India)

- Dominant in 250-500cc class

## BMW

- Up and coming in scooter/moped business

Harley Davidson needs to adapt to keep up with competition

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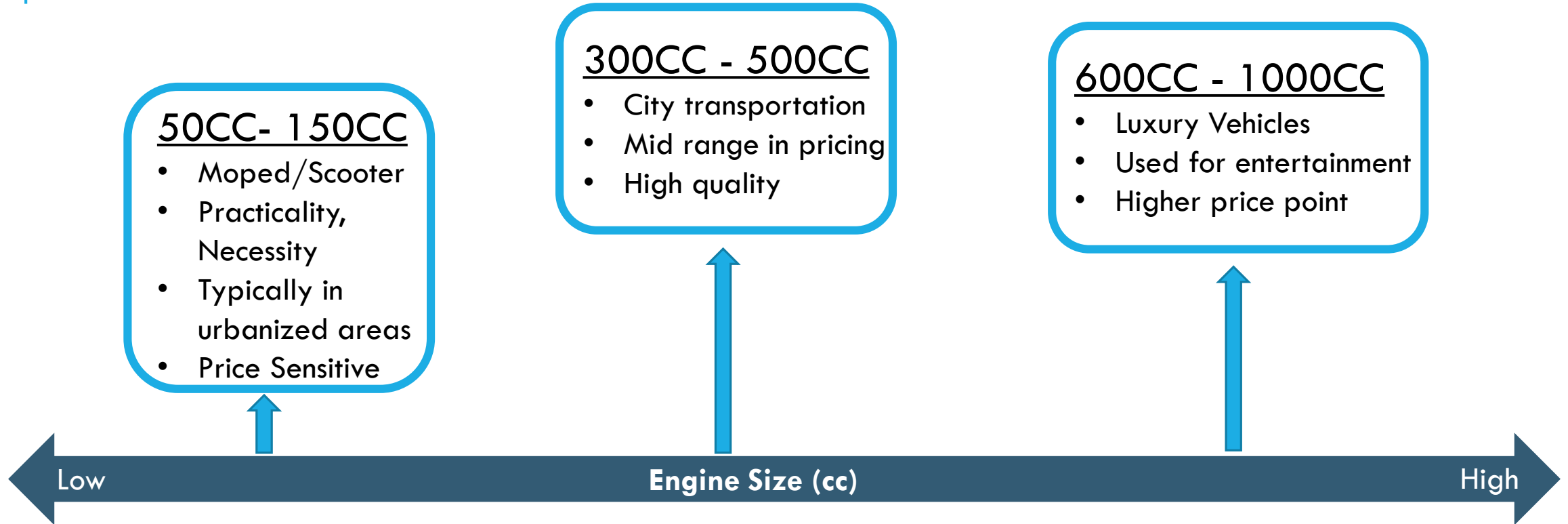
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# MARKET OPPORTUNITY



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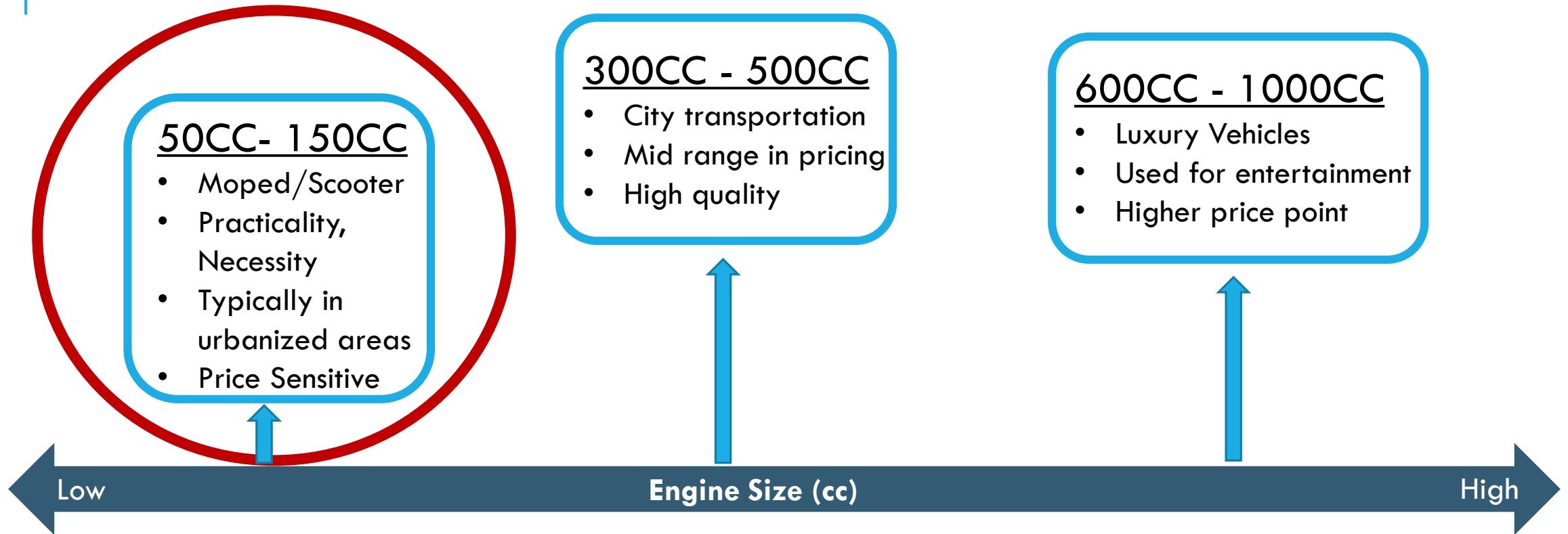
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# MARKET OPPORTUNITY



There is market opportunity in the 50 – 150CC range with increased urbanization

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# ENVIRONMENTAL ANALYSIS

- Strong Brand Equity
- Efficient Supply Chain
- Design Superiority

- Changing consumer base
- Adoption of technology
- Trend towards scooters



- Narrow demographic
- Declining sales

- Competition
- Economic policies
- Environmental impacts

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# ALTERNATIVES

Expand product offering

Acquire Existing Player

Create new brand for scooter and moped

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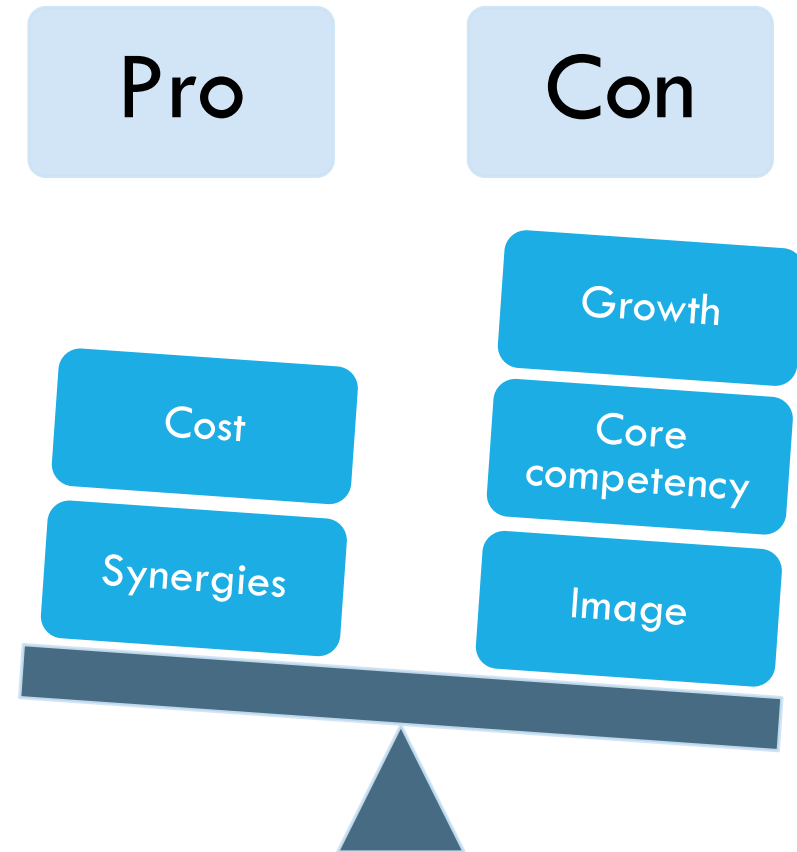
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# ALTERNATIVE 1

## Expand Product Offering

Add scooters and mopeds to Harley Davidson's core product offering.

*Ex: sell scooter at Harley Davidson dealership*



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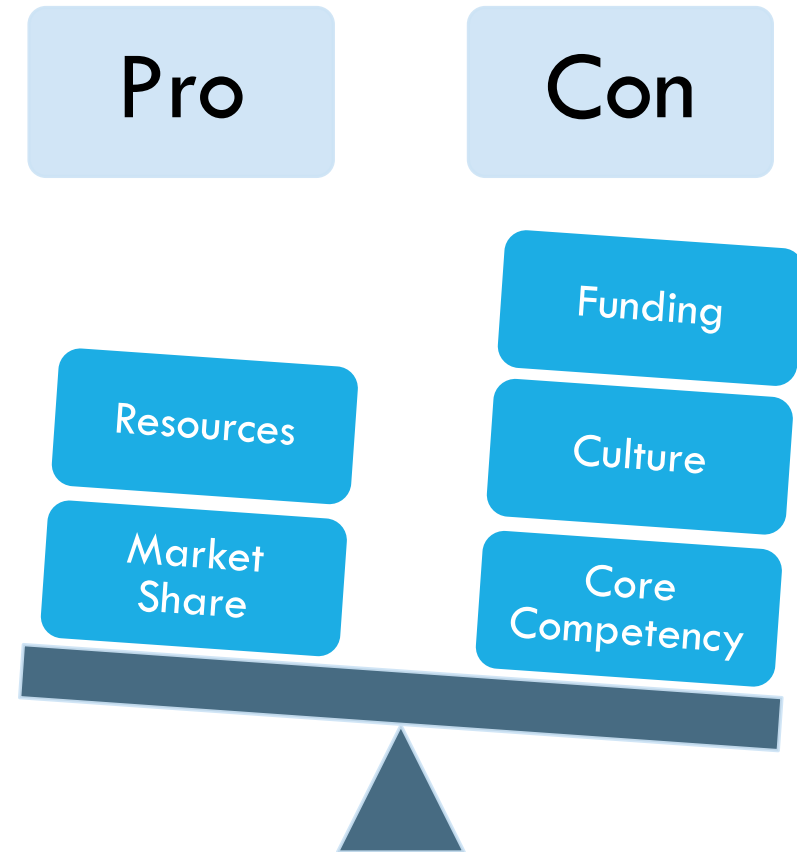


# ALTERNATIVE 2

## Acquire Existing Player

Acquire an existing player with established scooter and moped business.

*Ex: Jiangmen Dachangjiang (JD)*



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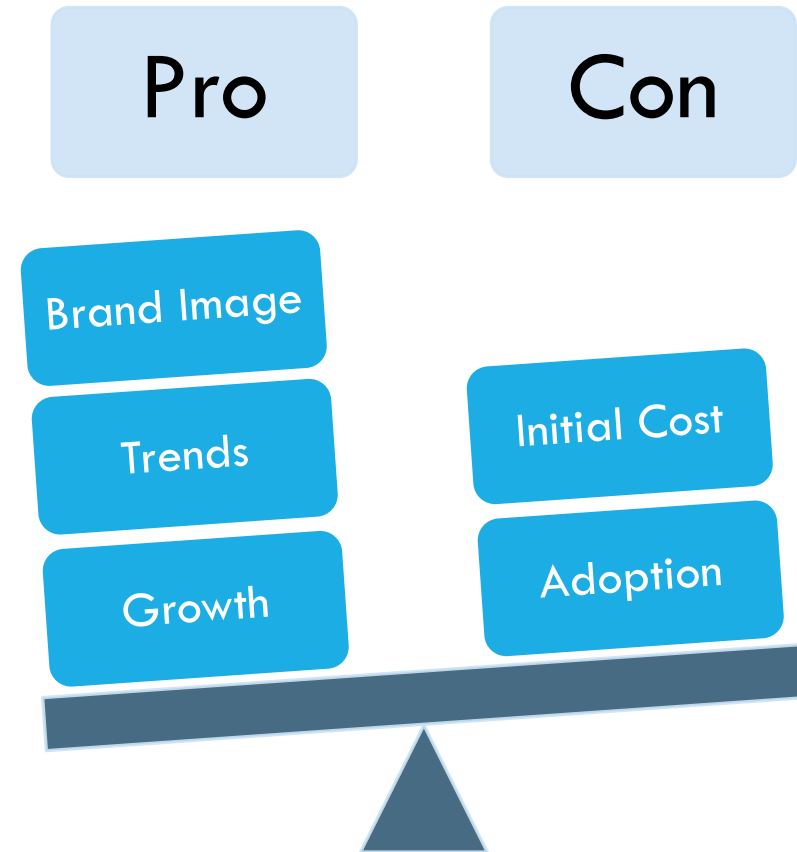
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# ALTERNATIVE 3

## Create New Brand for Scooter and Mopeds

Launch a new brand for scooters and mopeds that targets international markets.

*Ex: Vroom by Harley Davidson*



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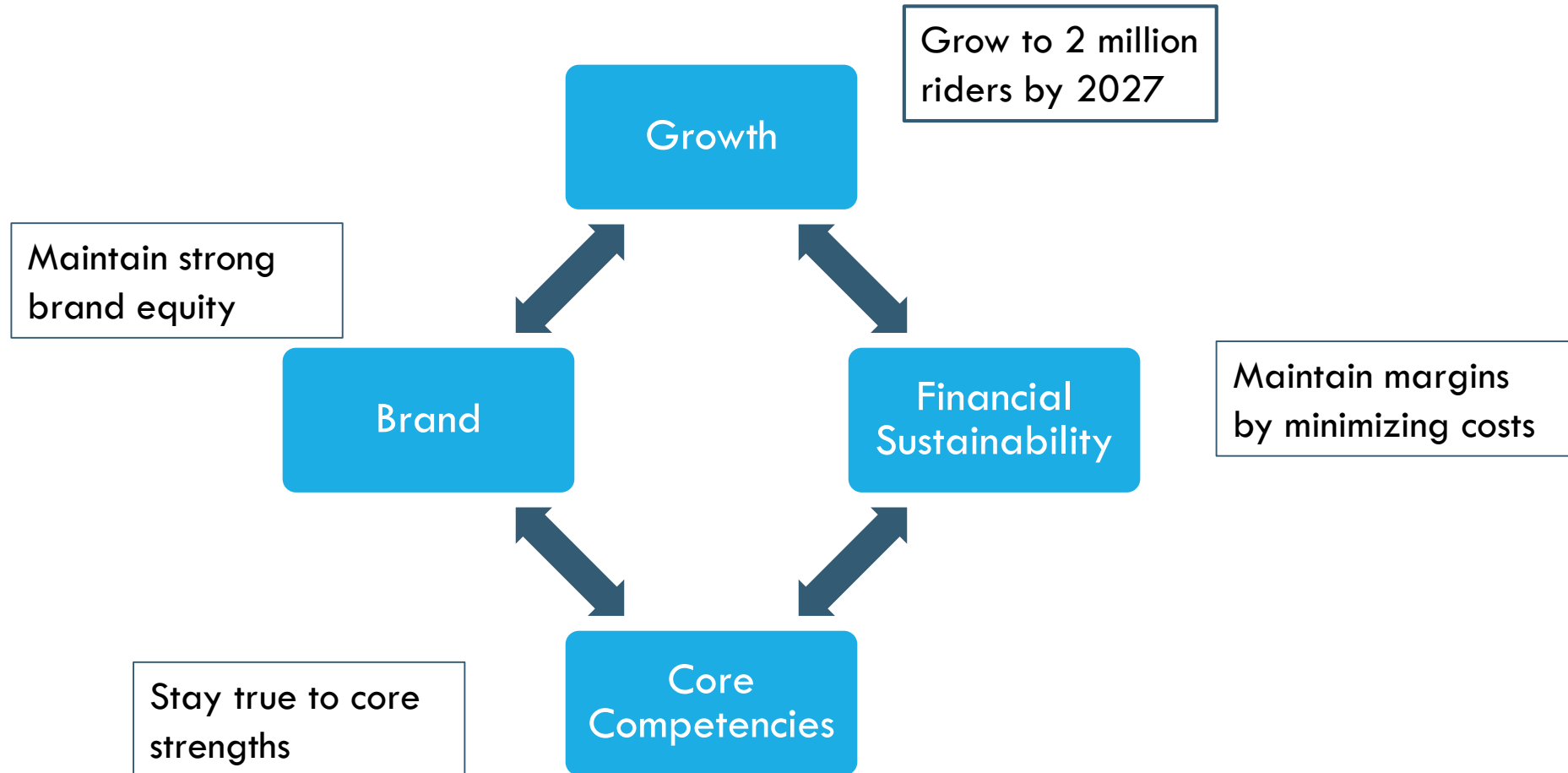
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# DECISION CRITERIA



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# DECISION CRITERIA

	Expand Product Offering	Acquire Existing Player	Create New Brand for scooter/moped
<b>Growth</b> <i>Grow to 2M riders by 2027</i>	●	●	●
<b>Financial Sustainability</b> <i>Minimize costs</i>	●	●	●
<b>Core Competencies</b> <i>Stay true to strengths</i>	●	●	●
<b>Brand</b> <i>Maintain brand equity</i>	●	●	●

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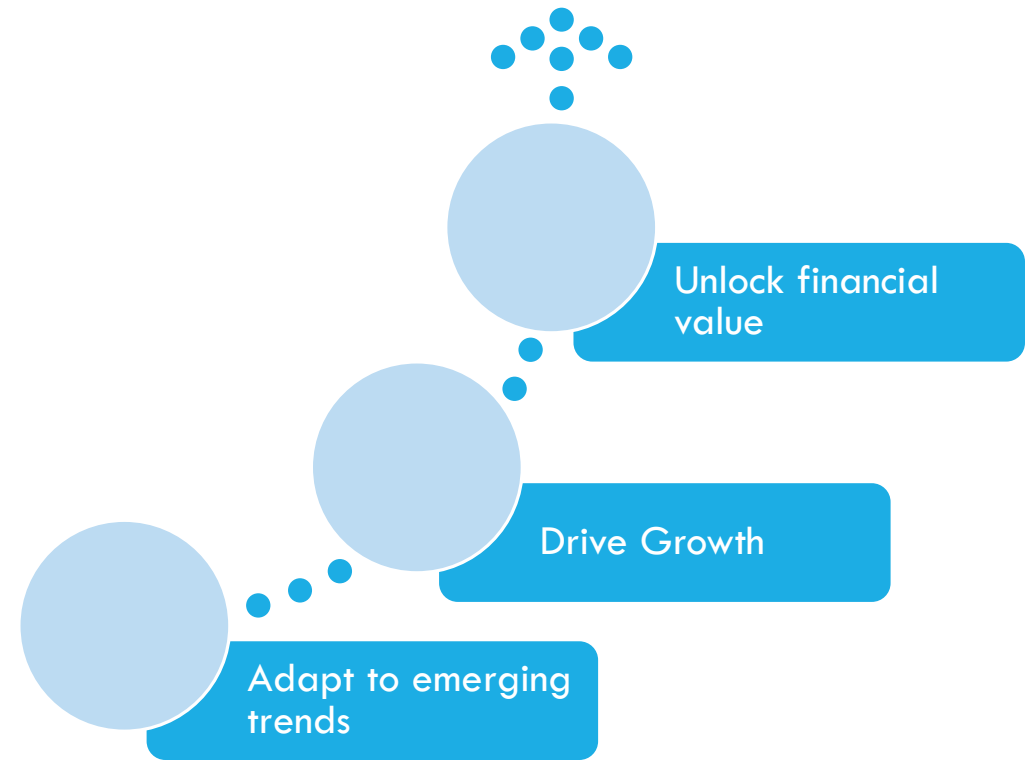
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# FUTURE FORWARD

Launch a new brand  
for scooters and  
mopeds targeting  
international markets

Retain position as world leader in  
motorcycles



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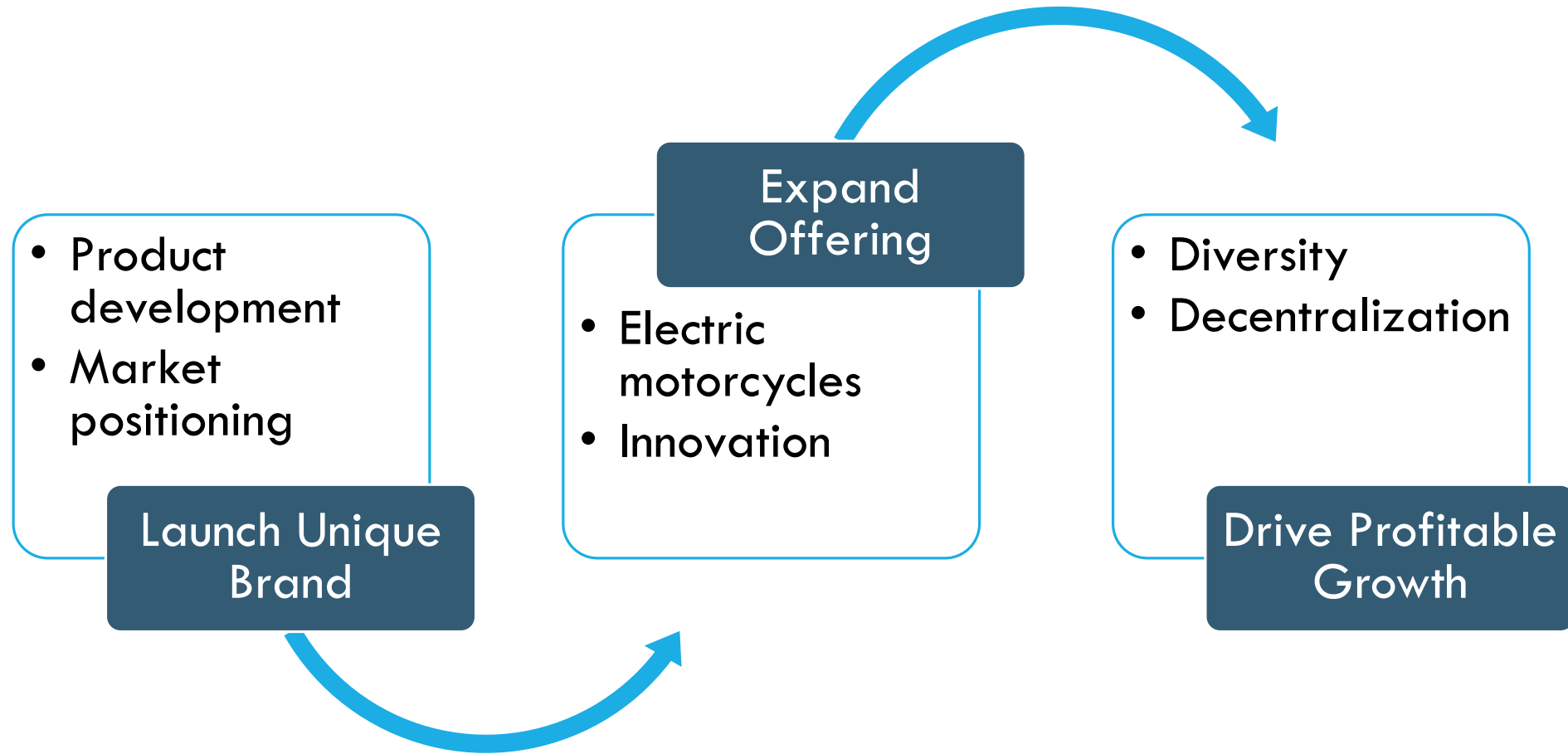
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# IMPLEMENTATION



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# LAUNCH UNIQUE BRAND

Vroom

- By Harley Davidson

“Moving  
you”

Leverage the brand equity of Harley Davidson in the unique brand

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# LAUNCH UNIQUE BRAND – PRODUCT DEVELOPMENT

## Product Types

### 30 cc moped

- Gas combustion engine
- Electric engines

### 50 cc scooter

- Gas combustion engine
- Electric engines

### 150 cc scooter

- Gas combustion
- Electric engines

Develop new products in the scooter and moped categories to grow HD's market

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# LAUNCH UNIQUE BRAND – MANUFACTURING

## China

- New manufacturing facility
- Avoid tariffs
- Strategic due to battery capability
- High Population Growth
- Central China (Guangzhou)

## India

- Expand current manufacturing facility
- Avoid tariffs
- High Population Growth
- Central India

## Brazil

- Expand current manufacturing facility
- Avoid tariffs
- High Population Growth
- Central Brazil (Manaus)

Create agility through decentralization in manufacturing

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# LAUNCH UNIQUE BRAND – DEALERSHIPS

## China

- Shanghai
- Beijing
- Guanzhou
- 5 new in each city

## India

- Mumbai
- New Delhi
- 5 new in each city

## Brazil

- San Paolo
- Rio de Janeiro
- 5 new in each city

## Dealerships contain

- Vroom
- Traditional motorcycles
- Electric motorcycles
- Buying Experience – “Welcome to the Harley Community”

Create agility through decentralization in manufacturing for new products

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# MARKETING STRATEGY

## Product

- Silver and chrome
- Leather details
- High quality

## Price

- Mid-range
- Mopeds - \$1500
- Scooter - \$3000

## Place (Short-Term)

- China, India and Brazil
- Urban centres
- Shanghai, Mumbai and Sao Paolo

## Place (Long-Term)

- US and Europe
- Small pop-up in existing dealerships
- Suburban malls

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# MARKETING STRATEGY — NEW AND EXISTING

## Vroom

- Social Media Campaign
  - Priyanka Chopra (trendy)
- Advertisements in train stations
- TV ad with Millennial riding Vroom
- Video ads on iQiyi

## Harley Davidson

- Social Media Campaign
  - “Ride with us”
- Trial Days with Harley Davidson Riding Academy
- Netflix product placement

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# HARLEY DAVIDSON - MOTORCYCLES

## Gas Motorcycles

- Heavy & strong
- Large “roar”
- Smart Capability
- 600-1900 cc

- Traditional Consumer
- Maintain current brand attractiveness

## Electric Motorcycles

- Exciting Innovation
  - Stability
  - music
- Classic “roar”
- 250 – 500 cc
- 600 – 1900 cc
- Leverage partnership with Alta to gain competency

- Draw new millennial consumer
- Transition Consumer

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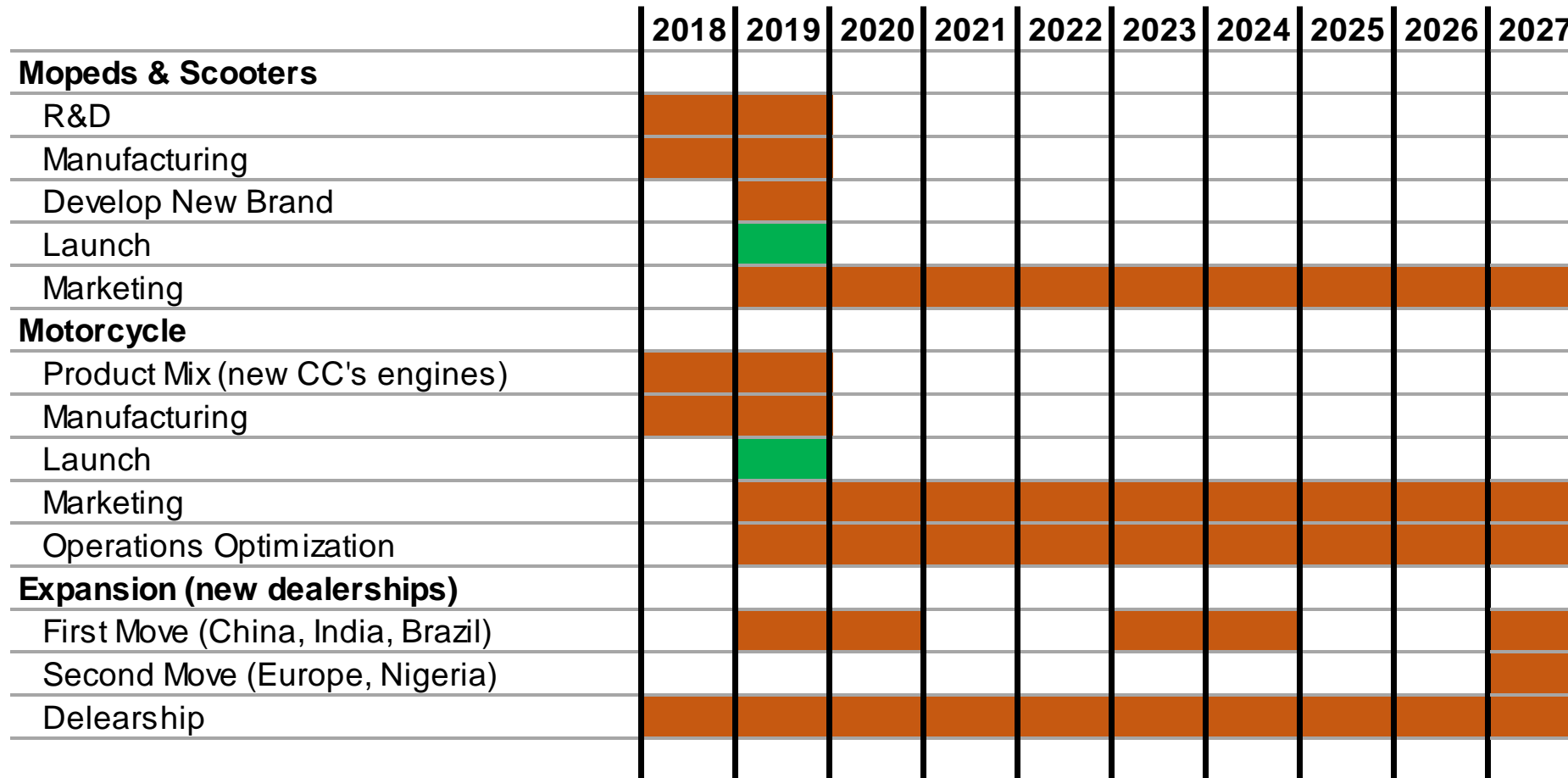
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# IMPLEMENTATION TIMELINE



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# SOURCES OF FUNDING

- ❑ “HD intends to fund these operations through a ‘comprehensive cost reduction’ ”
- ❑ Closing Manufacturing plant:
  - ❑ Adelaide, Australia
  - ❑ Kansas City, Missouri
  - ❑ Savings related to closing are USD 150 MM and USD 100 MM per year, respectively
- ❑ Manufacturing Optimization (as stated):
  - ❑ Restructuring savings of USD 30 MM to USD 50 MM per year

# COST OF IMPLEMENTATION

<u>Amounts in MM</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Investment in MM</u>	<u>Trend</u>
<b>Mopeds</b>												
R&D	25	45	40	35	15	15	15	10	10	10	220	
Marketing	2	10	12	14	16	18	20	22	24	26	164	
Manufacturing	30	40	40	15	15	15	20	20	20	10	225	
Recruitment & Training	3	4	4	2	2	2	2	2	2	1	23	
<b>Motorcycle</b>												
Product Mix (new CC's engines)	50	40	30	20	10	5	5	5	10	10	185	
Manufacturing	40	30	10	10	10	10	10	15	15	15	165	
Marketing	2	10	12	14	16	18	20	22	24	26	164	
Recruitment	0	1	1	1	2	2	2	2	2	3	16	
Supply Chain Design	50	40	30	15	0	0	10	10	10	10	175	
Savings	0	-50	-40	-40	-30	-30	-30	-30	-30	-10	-290	
<b>Expansion (new dealerships)</b>											0	
Relationship	3	3	5	5	5	8	8	8	10	10	65	
Recruitment	0	0	1	1	1	1	1	1	1	1	7	
Marketing	10	10	5	5	5	8	8	8	10	10	79	
<b>Total</b>	<b>202</b>	<b>170</b>	<b>139</b>	<b>85.9</b>	<b>55.1</b>	<b>54.3</b>	<b>74</b>	<b>78.2</b>	<b>87.4</b>	<b>101</b>	<b>1,047</b>	

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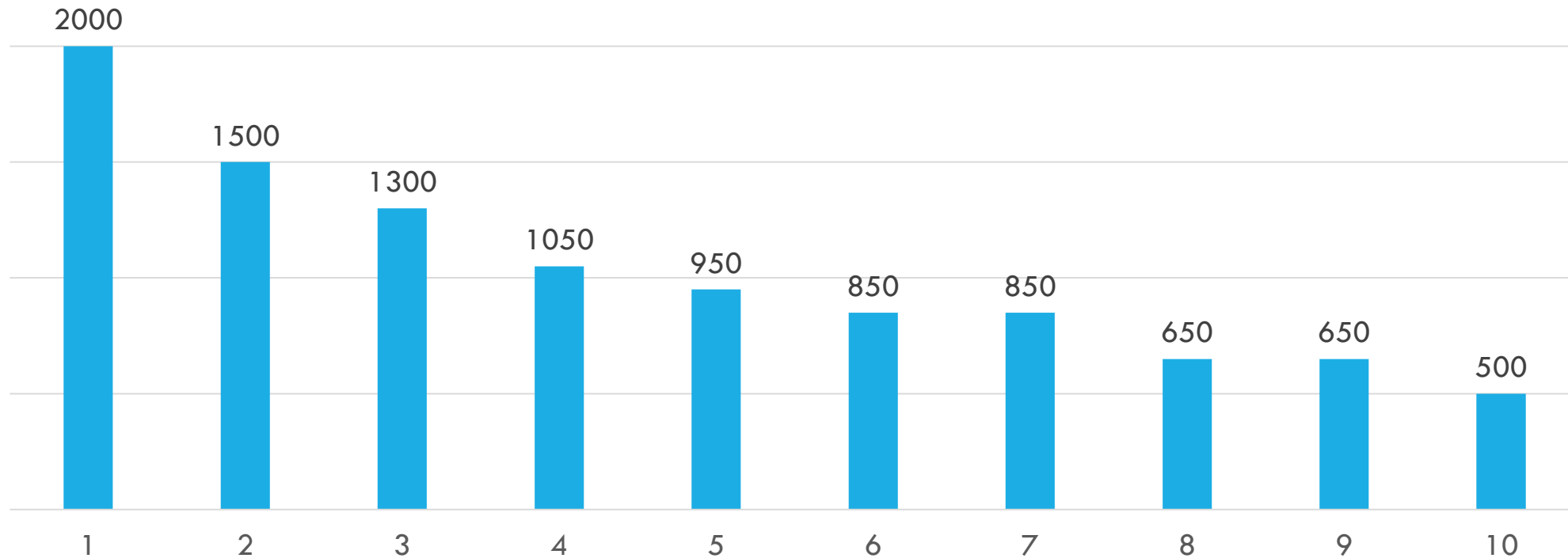
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# CUSTOMER ACQUISITION COST FOR MOPEDS AND SCOOTERS

Amounts in USD



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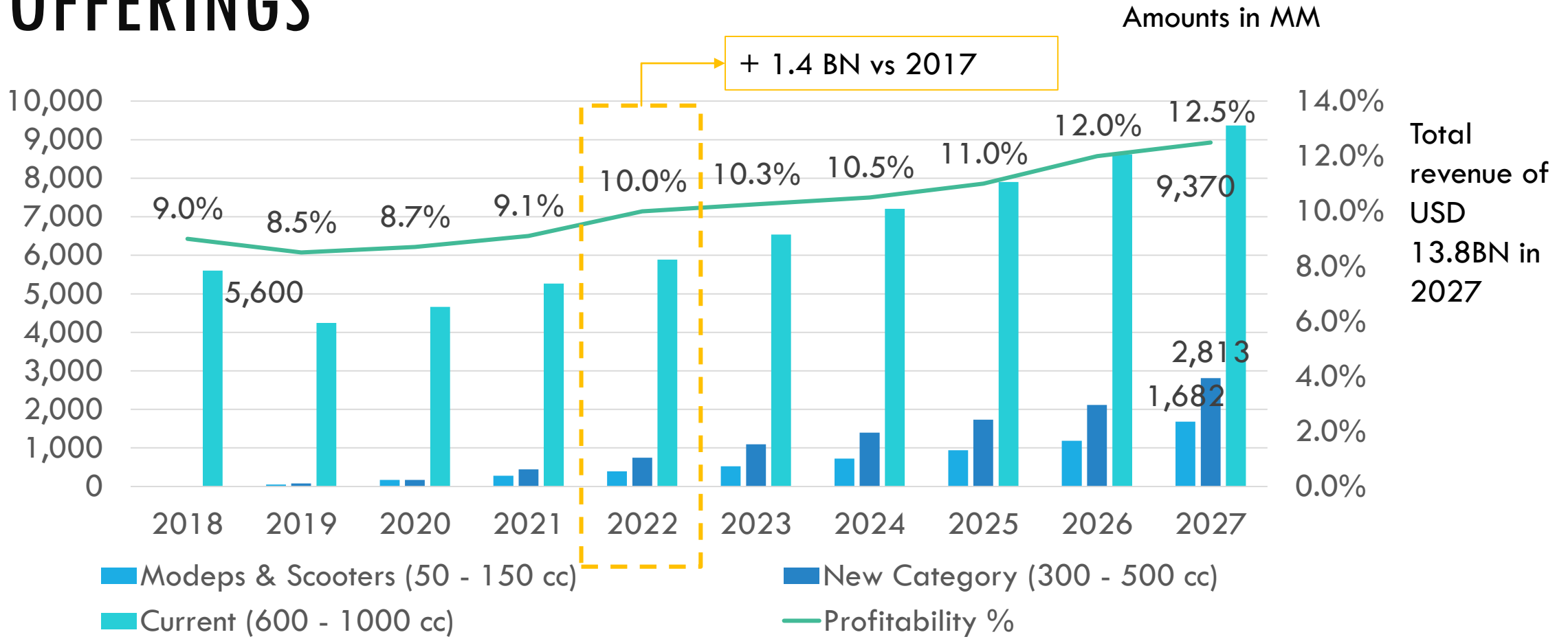
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# REVENUE WILL INCREASE WITH NEW PRODUCT OFFERINGS



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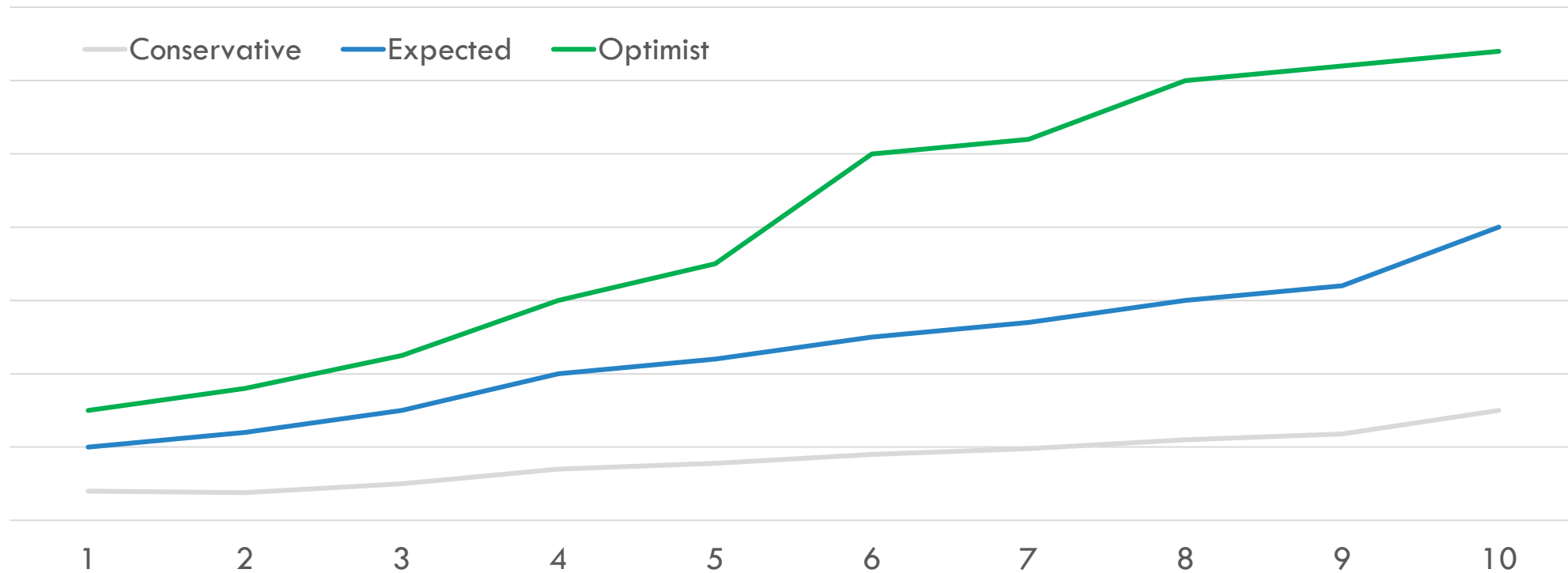
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# GLOBAL ECONOMY AND EXPANSION PLAN



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# KPIS AND CONTROLS

		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Growth	# number riders	30,000	35,000	50,000	60,000	70,000	80,000	90,000	100,000	110,000	120,000
Financial sustainability	Profitability %	9%	9%	9%	9%	10%	10%	11%	11%	12%	13%
Brand Awareness	Social Listening	3.5	3.75	4	4.25	4.5	4.75	4.75	4.75	4.75	5

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# RISKS AND MITIGATION

## 1. Lack of adoption

- Increase investment in awareness and promotion

## 2. High initial cost

- Reevaluate supply relationship

## 3. Increased trade Protectionism

- Invest further in decentralizing supply chain

# CONCLUSION

Launch a new brand for scooters and mopeds targeting international markets

*“Vroom by Harley Davidson”*

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# APPENDICES

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b><u>Volume (in units of '000)</u></b>	<b>350</b>	<b>315</b>	<b>430</b>	<b>580</b>	<b>730</b>	<b>880</b>	<b>1,030</b>	<b>1,180</b>	<b>1,330</b>	<b>1,610</b>
Modeps & Scooters (50 - 150 cc)	0	30	100	150	200	250	320	390	460	610
New Category (300 - 500 cc)	0	25	50	120	190	260	310	360	410	510
Current (600 - 1000 cc)	350	260	280	310	340	370	400	430	460	490
<b><u>Princing Strategy (in '000)</u></b>	<b>\$ 16</b>	<b>\$ 14</b>	<b>\$ 12</b>	<b>\$ 10</b>	<b>\$ 10</b>	<b>\$ 9</b>	<b>\$ 9</b>	<b>\$ 9</b>	<b>\$ 9</b>	<b>\$ 9</b>
Modeps & Scooters (50 - 150 cc)	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 3	\$ 3
New Category (300 - 500 cc)	\$ 3	\$ 3	\$ 3	\$ 4	\$ 4	\$ 4	\$ 5	\$ 5	\$ 5	\$ 6
Current (600 - 1000 cc)	\$ 16	\$ 16	\$ 17	\$ 17	\$ 17	\$ 18	\$ 18	\$ 18	\$ 19	\$ 19
<b><u>Revenue Breakdown (in MM)</u></b>	<b>5,600</b>	<b>4,372</b>	<b>5,004</b>	<b>5,980</b>	<b>7,029</b>	<b>8,156</b>	<b>9,323</b>	<b>10,577</b>	<b>11,922</b>	<b>13,865</b>
Modeps & Scooters (50 - 150 cc)	0	48	172	276	393	526	720	939	1,186	1,682
New Category (300 - 500 cc)	0	80	172	441	747	1,094	1,396	1,734	2,113	2,813
Current (600 - 1000 cc)	5,600	4,243	4,661	5,264	5,888	6,536	7,207	7,903	8,623	9,370