

Goodman School of Business

Presented to: Matt Levatich, CEO at Harley Davidson

Presented by: Goodman Consulting Group

**HARLEY-DAVIDSON:
THE HARLEY EXPERIENCE** |

PROBLEM STATEMENT

Given the rapid industry changes and disruptions, is the 10-year plan a recipe for success and long-term growth?

What changes should be made to the competitive strategy?

RECOMMENDATIONS

Acquire “Zero Motorcycles”

Modify variety based on customer segment

Modify materials used for bike build; Reduce steel and Aluminium to new environmentally and sustainable products

Strategic partnership with key market players: TESLA

Acquire “Store-Dot” for battery and quick charge

Partnership with top brands in multimedia and hardware to increase the “Harley Experience”

Open two new factories in Africa, Europe

Leverage “HDFS” In emerging markets

3 C'S

Company

- Maintain a majority market share
- Design superiority and customization
- 10-year plan: 5 objectives

Competitor

- India: direct and strongest competitor is Royal Enfield
- Competitors in India, Japan and China

Consumer

- Target: men aged 35+
- Asia-Pacific market holds the majority of the market share

COMPANY ANALYSIS

2 revenue streams through HDMC (motorcycles, accessories) and HDFS (financing and insurance)

Brand: loud, large and pricey

Majority market share in the heavyweight motorcycle class in the US

Design superiority and customization

5 objectives in the 10-year plan

COMPANY ANALYSIS: 10-YEAR PLAN

Increase new riders
to 2M

Bring 100 high
impact motorcycles

Grow internationally
to 50% of annual
volume (through CKD
and new international
dealerships)

Improve return on
invested capital (top
25% of S&P 500)

Environmentally
conscious and
sustainable growth
(EV and improve fuel
emissions)

Problem

Analysis

Recommendations

Financials

Implementation

Risks

CUSTOMER ANALYSIS

Target: males 35+

Did not target women
or novice riders
(Harley Davidson
Riding Academy)

USA: main market,
Europe: second
largest market

Majority of the
market: Asia-Pacific
market (light
motorcycle and
mopeds)

COMPETITOR ANALYSIS

India

*Indian, Hero,
Royal Enfield*

Japan

*Honda, Yamaha,
Suzuki*

China

*Jiangmen
Dachangjiang (JD)*

European Player

BMW

COMPETITOR ANALYSIS: INDIA

Indian

- Sales increased by 17% in 2017 while Harley Davidson's sales decreased by 9% in 2017

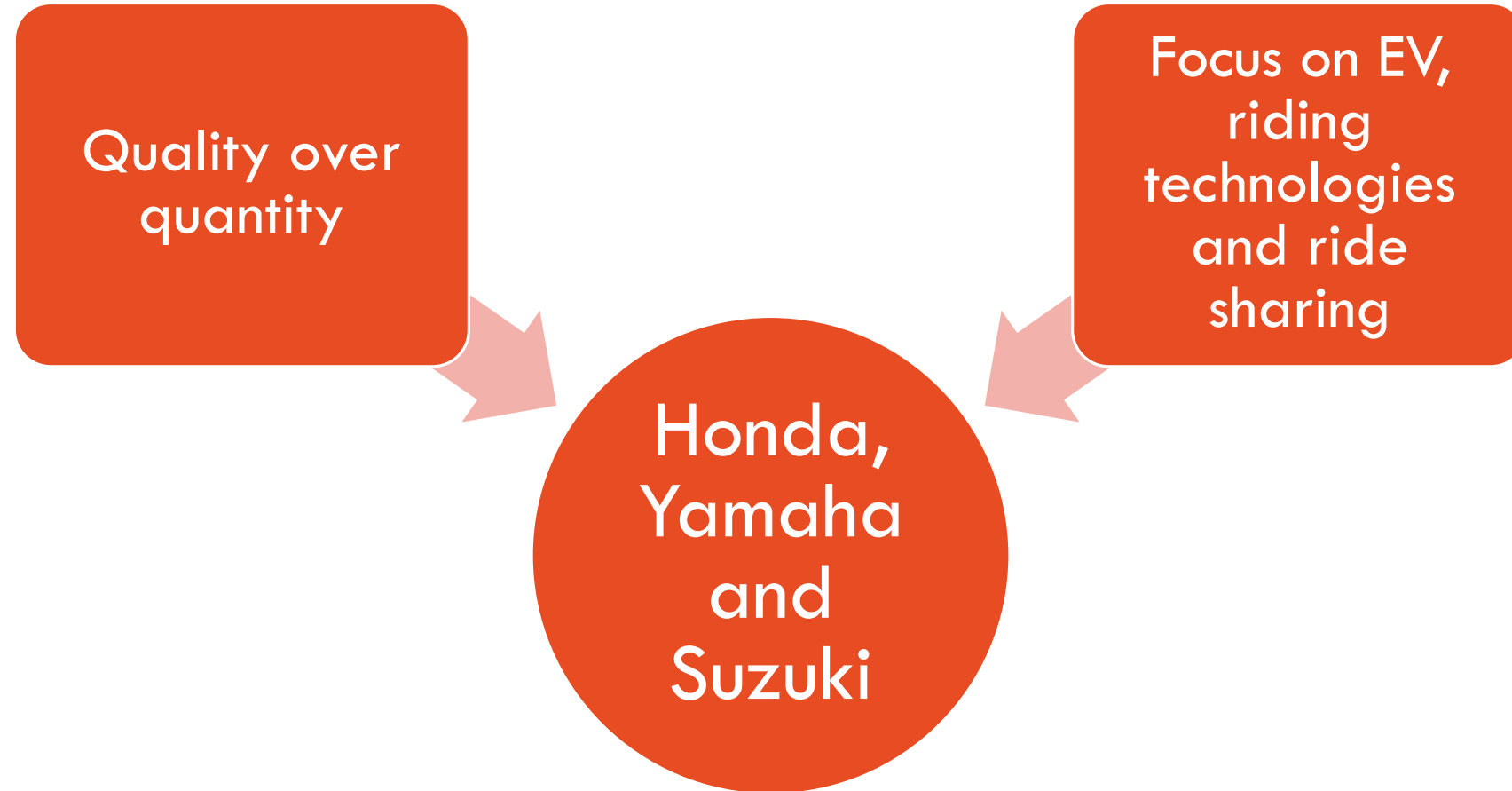
Hero

- Lightweight motorcycles
- Goal: expand to Africa and South America

Royal Enfield

- Direct and strongest competitor
- Goal: Directly compete with Harley in the US (lower prices)

COMPETITOR ANALYSIS: JAPAN



COMPETITOR ANALYSIS: CHINA

Jiangmen
Dachangjiang
(JD)

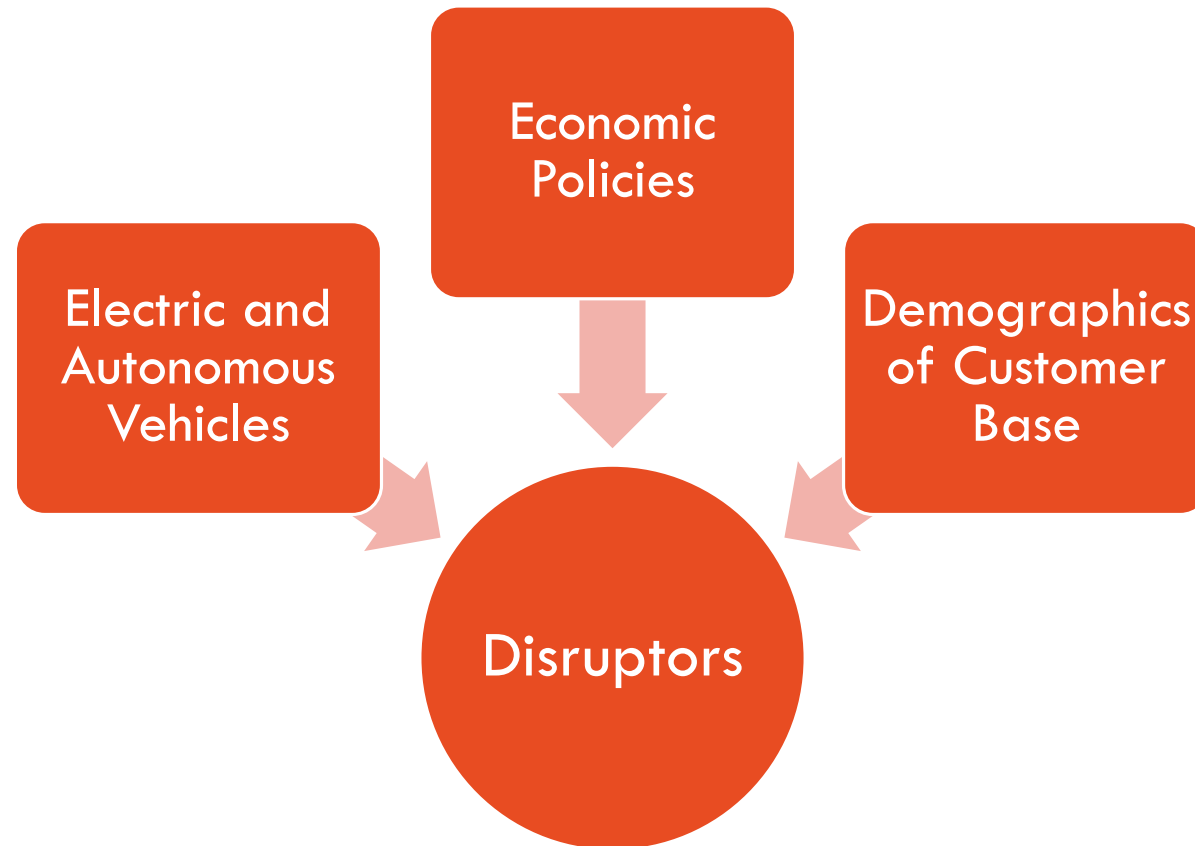
- Lightweight gas and electric motorcycles, mopeds and scooters
- Strategic partnership with Suzuki as an assembler

COMPETITOR ANALYSIS: EUROPEAN PLAYERS

BMW

- High-end luxury motorcycle – concentrate on Indian markets
- Focus on EV

DISRUPTORS: MOTORCYCLE INDUSTRY



Problem

Analysis

Recommendations

Financials

Implementation

Risks

PESTEL ANALYSIS

Political	<ul style="list-style-type: none"> • US government would not ratify TPP = Harley cannot reduce impact of import tariffs in Asia-Pacific • Levy of 25% on steel imports and 10% of aluminum imports • EU: impose 25% onto motorcycle import tariffs
Environmental	<ul style="list-style-type: none"> • Paris, Netherlands and Norway: announce to ban combustion engines by 2030 • India: fully electric or hybrid by 2030 • China: phase out combustion engines by 2030
Social	<ul style="list-style-type: none"> • People more environmentally conscious • Want lighter and utility bikes • Retirement of core customer base
Technological	<ul style="list-style-type: none"> • Electric scooters and motorcycles to grow to \$22B by 2025 • Regenerative brakes, lane departure, perimeter awareness, self-balancing motorcycles
Economic	<ul style="list-style-type: none"> • Strength of US \$ • Increased oil prices • Period of economic recovery in USA
Legal	<ul style="list-style-type: none"> • Paris, Netherlands and Norway: announce to ban combustion engines by 2030 • India: fully electric or hybrid by 2030 • China: phase out combustion engines by 2030

Problem

Analysis

Recommendations

Financials

Implementation

Risks

KEY SUCCESS FACTORS

Growth

Profitability

Sustainability

Loyalty

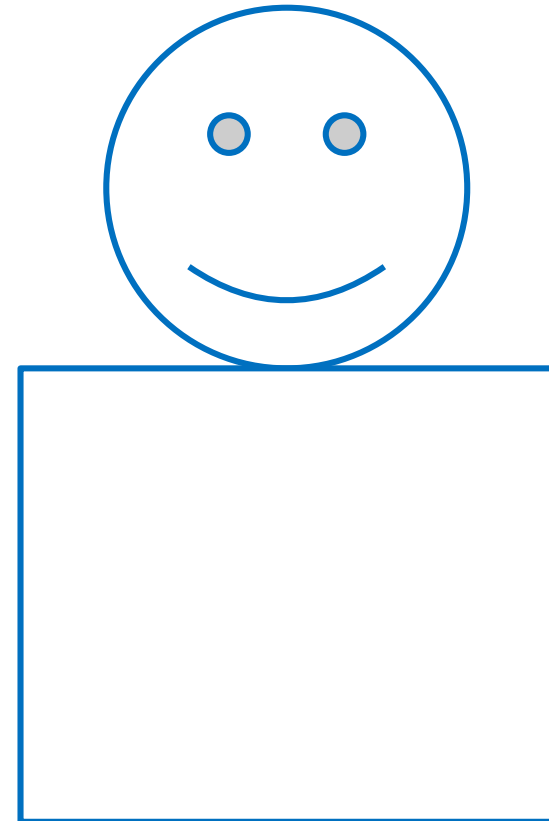
CUSTOMER PROFILE

Current

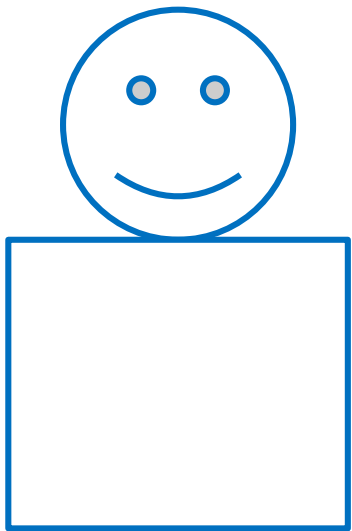
Male

35 years & up

Has the financial means to purchase a Harley

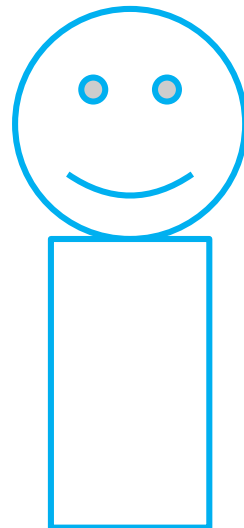


CUSTOMER PROFILE: TARGET DIVERSE CUSTOMERS



Millenials

- Customization
- 18-25 years old
- Tech savvy
- Cool
- Easy-going
- Connected
- Environmentally friendly



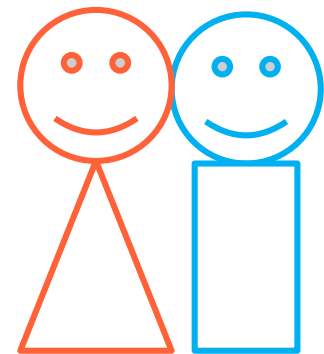
Women

- Equality
- Easy to use
- Light-weight
- Trendy
- Accessible
- Customization



Novice

- Easy to learn
- Easy to ride



RECOMMENDATIONS

Acquire “Zero Motorcycles”

Modify variety based on customer segment

Modify materials

Strategic partnership with key market players: TESLA

Acquire “Store-Dot” for battery and quick charge

Partnership with top brands in multimedia and hardware to increase the “Harley Experience”

Open two new factories in Africa, Europe

Leverage “HDFS” In emerging markets

KEY SUCCESS FACTORS

Growth

Profitability

Sustainability

Loyalty

EVALUATION OF RECOMMENDATIONS

Recommendation	Growth	Profitability	Sustainability	Loyalty
Acquire "Zero Motorcycles"	Green	Green	Green	Light Pink
Modify variety based on customer segment	Green	Green	Light Pink	Green
Modify materials	Light Pink	Green	Green	Light Pink
Partnership with TESLA	Light Pink	Light Pink	Green	Green
Acquire Store-Dot	Light Pink	Light Pink	Green	Green
Partnership to enhance "Harley Experience"	Light Pink	Light Pink	Green	Green
Factories in Europe & Africa	Green	Green	Light Pink	Light Pink
Leverage "HDFS"	Green	Light Pink	Light Pink	Green

Problem

Analysis

Recommendations

Financials

Implementation

Risks

ASSUMPTIONS

- Strategic partnerships – aligned values; acquisition valued on comparative sales (90M)
- Heavy spend in initial 3-5 years – R&D, Restructuring, Marketing, Interest payments
- Synergies creation come into effect from 3rd-4th Year onwards – based on elimination of waste, value added through core competencies
- Main Cost savings stem from – Synergies, Build Design, Individual CKD

IMPLEMENTATION: COSTS

Implementation type	Time	Amount
Change Management team	Annual 3-4 Yrs	300-350K
Restructuring cost	Annual 3-5 Yrs	150-250K
R&D investment (EV and build design)	Annual 3-4 Yrs	25-30M
Marketing	Annual	1.5M
Factory build	2020-2024	10-20M
Retail stores	2023-2024	5M
Partnership costs	One time	1.5M
Customer Survey	One time	50-100K
Website modification	One time	50K
Zero Motorcycle and Store-Dot acquisition	One time	1.5-2B
Total		2062-2075M

FINANCIAL

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Temporary Inefficiencies	35-45	25-30	10-15	0-5							
Restructuring	165-185	70-90	25-35	0-15							
Total costs	200-230	95-120	35-50	0-20							
Annual Cash Savings		25-55	50-65	75-90	105-120	110-115	35-60	35-60	35-60	35-60	35-60

Increase of 45% Net income by 2027

IMPLEMENTATION: ACQUISITIONS AND PARTNERSHIPS

- Acquire Zero Motorcycle
 - Leverage distribution of 30 countries and use EV technology to create new Harley-Davidson product line
 - Absorb Zero's technologies and implement in all Harley motorcycles
 - Regenerative brakes
 - Lane departure systems
 - Perimeter awareness
 - Self-balancing motorcycles
- Acquire Store-Dot (battery and fast-charging company)
 - Use new technologies to create "less than 20 minutes" charging motorcycles and mopeds

IMPLEMENTATION: ACQUISITIONS AND PARTNERSHIPS TIMELINE

	2018	2019	2020	2021
Propose offers for both companies				
Acquire both companies				
Hire change management team and HR consultants for company absorption				
Create new line of products using new technologies				

Problem

Analysis

Recommendations

Financials

Implementation

Risks

IMPLEMENTATION: CUSTOMER SEGMENT MODIFICATION

“...industry in entering a transition phase where quality should override quantity” – Chiaki Kato, President of Honda

- 100 brands by 2027 – too high
- Stay loyal to Harley-Davidson’s values and brand
- Create fewer models but more customizable motorcycles based on customer needs and region needs
 - India, Europe and Africa

IMPLEMENTATION: CUSTOMER SEGMENT MODIFICATION TIMELINE

	2018	2019	2020	2021
Create customer customization survey				
Create customizable website to buy online motorcycles				
Create marketing plan for diverse populations and regions				
Execute diversity motorcycle plan				

Problem

Analysis

Recommendations

Financials

Implementation

Risks

IMPLEMENTATION: REVOLUTIONIZE EXISTING BUILDS AND FEATURES

- Create new partnerships with market leaders in multimedia, sound, and entertainment industries (such as Bose and Sony)
- Use R&D to develop **“The Harley Experience”**
 - Use noise-cancelling technologies to create new, enhanced helmet
 - Create new multi-media motorcycle system
 - Use crash-control system to alert emergency units in event of a crash
 - R&D to develop new motorcycle materials
 - Reduce dependencies in aluminum and steel by using materials such as carbon fiber

IMPLEMENTATION: REVOLUTIONIZE EXISTING BUILDS AND FEATURES TIMELINE

	2018	2019	2020	2021	2022	2023
Build partnerships with Bose and Sony						
Develop “The Harley Experience”						
Develop new motorcycle materials						

Problem

Analysis

Recommendations

Financials

Implementation

Risks

IMPLEMENTATION: OPEN TWO NEW CKD FACTORIES IN EUROPE AND AFRICA

- Currently no factories in these regions
- Start manufacturing mopeds in greater quantities than motorcycles for Europe and Africa
- Use local resources for the manufacturing
 - Build retail stores around Africa and Europe
- Using the new factories and distribution channels, provide HDFS capabilities in these regions
- Marketing plan to attract new customers

IMPLEMENTATION: OPEN TWO NEW FACTORIES IN EUROPE AND AFRICA TIMELINE

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Source for plant locations	Active	Active								
Contract company to build factories		Active	Active							
Build new factories			Active	Active	Active	Active	Active			
Build retail stores						Active	Active			
Marketing campaign to attract new customers							Active	Active	Active	Active

RISK AND CONTINGENCIES

Risk	Severity	Contingency
Lose current loyal customers	Medium	Focus on brand image and positioning in our communications through marketing plans
Customers will turn to Royal Enfield for motorcycles because of their low price	High	Harley Davidson to emphasize quality and brand competencies through “The Harley Experience”

KEY TAKEAWAYS

Given the rapid industry changes and disruptions, is the 10-year plan a recipe for success and long-term growth?

What changes should be made to the competitive strategy?

KEY TAKEAWAYS

Acquire “Zero Motorcycles”

Modify variety based on customer segment

Modify materials

Strategic partnership with key market players: TESLA

Acquire “Store-Dot” for battery and quick charge

Partnership with top brands in multimedia and hardware to increase the “Harley Experience”

Open two new factories in Africa, Europe

Leverage “HDFS” In emerging markets

KEY TAKEAWAYS: HARLEY-DAVIDSON

The Harley Experience:

It's not just a
motorcycle, it's a
lifestyle