

# Harley Davidson – Driving through or defending against disruption?

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**Presenting to:**

CEO of Harley Davidson,  
Matt Levatich

**Presented by:**

Lukas Grote  
Ina Jonalik  
Johann Wiebold  
Lina Zaika

# Agenda

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01 Situation Analysis

02 Strategic Alternatives

03 Implementation

04 Financials

# Problem Statement

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What to tackle?

Ensure long-term growth in an disrupting industry and revue the 10 year plan

# Problem Statement

What to tackle?

Ensure long-term growth in an disrupting industry and revue the 10 year plan

How to solve?

Stay state-of-the-art motorcycle brand while transitioning into new electric era

- Target “The Adventures” group: Motorcyclists of the future
- Expand business in China, Brazil and India

# 01 Situation Analysis

# 10-year growth plan

Increase number of new Harley riders in the US to 2 million by 2027

Bring 100 “high impact” motorcycles to market by 2027

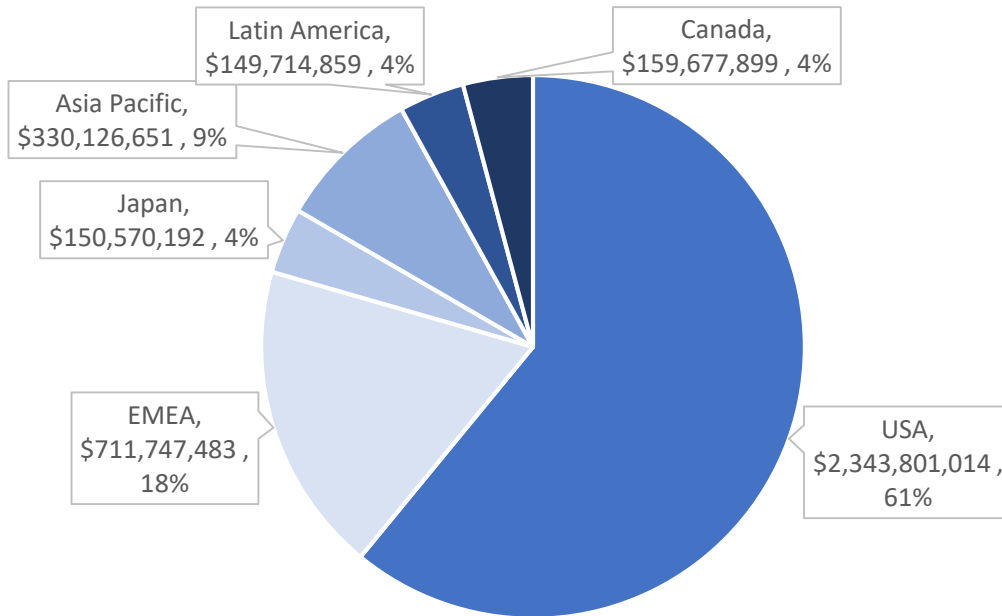
Grow the international business to 50% of Harley’s annual volume by 2027

Improve the return on invested capital to fall in the top 25% of the S&P 500

Grow in an environmentally conscious and sustainable way

# Harley serves mainly its home market while market potential abroad

Sales split by region

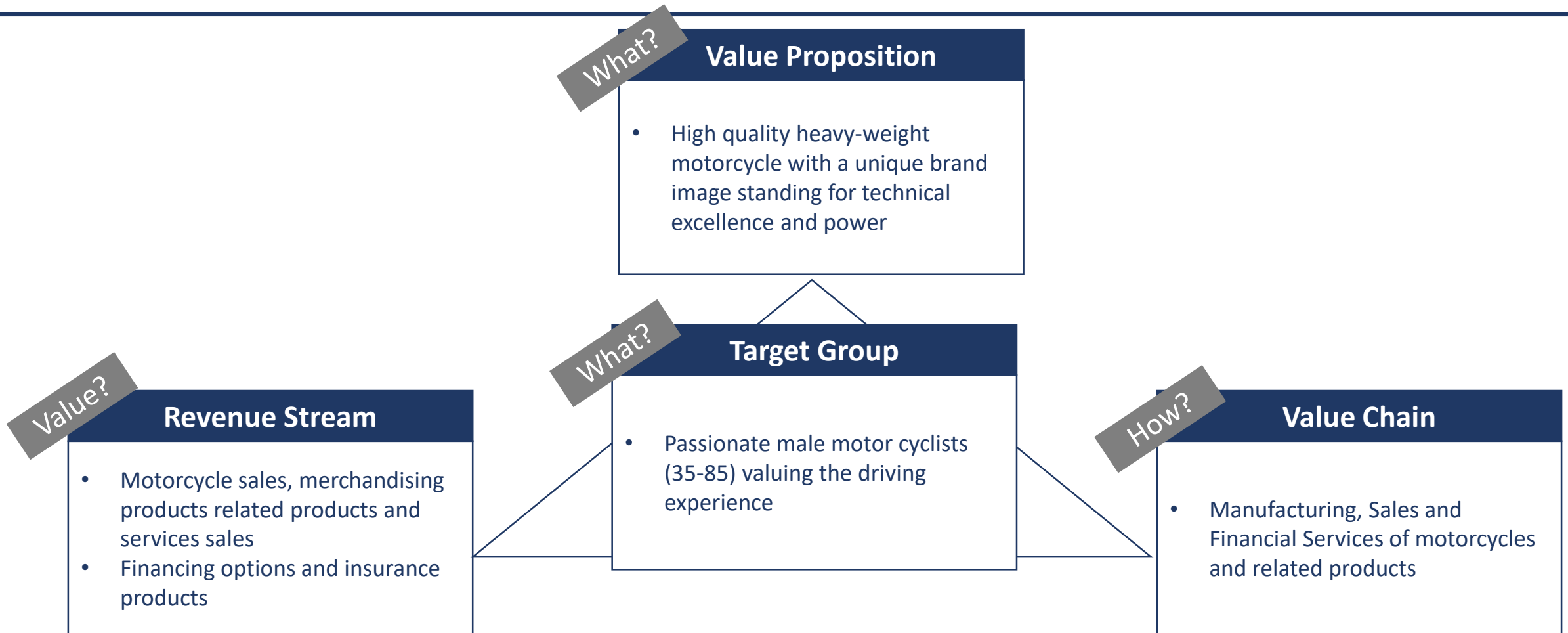


After record results in 2014 the metrics worsened – except for financial services

(in USD million)	<b>2014</b>	<b>2017</b>	<b>CAGR</b>
<b>Revenue</b>	6,229	5,647	-3.2%
<b>Motorcycles</b>	4,386	3,825	-4.5%
<b>Parts &amp; merchandise</b>	1,167	1,067	-2.9%
<b>Financial services</b>	661	732	3.5%
<b>EBIT</b>	1,281	891	-11.4%
<b>EBIT margin</b>	20.6%	15.8%	-480 bps
<b>Net income</b>	845	522	-14.8%



# Current business model is tailored for customer needs



# The current target customer group of Harley Davidson is getting smaller



## **The traditional Harley Rider - Frank:**

- 50 years old
- High income
- Lives in Texas, USA
- Emotionally attached to his heavy-weight motorcycle
- Rides his Harley Davidson on the weekend's for pleasure
- Member of motorcycle club
- Goes on biking-trips with his club buddies annually

# Harley Davidson's current business model likely to be disrupted

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Technological  
innovations  
esp. EV & AV

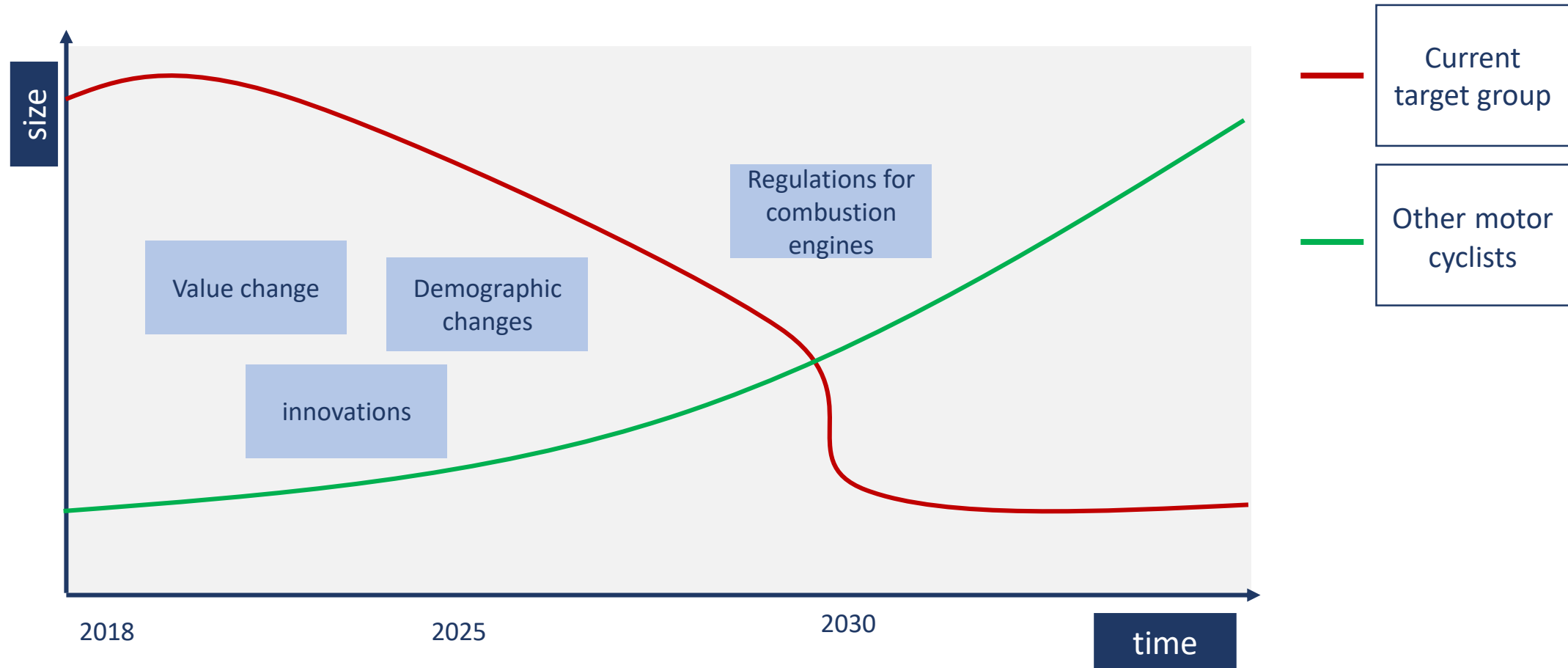


Economic  
policies &  
announcements



Changing  
customer  
preferences

# External factors change the distribution of motor cyclists



# What future motorcyclist look like



## **The Hipster – Keith:**

- 27 years old
- Uses moped sharing models
- Activist for the environment
- Divines on values not on possessions



## **The Pragmatic – John:**

- 23 years old
- Has a light-weight motorcycle to get around fast and cheap
- No emotional attachment to his vehicle

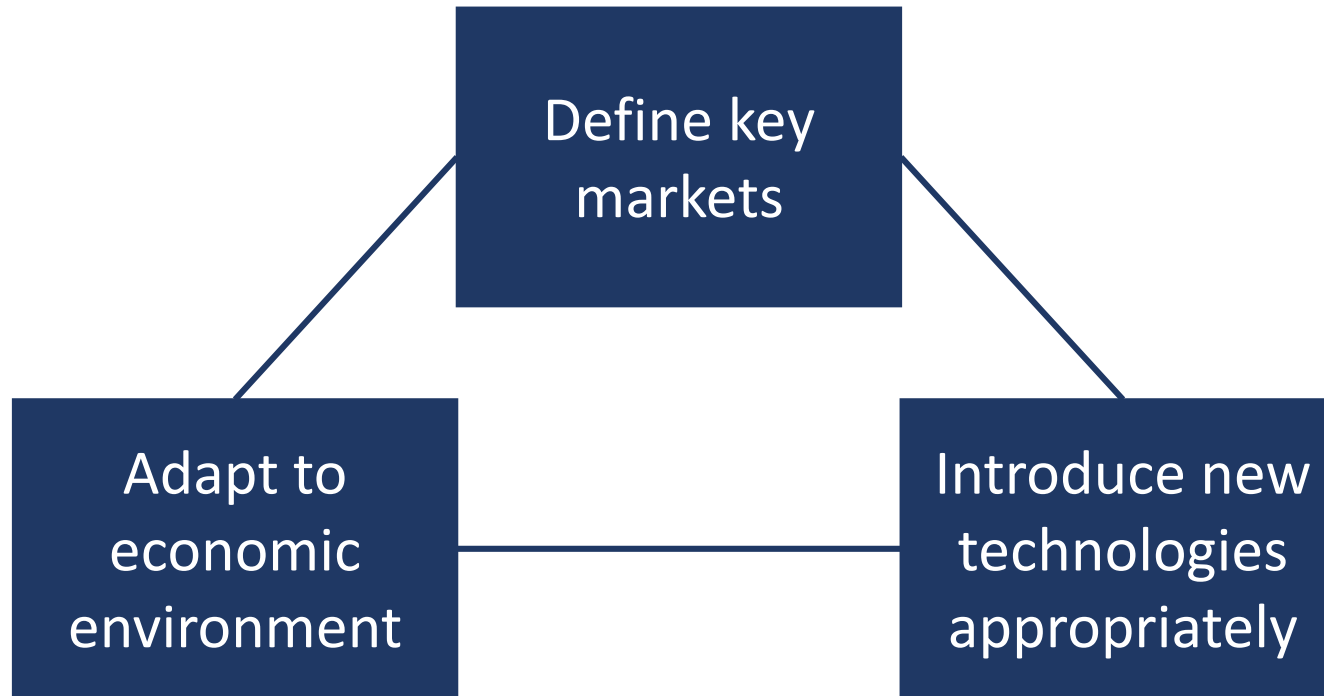


## **The Adventurer – Sarah:**

- 25 years old
- Recent graduate from business college
- Wants to buy a mid-weight motorcycle
- Values a great riding experience & and designs
- Defines on brand images

# Key Issues

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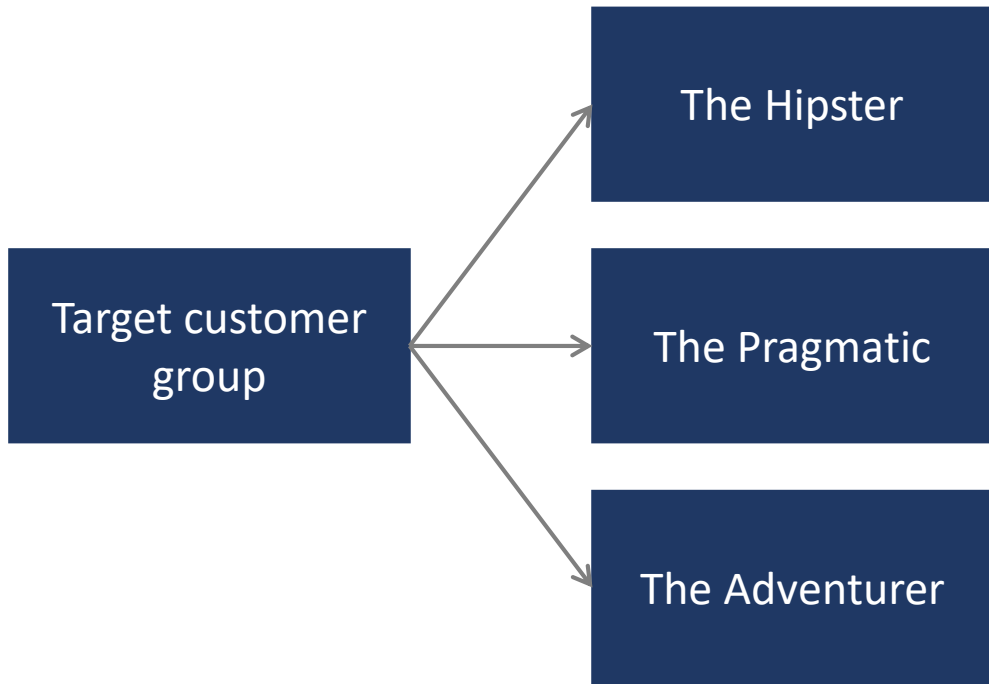


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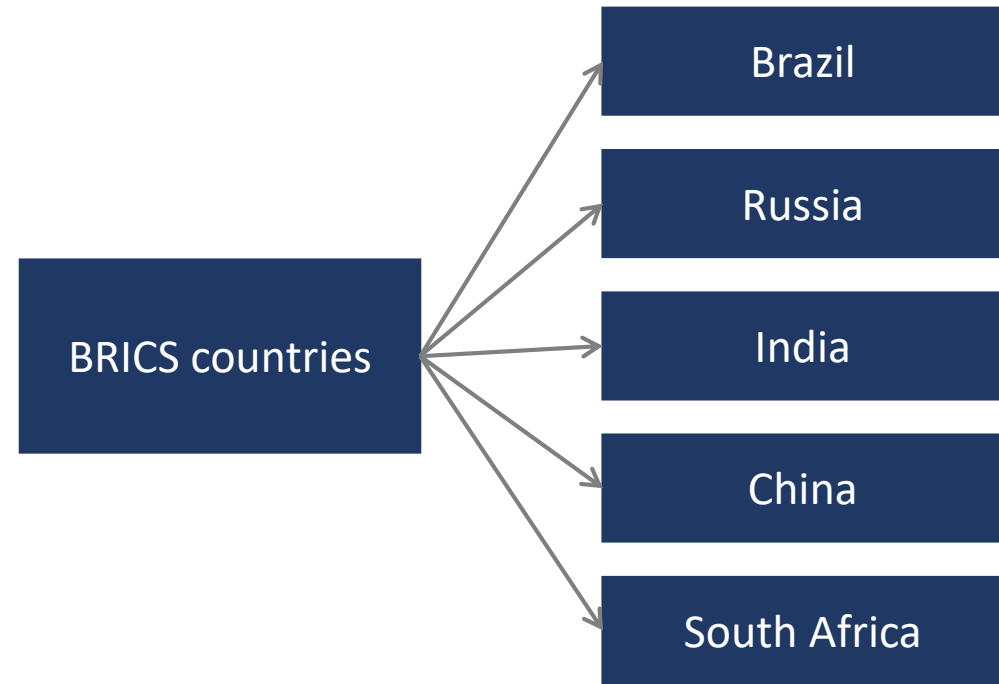
## Strategic Alternatives

# New customer groups need to be identified to achieve the growth targets

## 1. Decision: New target customer groups



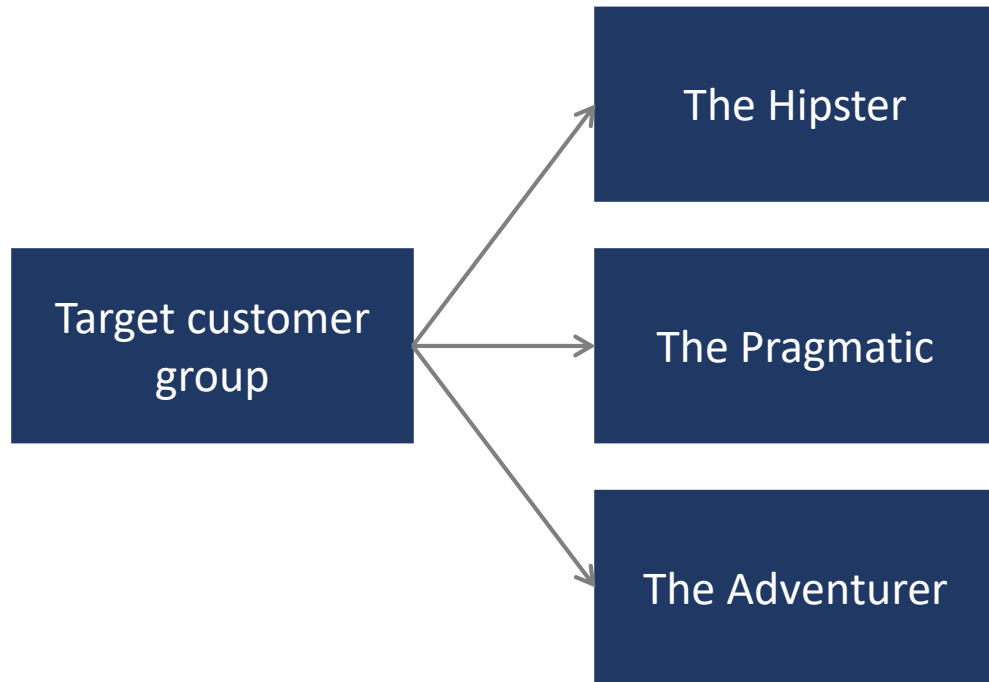
## 2. Decision: New geographic markets



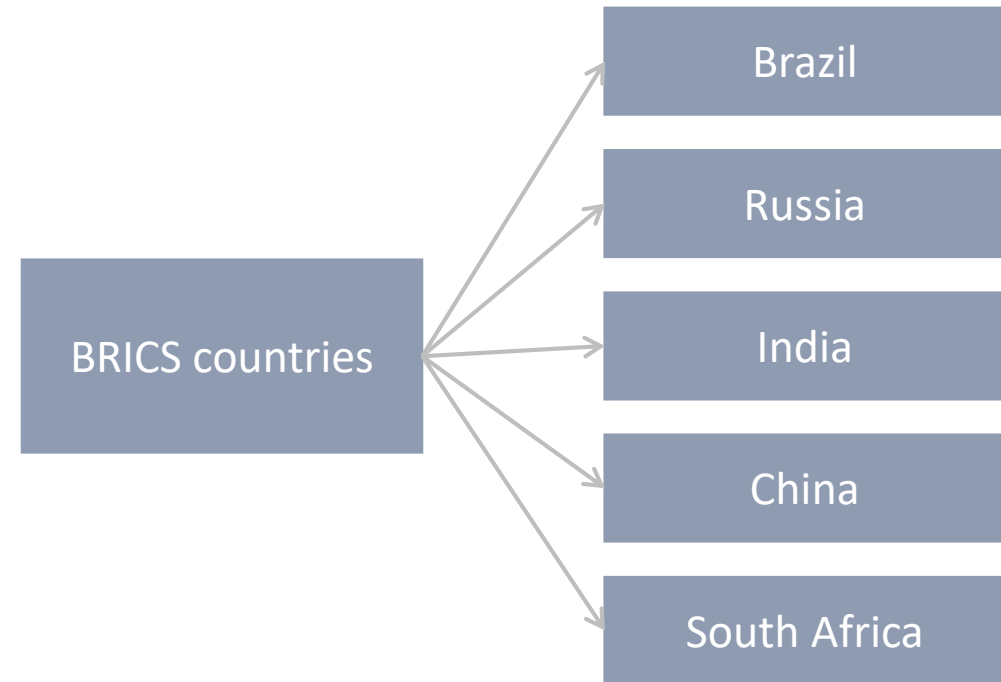


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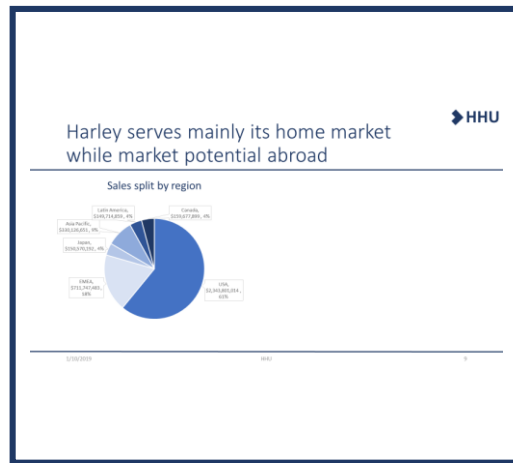
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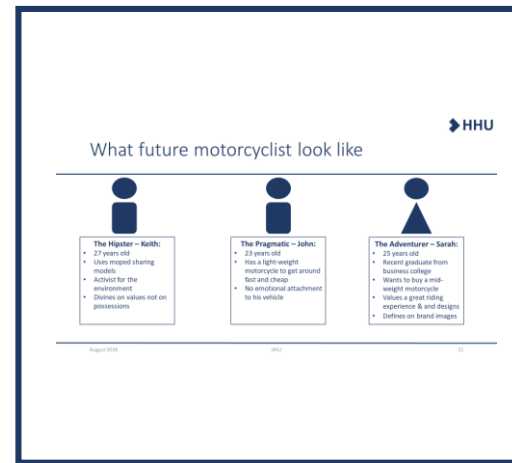
## 2. Decision: New geographic markets



# Based on the situation analysis, criteria have been identified to evaluate the alternatives



Market size



Market potential



Harley's fit to customer preferences

After record results in 2014 the metrics worsened – except for financial services

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Margin

# Evaluation of strategic alternatives



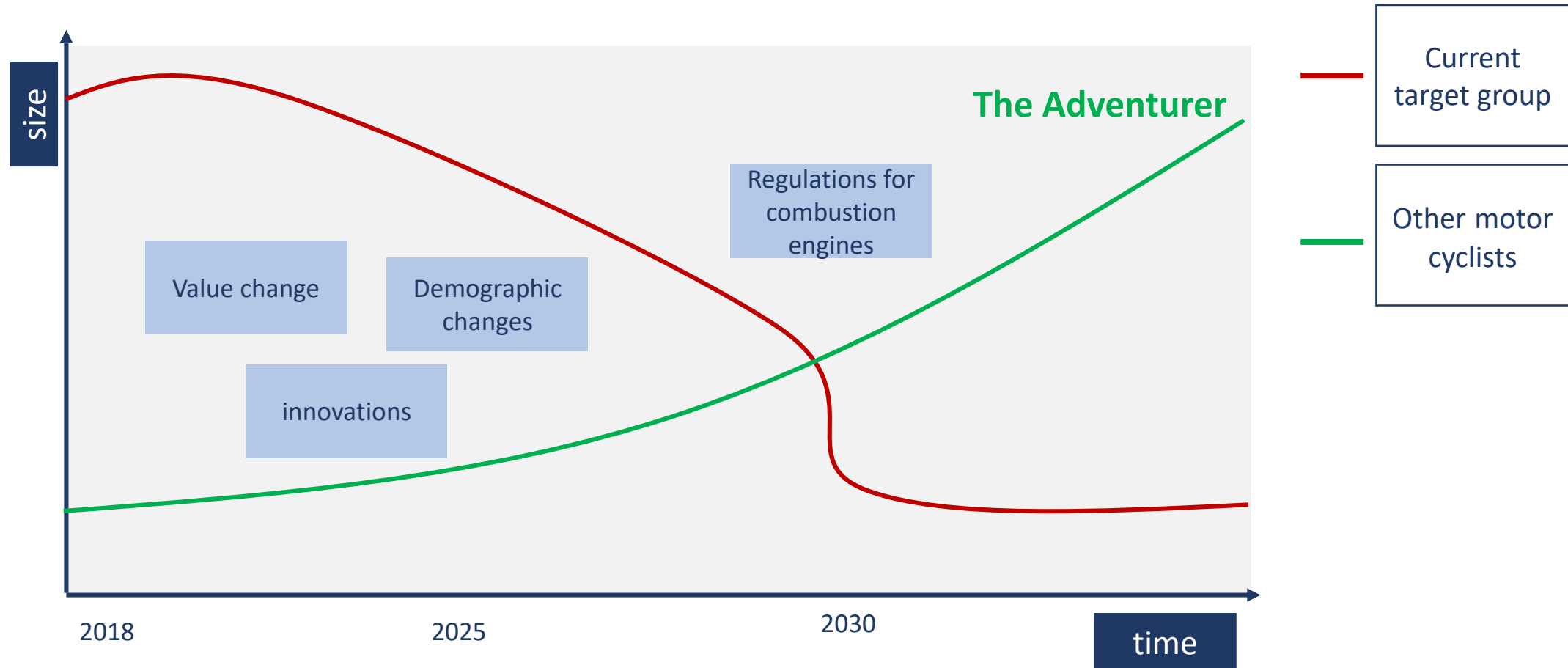
	The Hipster	The Pragmatic	The Adventurer
Market size	<span style="color: yellow;">●</span>	<span style="color: green;">●</span>	<span style="color: yellow;">●</span>
Market potential	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>
Harley's fit to customer preferences	<span style="color: yellow;">●</span>	<span style="color: yellow;">●</span>	<span style="color: green;">●</span>
Margin	<span style="color: yellow;">●</span>	<span style="color: yellow;">●</span>	<span style="color: green;">●</span>

# The Adventurer is a very promising customer group to achieve the targeted growth



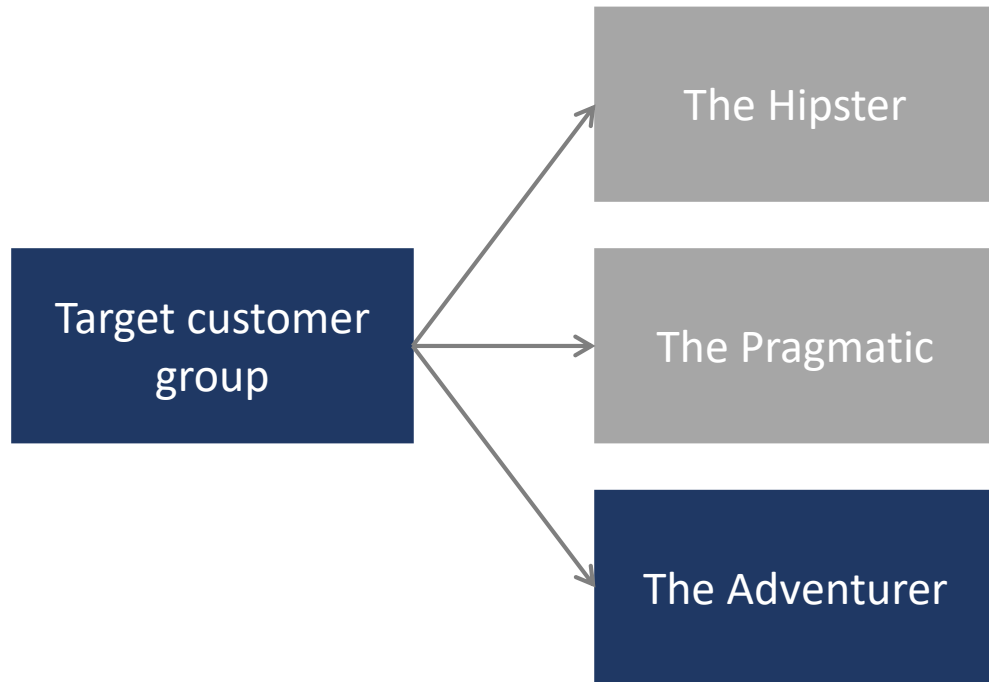
	The Hipster	The Pragmatic	The Adventurer
Market size	●	●	●
Market potential	●	●	●
Harley's fit to customer preferences	●	●	●
Margin	●	●	●

# External factors change the distribution of motor cyclists

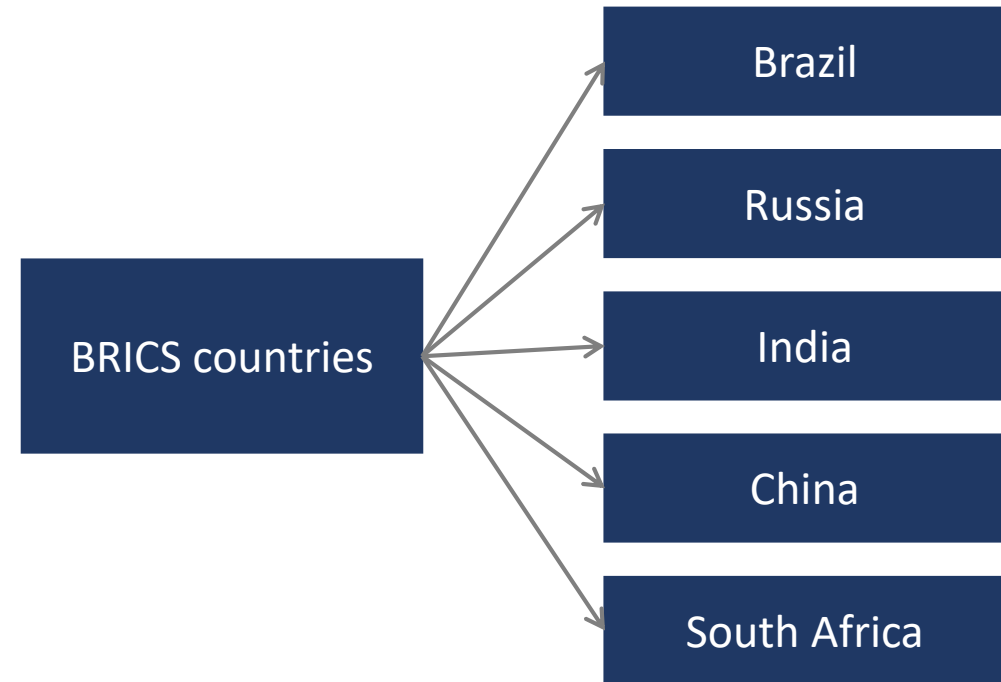


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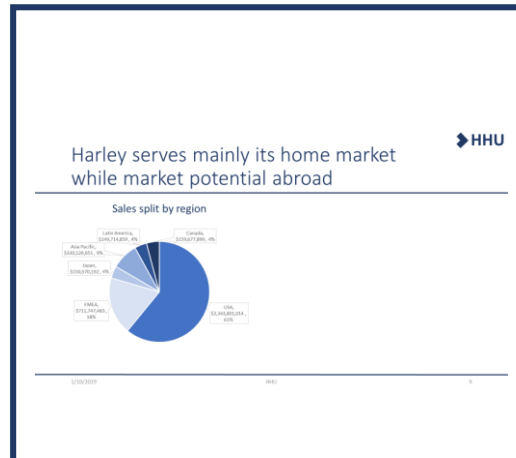
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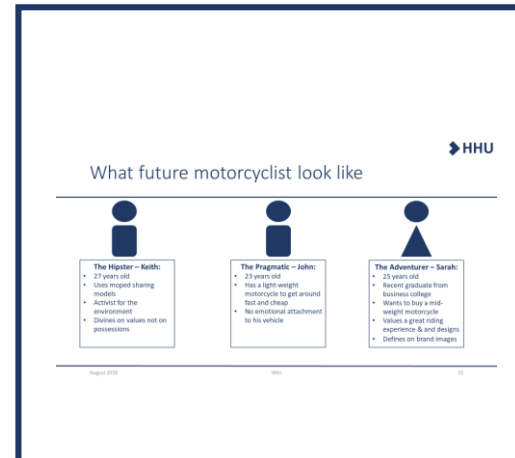
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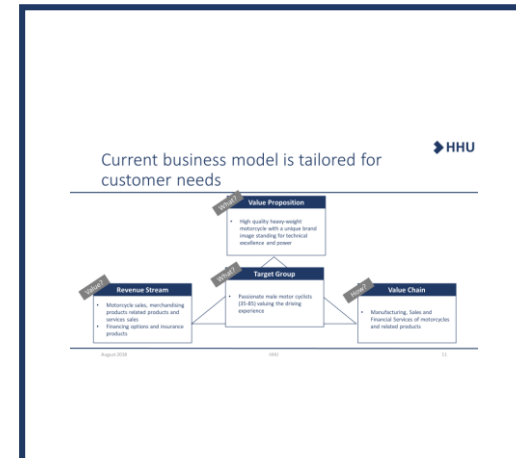
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Market potential



Existing infrastructure



Ease of market entry

After record results in 2014 the metrics worsened – except for financial services

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Competitive position of Harley

# The Adventurer is a very promising customer group to achieve the targeted growth

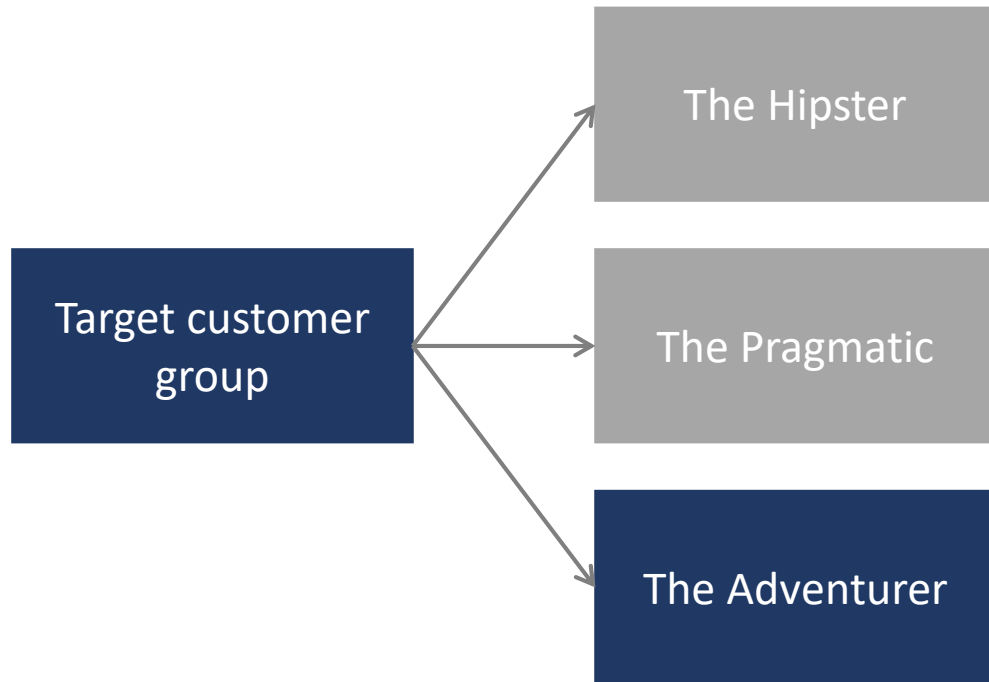
	Brazil	Russia	India	China	South Africa
Market potential	High	Medium	High	High	Medium
Existing infrastructure	High	Medium	High	Medium	Medium
Ease of market entry	High	Medium	Medium	Medium	Medium
Competitive position of Harley	Medium	High	Medium	High	Medium



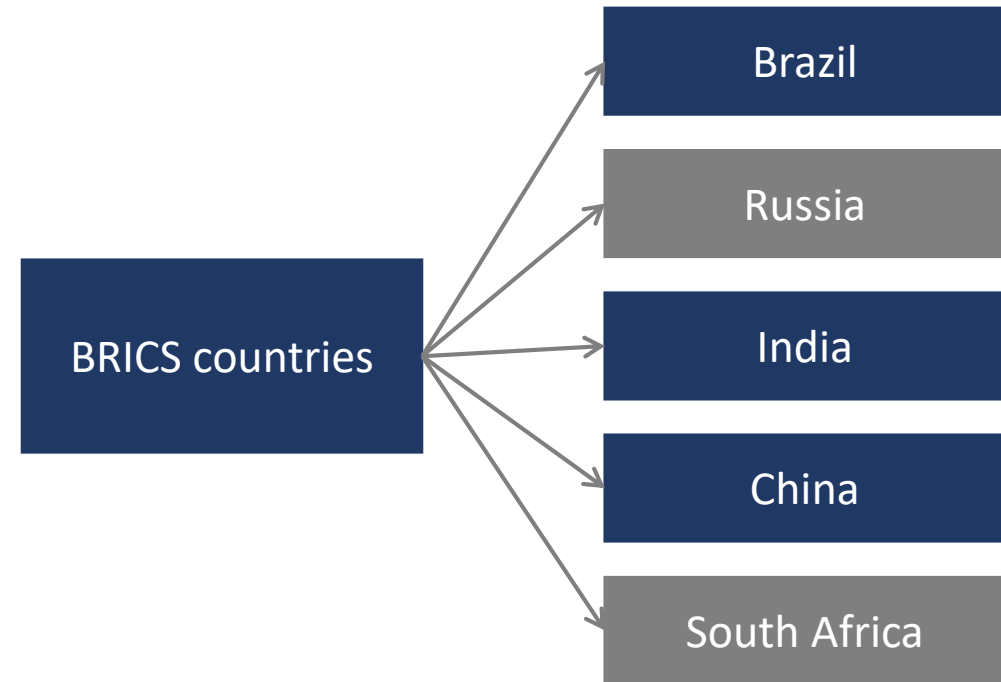


# New customer groups need to be identified to achieve the growth targets

## 1. Decision: New target customer groups



## 2. Decision: New geographic markets



Stay **state-of-the-art** motorcycle  
brand while **transitioning** into  
new **electric** era

# 03 Implementation

# The new target group to be addressed by a new value proposition



**The Adventurer – Sarah:**

- 25 years old
- Recent graduate from business college
- Wants to buy a mid-weight motorcycle
- Values a great riding experience & and designs
- Defines on brand images



## Full-Service Leasing

- ▶ Flexibility
- ▶ Variety of products
- ▶ Independency
- ▶ No depreciation

# New offering contributes to long-term growth

## Full-Service Leasing

*“Monthly premium, everything included except for gas!”*

- Motorcycle (short contract time)
- Insurance
- Wear and tear
- Services (garage network)

## Contribution to long-term growth

- Reaching customers with lower financial means
- Getting customers in touch with new products
- Increasing customer retention

# Livewire to be leading model for the new electric product line

## Situation

- Ban of combustion engines in near future
- New technologies emerging
- Customer needs shifting



## Action

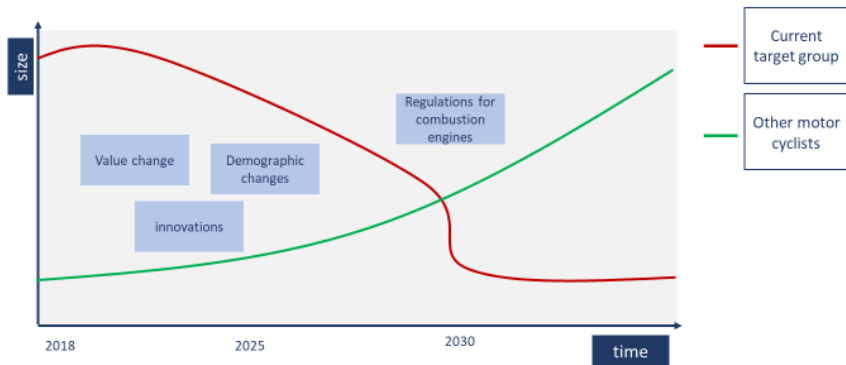
- Livewire 2019 leading model for new electric product line
- Continuous launch of new products
- No further shift into scooter & moped segment
- Subsequent implementation of new technologies
- Set-up of customer co-creation approach

# Different market approach depending on current capabilities

	1	2	3
	Brazil	India	China
Financial Services	x	x	x
Production plant	✓	✓	x
Distribution facility	To be outsourced	To be outsourced	✓
Dealership network	To be outsourced	To be outsourced	To be outsourced

# Needs of traditional customers will still be addressed

External factors change the distribution of motor cyclists



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**Shift is inevitable**

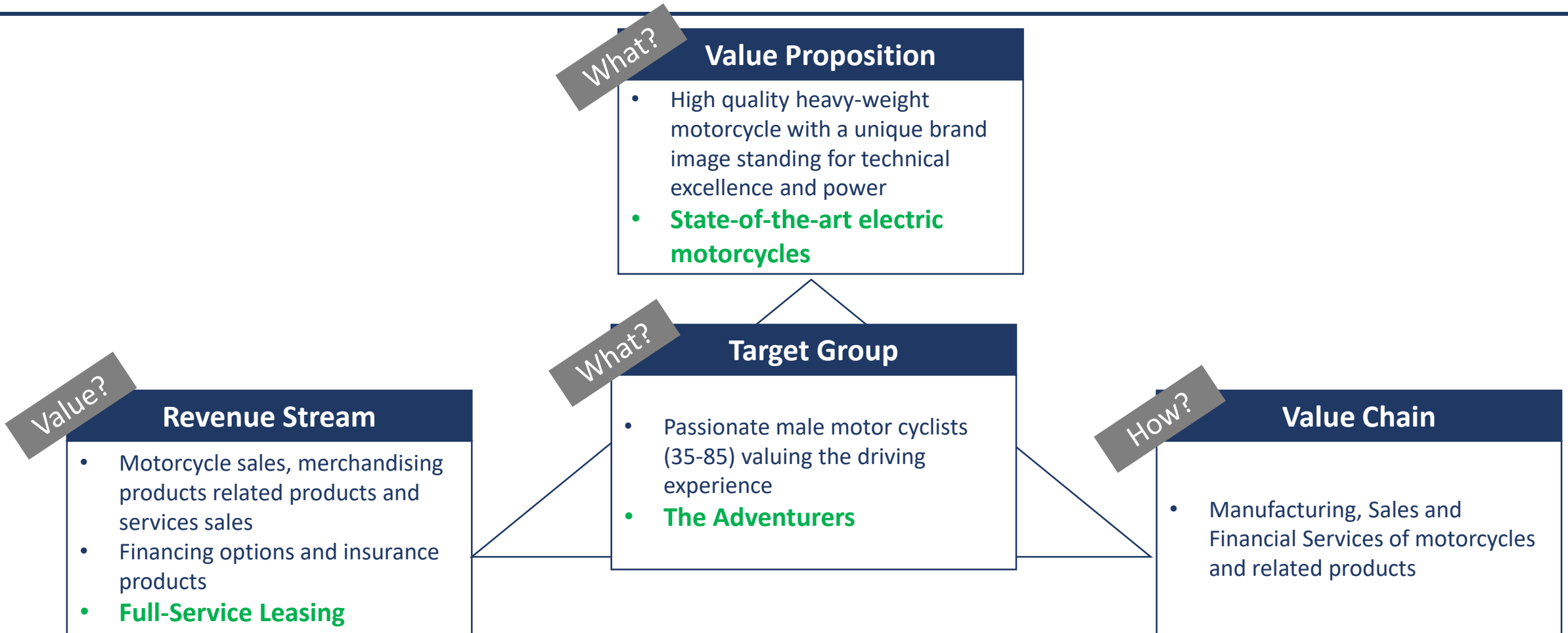
**Example of Porsche**

**State-of-the-art motorcycles**

**Co-Creation**



# New business model mirrors optimized strategy

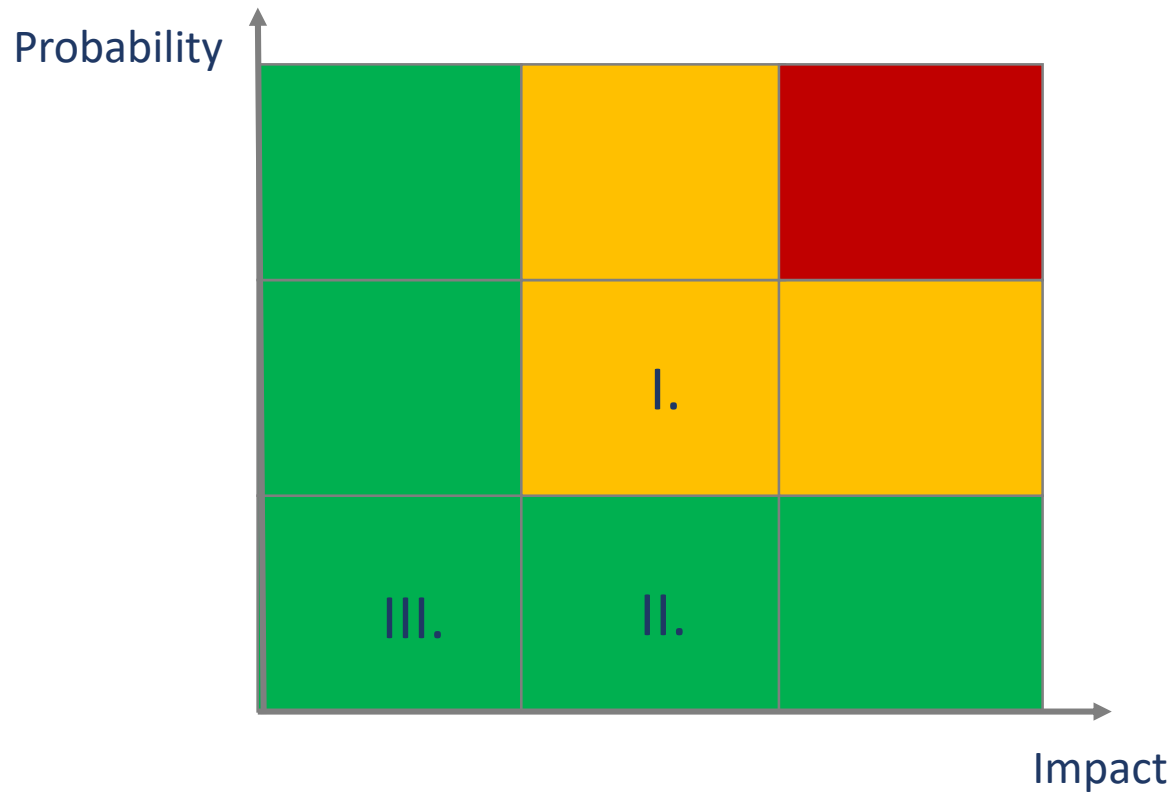


# 04 Financials

# Financials

(in USD million)	2014	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e
<b>Revenue</b>	6,229	5,647	5,365	5,096	4,842	5,132	5,132	5,645	5,440	5,984	5,984	5,984
<b>Financial services</b>	661	732	811	898	994	1,101	1,219	1,350	1,495	1,656	1,834	2,031
<b>EBIT</b>	1,281	891	848	805	765	811	811	892	860	945	945	945
<b>EBIT margin</b>	20.6%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%

# Risks and mitigation



I. Further changes in economic environment threaten growth plan  
 → Continuous observation of economic environment

II. Traditional customer may be alienated from brand  
 → Sound transition

III. Insufficient technological know-how  
 → High investments in new technologies

# 10-year growth plan



Increase number of new Harley riders in the US to 2 million by 2027



Bring 100 “high impact” motorcycles to market by 2027



Grow the international business to 50% of Harley’s annual volume by 2027



Improve the return on invested capital to fall in the top 25% of the S&P 500



Grow in an environmentally conscious and sustainable way