Harley Davidson: Paving the Future of Motorcycles

Amanda Rushton
Jesse Prent
Jonathan Faerman
Winnie Hu

JMSB Consulting
Agenda

1. Introduction
2. Problem and key issues
3. Recommendation
4. Analysis
5. Alternatives
6. Implementation
7. Financials
Is the 10 year plan on track to achieve Harley Davidson’s growth objectives?

**KEY ISSUES**

- Changing consumer demographics
- Industry technology undergoing major changes
- Unique markets with high potential but high barriers
Recommendations
Deliver a global-minded brand catering to the needs of the future generation of riders
Deliver a global-minded brand catering to the needs of the future generation of riders

Expand ridership

- Target multiple modern personas
- Digital and event marketing
- Empower existing ridership to expand community
Deliver a global-minded brand catering to the needs of the future generation of riders

Expand ridership
- Target multiple modern personas
- Digital and event marketing
- Empower existing ridership to expand community

Product innovation
- Maintain classic design elements
- Integrated community connectivity
- Innovation of safety apparel
Deliver a global-minded brand catering to the needs of the future generation of riders

Expand ridership
- Target multiple modern personas
- Digital and event marketing
- Empower existing ridership to expand community

Product innovation
- Maintain classic design elements
- Integrated community connectivity
- Innovation of safety apparel

Navigate changing markets
- Global expansion to China and India
- EU: Focus on EV, Street and Sportster
- US: Maintain product lines; import steel from Canada
Deliver a global-minded brand catering to the needs of the future generation of riders

**Expand ridership**
- Target multiple modern personas
- Digital and event marketing
- Empower existing ridership to expand community

**Product innovation**
- Maintain classic design elements
- Integrated community connectivity
- Innovation of safety apparel

**Navigate changing markets**
- Global expansion to China and India
- EU: Focus on EV, Street and Sportster
- US: Maintain product lines; import steel from Canada

Our plan will position Harley Davidson for success at home and abroad
Analysis
Harley Davidson offers a unique brand that lacks the relevance it once had

- Consumer
  - Self-expression
  - Community
  - Upper middle class

Technology

Brand Identity

- Suzuki
- Honda
- Yamaha
- Other
- Harley-Davidson
Harley Davidson offers a unique brand that lacks the relevance it once had.
Harley Davidson offers a unique brand that lacks the relevance it once had.

Augment brand history, design, and lifestyle with modern tech to build a modern brand.
New generation has some similarities to previous generation, but new values as well

Classic Harley Davidson Consumer

- Self-expression
- Community
- Upper middle class
New generation has some similarities to previous generation, but new values as well

Classic Harley Davidson Consumer

- Self-expression
- Community
- Upper middle class

Retiring – no longer enough to sustain Harley Davidson
New generation has some similarities to previous generation, but new values as well

Classic Harley Davidson Consumer
- Self-expression
- Community
- Upper middle class

Retiring – no longer enough to sustain Harley Davidson

The Millennial Consumer Values
- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability
New generation has some similarities to previous generation, but new values as well

Classic Harley Davidson Consumer
- Self-expression
- Community
- Upper middle class

The Millennial Consumer Values
- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability

Retiring – no longer enough to sustain Harley Davidson
New generation has some similarities to previous generation, but new values as well.

**Classic Harley Davidson Consumer**
- Self-expression
- Community
- Upper middle class

**The Millennial Consumer Values**
- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability

Retiring – no longer enough to sustain Harley Davidson

Higher engagement – hands on
New generation has some similarities to previous generation, but new values as well

- Classic Harley Davidson Consumer
  - Self-expression
  - Community
  - Upper middle class
  - Retiring – no longer enough to sustain Harley Davidson

- The Millennial Consumer Values
  - Self-expression
  - Community
  - Upper middle class
  - Experiential
  - Diversity
  - Safety
  - Sustainability
  - Higher engagement – hands on
  - Open-mindedness
New generation has some similarities to previous generation, but new values as well.

**Classic Harley Davidson Consumer**
- Self-expression
- Community
- Upper middle class

**The Millennial Consumer Values**
- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability

- Higher engagement – hands on
- Open-mindedness
- Innovation that’s better for self and the world

Retiring – no longer enough to sustain Harley Davidson
New generation has some similarities to previous generation, but new values as well.

**Classic Harley Davidson Consumer**
- Self-expression
- Community
- Upper middle class

Retiring – no longer enough to sustain Harley Davidson

**The Millennial Consumer Values**
- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability

Higher engagement – hands on

Open-mindedness

Innovation that’s better for self and the world

Mitigation of danger
New generation has some similarities to previous generation, but new values as well

Classic Harley Davidson Consumer
- Self-expression
- Community
- Upper middle class

Retiring – no longer enough to sustain Harley Davidson

The Millennial Consumer Values
- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability

Speak to millennial values to recruit new community members

Higher engagement – hands on
Open-mindedness
Innovation that’s better for self and the world
Mitigation of danger
Many markets offer opportunity, but require specific product focus.

- Urban, small streets
- Independent dealerships not practical
Many markets offer opportunity, but require specific product focus

- Urban, small streets
- Independent dealerships not practical

China
India

Street
Softail
Dyna
EV (future)
Many markets offer opportunity, but require specific product focus

- **China**
  - Urban, small streets
  - Independent dealerships not practical

- **India**
  - Urban, small streets

- **Europe**
  - Racing culture (Formula 1)
  - Forefront of sustainable initiatives

- **Street**
- **Softail**
- **Dyna**
- **EV (future)**
Many markets offer opportunity, but require specific product focus

- China
  - Urban, small streets
  - Independent dealerships not practical

- India
  - Urban, small streets
  - Racing culture (Formula 1)
  - Forefront of sustainable initiatives

- Europe
  - Urban, small streets
  - Forefront of sustainable initiatives
Many markets offer opportunity, but require specific product focus

**China**
- Urban, small streets
- Independent dealerships not practical

**India**

**Europe**
- Urban, small streets
- Racing culture (Formula 1)
- Forefront of sustainable initiatives

**US**
- Home base: legacy brand to uphold, even while evolving
- High cost of steel

**Product Focus**
- Street
- Softail
- Dyna
- EV (future)
- EV
- Sportster
- Street
Many markets offer opportunity, but require specific product focus

China
- Urban, small streets
- Independent dealerships not practical

India
- Urban, small streets
- Racing culture (Formula 1)
- Forefront of sustainable initiatives

Europe
- Urban, small streets
- Racing culture (Formula 1)
- Forefront of sustainable initiatives

US
- Home base: legacy brand to uphold, even while evolving
- High cost of steel

Recommendation

Analysis

Alternatives

Implementation

Financials
Many markets offer opportunity, but require specific product focus

**China**
- Urban, small streets
- Independent dealerships not practical

**India**
- Urban, small streets
- Racing culture (Formula 1)
- Forefront of sustainable initiatives

**Europe**
- Urban, small streets
- Racing culture (Formula 1)
- Forefront of sustainable initiatives

**US**
- Home base: legacy brand to uphold, even while evolving
- High cost of steel

Leverage partnership opportunity to deliver key products in key markets
Many markets offer opportunity, but require specific product focus

- **China**
  - Urban, small streets
  - Independent dealerships not practical

- **India**

- **Europe**
  - Urban, small streets
  - Racing culture (Formula 1)
  - Forefront of sustainable initiatives

- **US**
  - Home base: legacy brand to uphold, even while evolving
  - High cost of steel

Leverage partnership opportunity to deliver key products in key markets
Harley Davidson needs to adapt to a new generation and diverse world

- Changing demographics
- Shared values
Harley Davidson needs to adapt to a new generation and diverse world.

- Changing demographics
- Shared values
- Opportunity to appeal to new generation
Harley Davidson needs to adapt to a new generation and diverse world

- Changing demographics
- Shared values

- Technological evolution
- Connectivity

Opportunity to appeal to new generation
Harley Davidson needs to adapt to a new generation and diverse world

- Changing demographics
- Shared values

- Technological evolution
- Connectivity

Opportunity to appeal to new generation

Development of unique Harley tech necessary
Harley Davidson needs to adapt to a new generation and diverse world

- Changing demographics
- Shared values
- Opportunity to appeal to new generation

- Technological evolution
- Connectivity
- Development of unique Harley tech necessary

- High potential, challenging markets
- Diverse product line and growing middle class
Harley Davidson needs to adapt to a new generation and diverse world

- Changing demographics
  - Shared values
  - Opportunity to appeal to new generation

- Technological evolution
  - Connectivity
  - Development of unique Harley tech necessary

- High potential, challenging markets
  - Diverse product line and growing middle class
  - Markets will require tailored approach
Harley Davidson needs to adapt to a new generation and diverse world

- Changing demographics
- Shared values
- Technological evolution
- Connectivity
- High potential, challenging markets
- Diverse product line and growing middle class

Opportunity to appeal to new generation
Development of unique Harley tech necessary
Markets will require tailored approach

Evolve into a modern, global brand built on strong roots
Financial Analysis
### Recommendation

Changing market conditions create operation and sales challenges.

<table>
<thead>
<tr>
<th>Sales</th>
<th>US</th>
<th>EMEA</th>
<th>Asia Pacific</th>
<th>Canada/L.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY</td>
<td>-8.5%</td>
<td>-2.0%</td>
<td>-7.7%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Tariffs</td>
<td>-</td>
<td>6%</td>
<td>14%-100%</td>
<td>0%-30%</td>
</tr>
<tr>
<td>Market Concentration</td>
<td>H.D. Leader</td>
<td>Fragmented</td>
<td>Fragmented</td>
<td>Concentrated</td>
</tr>
</tbody>
</table>

- Tariffs demand a global production strategy
- Europe and A.P. fragmented provide opportunities
- Decreasing sales require a shift in mentality and sales strategy

Adapt to changes by globalizing production/distribution and broadening target market.
Current sales/marketing strategy is not working

**US:** Harley university

- Yearly Objective: **200K**
- New Trainings: **62K**
- New Riders: **32K**

170K Short & -14K sales YoY

**International:** Dealer network

- 2020 Objective: **200**
- 2017: **40**
- Sales A.P.: **-8%**
- Cost: $40M
- Cost: $8M

Bad Return

Change approach by changing marketing mentality in US and through partnerships in Europe/A.P.
Alternatives
The world is evolving progressively and Harley Davidson lives in the past

Recommendation

Change marketing strategy

Analysis

Markets

Policy

- Import, steel and aluminum tariffs raise operational and pricing strategies
- Global emissions standards threatening core product offerings

Competitive Landscape

Marketing and Sales

- Decreasing core customer base
- Lack of sales strategies for large peripheral consumer groups

Marketing

Competition

- Competition has foothold in Asia Pacific market
- Competition is more on trend with environmental and consumer standards

Implementation

Financials

Alternatives
Reinvigorate the brand

Need new clientele for sustainable growth
Risks can be mitigated

**Risk**
- Unsuccessful branding
- Sales and Distribution partnerships fail
- Unsuccessful product line

**Mitigation**
- Invest in additional advertising
- Source other partners in key regions
- Invest in more product development

**Contingency**
- Partner with luxury brands
- Invest in in-house sales and distribution network
- Retrench in traditional product lines

**Takeaway**
- Consider diversifying partnerships and investments to mitigate risks.
- Focus on product development and strong branding to enhance sales and distribution.
Implementation
Recommendation
Analysis
Alternatives
Implementation
Financials

Expand Ridership → Product Innovation → Navigate Changing Markets
In the short term, expanded marketing initiatives are essential for brand viability.
Expand Ridership → Product Innovation → Navigate Changing Markets
**Recommendation:** Bring new customer segments onboard by targeting multiple personas.

**Analysis:**

- **Classic Harley Davidson Consumer**
  - 35+ Male
  - Upper middle class
  - Community

- **Modern Harley Davidson Consumer**
  - Diverse Genders, Ages, Stories
  - Upper middle class
  - Community

**Alternatives:**

- Millennials 25+
- Women

**Implementation:**

Bringing on new types of consumers will increase sales worldwide.
Use digital and event marketing to drive consideration and conversion

Digital Marketing
- Community focus
- Targeted social media: Facebook, Instagram
- Videos, images, branded content
- Drive to sign up Harley community

Event Marketing
- Product focus
- Tech, vehicle fairs, trade shows
- Experiential, showcase innovations
- Drive to buy product

Digital marketing will build the community and events will showcase the product.
Empower existing riders to expand the Harley community

Sense of responsibility → Mentorship opportunity → Referral program: accessory discounts

Focus on community is a key success factor
Recommendation
Analysis
Alternatives
Implementation
Financials

Expand Ridership → Product Innovation → Navigate Changing Markets
Innovate through integrated virtual community and apparel

Virtual Community
- GPS on motorcycle
- Platform, app
- Data feeds to database
- Chat
- Events
- Trips

Apparel Innovations
- Airbag jackets
- Connected helmets
- Keyless access
Navigate changing markets through strategic expansion

**US**
- Dealerships
  - Maintain all product lines, import from CAN
  - Riding Academy

**EU**
- Partnerships
  - EV, Street, Sportster

**ASIA**
- Street, Dyna, Softail
  - Roll out EV in long-term

Virtual Community

Although market requires a unique plan, the Harley community is truly global
Financials
Use of Funds: $40M

- International Partnerships: $25M
- US Marketing Revamp: $10M
- Apparel technology: $5M

Source of Funds

- Organic
- Outstanding Shares

Revenue

- US: $2.5Bn
- International: $2.1Bn
- India/China: $0.4Bn

Conservative fund allocation framework to protect ROI
### Growth based on revamping sales and marketing strategy

<table>
<thead>
<tr>
<th>Growth Assumption</th>
<th>2018 Sales</th>
<th>2027 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>151K</td>
<td>180K</td>
</tr>
<tr>
<td>International</td>
<td>2,500</td>
<td>25K</td>
</tr>
<tr>
<td>India/China</td>
<td>100K</td>
<td>155K</td>
</tr>
<tr>
<td>Avg. Price</td>
<td>$16K</td>
<td>$14K</td>
</tr>
<tr>
<td>Sales</td>
<td>$4Bn</td>
<td>$5Bn</td>
</tr>
</tbody>
</table>

- **CAGR 10 Year Growth**: 4.3%
- **International/US**: 50-50
- **Product Distribution**: 40-30-30
  - Heavy/Mid/EV
Is the 10 year plan a recipe for success and long-term growth?

Lack understanding of customer needs and values
Sales and marketing wrong

What strategic changes should Harley Davidson implement?

Unique strategies for international markets (US vs. EU vs. ASIA)
New customer segments
Continued innovation

JMSB Consulting
Q&A