

Harley Davidson: Paving the Future of Motorcycles

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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

Recommendation

Analysis

Alternatives

Implementation

Financials

Deliver a global-minded brand catering to the needs of the future generation of riders

Recommendation

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Expand ridership

- Target multiple modern personas
- Digital and event marketing
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- Maintain classic design elements
- Integrated community connectivity
- Innovation of safety apparel

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Navigate changing markets

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

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Our plan will position Harley Davidson for success at home and abroad

Analysis

Recommendation

Analysis

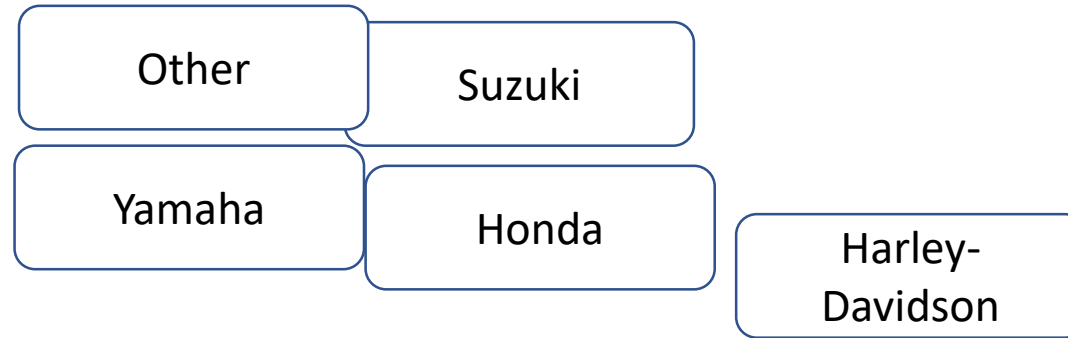
Alternatives

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Harley Davidson offers a unique brand that lacks the relevance it once had

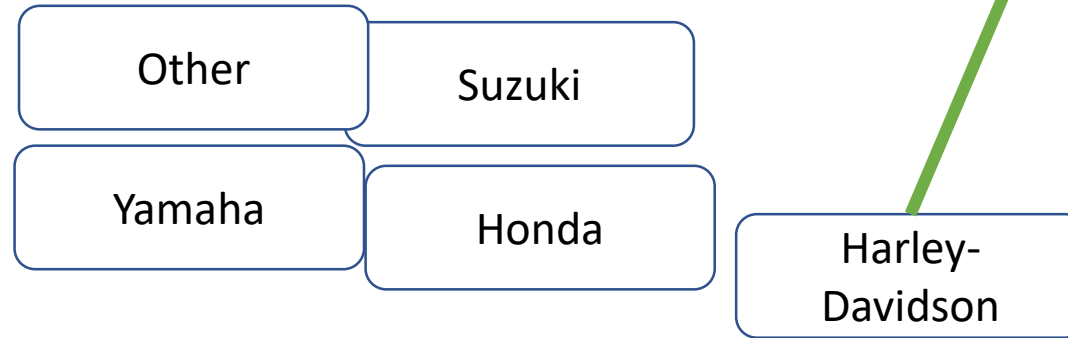
Technology



Brand Identity

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Brand Identity

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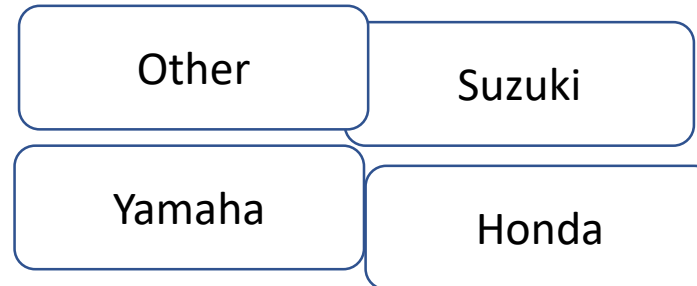
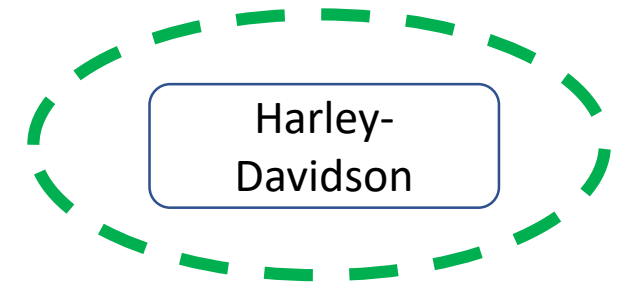
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Brand Identity

Augment brand history, design, and lifestyle with modern tech to build a modern brand

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

Classic Harley Davidson Consumer

- Self-expression
- Community
- Upper middle class

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**Retiring – no longer enough to
sustain Harley Davidson**

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Retiring – no longer enough to sustain Harley Davidson

The Millennial Consumer Values

- Self-expression
- Community
- Upper middle class
- Experiential
- Diversity
- Safety
- Sustainability

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Open-mindedness



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Mitigation of danger

Speak to millennial values to recruit new community members

Many markets offer opportunity, but require specific product focus

China
India

- Urban, small streets
- Independent dealerships not practical

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Street

Softail

Dyna

EV (future)

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

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Sportster

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- High cost of steel

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Recommendation

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

Changing
demographics

Shared values

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Opportunity to
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Technological
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Connectivity

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Development of unique Harley tech necessary

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High potential, challenging markets

Diverse product line and growing middle class

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Markets will require tailored approach

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Markets will require tailored approach

Evolve into a modern, global brand built on strong roots

Financial Analysis

Changing market conditions creates operation and sales challenges

	<u>US</u>	<u>EMEA</u>	<u>Asia Pacific</u>	<u>Canada/L.A.</u>
Sales	\$2.3Bn	\$0.7Bn	\$0.5Bn	\$0.3Bn
YoY	-8.5%	-2.0%	-7.7%	-1.9%
Tariffs	-	6%	14%-100%	0%-30%
Market Concentration	H.D. Leader	Fragmented	Fragmented	Concentrated

Decreasing sales require a shift in mentality and sales strategy

Tariffs demand a global production strategy

Europe and A.P fragmented provide opportunities

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** Cost: \$40M



2017: **40** Cost: \$8M



Sales A.P.: **-8%**

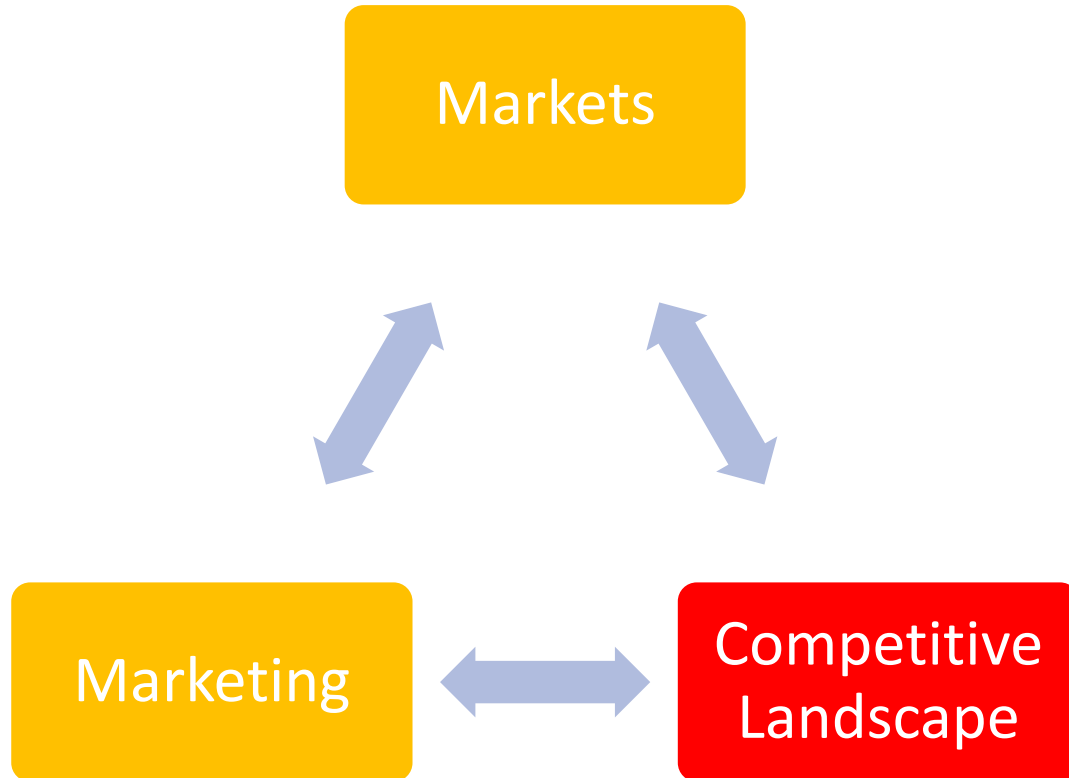


Bad Return

Change approach by changing marketing mentality in US and trough partnerships in Europe/A.P.

Alternatives

The world is evolving progressively and Harley Davidson lives in the past



Policy

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

Marketing and Sales

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

Competition

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

Change marketing strategy

Recommendation

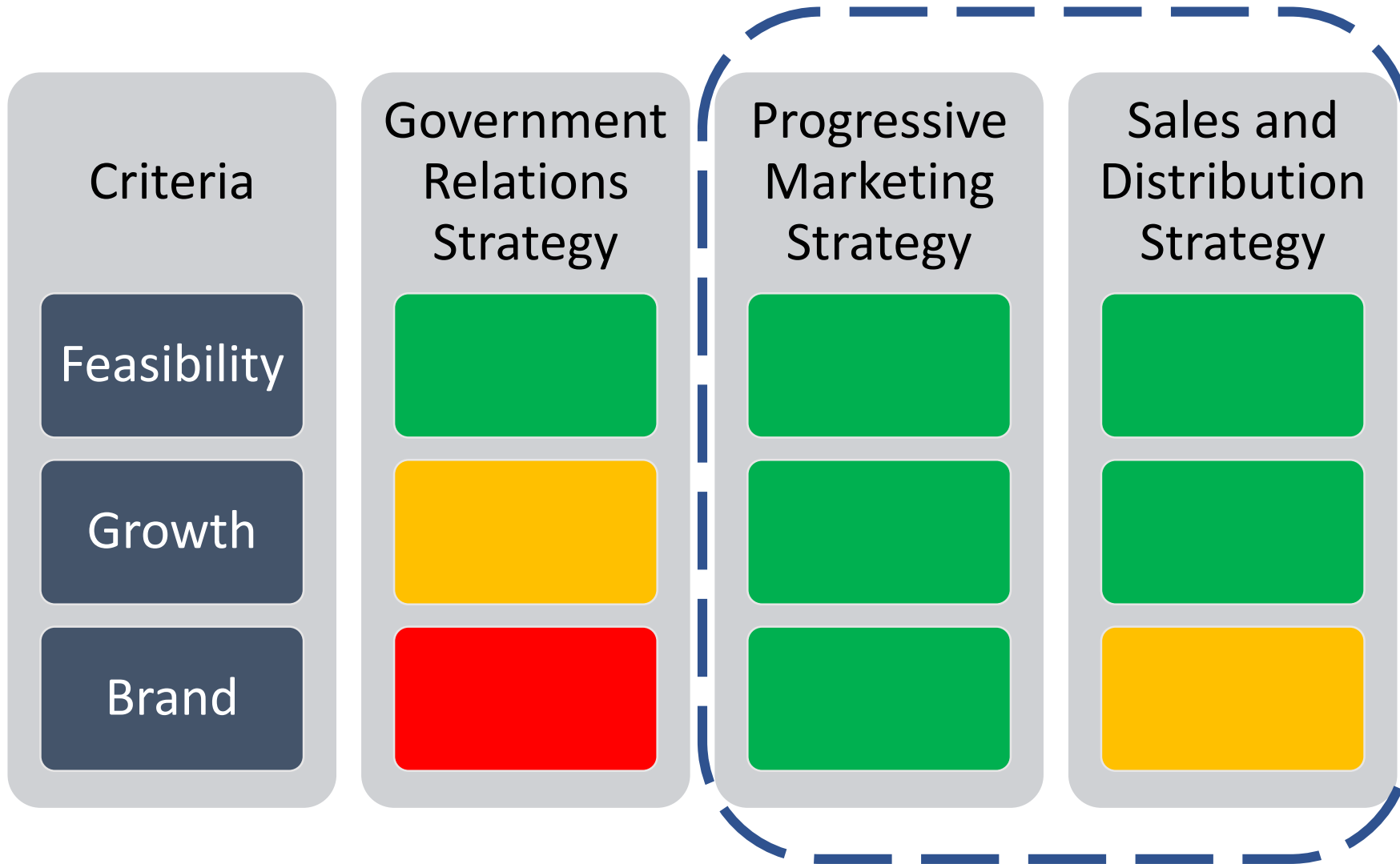
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Reinvigorate the brand



Need new clientele for sustainable growth

Recommendation

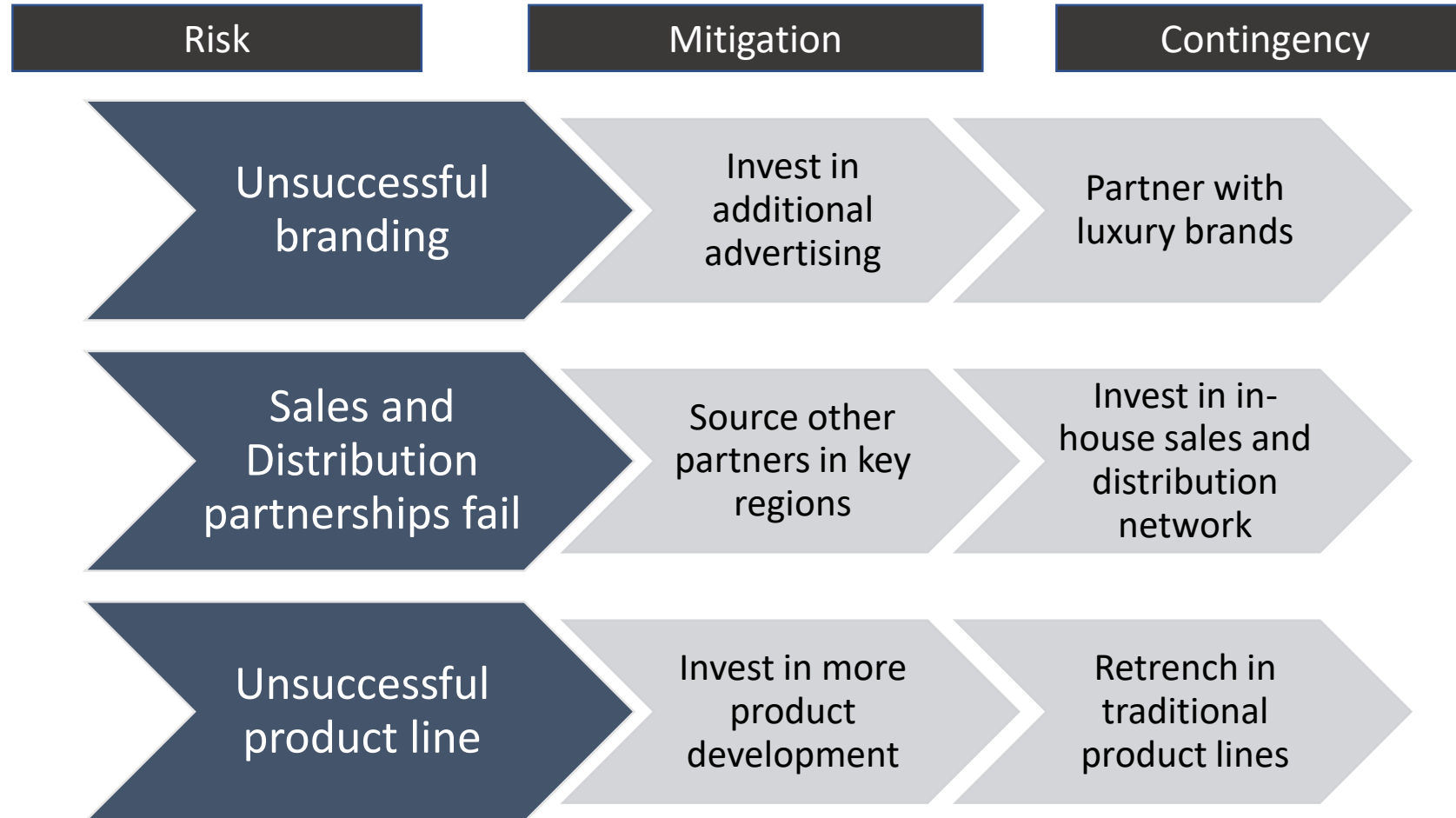
Analysis

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Risks can be mitigated



Takeaway

Implementation

Recommendation

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Expand Ridership

Product
Innovation

Navigate
Changing
Markets

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Implementation Plan at a Glance

Short Term (12 months)

Mid Term (2-5 years)

Long Term (6-10 years)

Expand
Ridership

Expand target personas

Digital & event marketing

Empower existing riders to expand the Harley family

Product
Innovation

Maintain defining visual design elements

Integrated virtual
community

Apparel safety

Continue R&D for future innovations, e.g. keyless control

Navigate
Changing
Markets

ASIA (China, then India): partnerships for sales

OTHER

EU: partnerships for sales

US: maintain sales structure

In the short term, expanded marketing initiatives are essential for brand viability

Recommendation

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Expand Ridership

Product
Innovation

Navigate
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Bring new customer segments onboard by targeting multiple personas

Classic Harley Davidson Consumer

- 35+ Male
- Upper middle class
- Community

Modern Harley Davidson Consumer

- Diverse Genders, Ages, Stories
- Upper middle class
- Community

Millennials 25+

Women

Bringing on new types of consumers will increase sales worldwide

Recommendation

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Use digital and event marketing to drive consideration and conversion

Digital Marketing

Event Marketing

Community focus

Targeted social media: Facebook, Instagram

Product focus

Tech, vehicle fairs, trade shows

Videos, images, branded content

Drive to sign up Harley community

Experiential, showcase innovations

Drive to buy product

Digital marketing will build the community and events will showcase the product

Recommendation

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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

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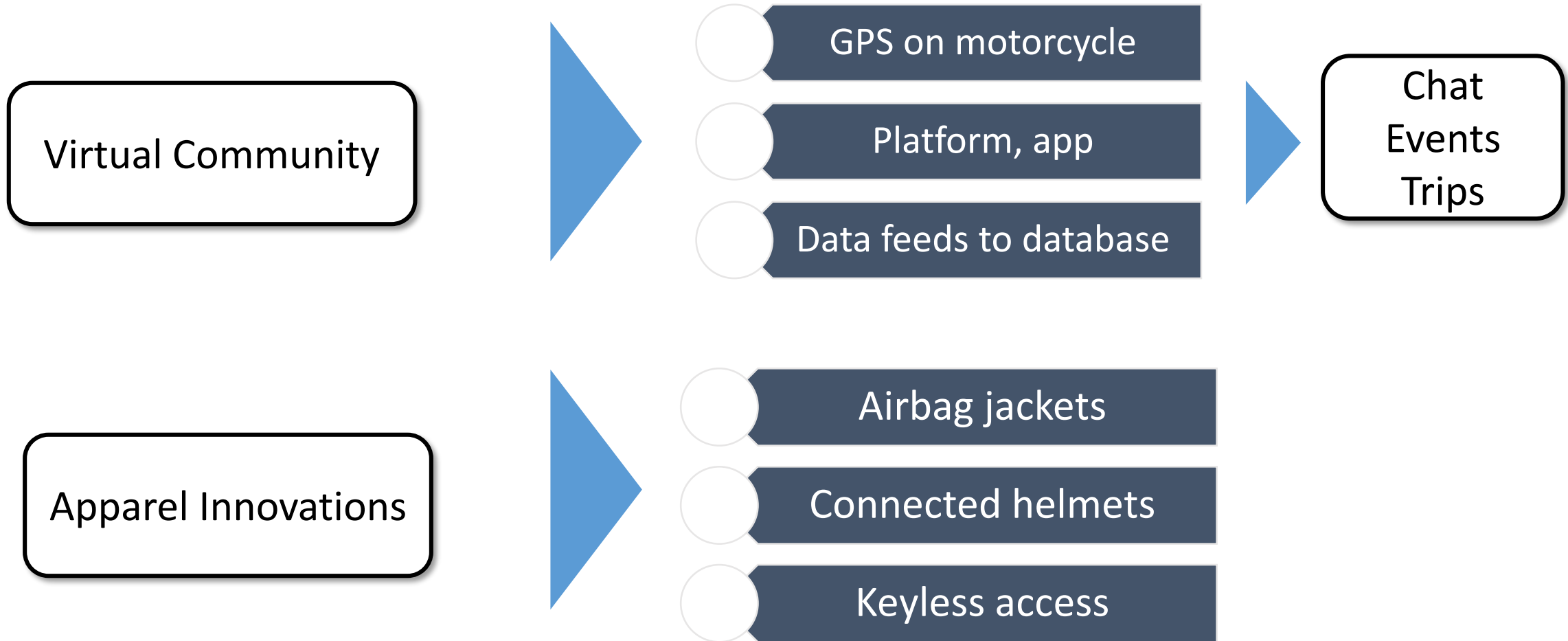
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Innovate through integrated virtual community and apparel



Add value by enabling ridership to connect locally and internationally

Recommendation

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Expand Ridership

Product
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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

Conservative fund allocation framework to protect ROI

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

Recommendation

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Growth based on revamping sales and marketing strategy

	<u>Growth Assumption</u>	<u>2018 Sales</u>	<u>2027 Sales</u>
US	2%	151K	180K
International	1,250 Units	2,500	25K
India/China	5%	100K	155K
Avg. Price		\$16K	\$14K
Sales		\$4Bn	\$5Bn

CAGR 10 Year Growth

4.3%

International/US

50-50

Product Distribution

40-30-30

Heavy/Mid/EV

The Road Ahead

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

Q&A