Harley Davidson: Driving Disruption

KAIST Consulting
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Haerin Shin, Jaewon Lee, Adam Schwarz, Jason Han
## Executive Summary

<table>
<thead>
<tr>
<th>Issue</th>
<th>Recommendations</th>
<th>Costs</th>
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Elevator Pitch

1. Expand market utilizing policy
2. Lead changing demand rather than follow
3. Attract diversified fans of Harley Davison
Global Market Share

**India**
- Bajaja(India)
- Hero(India)
- Honda(Japan)
- Yamaha(Japan)
- Other

**Europe**
- BMW(Germany)
- Honda(Japan)
- Piaggio(Italy)
- Yamaha(Japan)
- Other

**USA**
- Harley davidson(USA)
- Honda(Japan)
- Kawasaki(Japan)
- Yamaha(Japan)
- Other

**Global Motorcycle/Moped Market Value**
- Asia Pacific
- Europe
- United States

**NO Harley!**

**Only 33%!!**
WHY 5 POINT STRATEGY

Disruption
- Tariff
- Environment
- Innovation of technology
- Emerging Economy

QUESTIONS
- How we can maintain our brand
- How we can manage competitors
### Competition environment

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<tr>
<th>Location</th>
<th>Competitor</th>
<th>Market Overview</th>
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<tbody>
<tr>
<td>China</td>
<td>Jiangmen Dachangjian</td>
<td>Hard</td>
</tr>
<tr>
<td></td>
<td>Rental EV</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>Hero, Royal Enfield</td>
<td>Hard</td>
</tr>
<tr>
<td></td>
<td>Selling EV</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>BMW, Piaggio</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Hydrogen jet motor cycle</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Honda, Suzuki, Kawasaki</td>
<td>Very Hard</td>
</tr>
<tr>
<td></td>
<td>No further actions</td>
<td></td>
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People love Harley Davidson

• People desires Legacy motor cycle of Harley davidson
  ✓ Emerging Asian market, Rich asians

• Sounds of Harley Davidson is lovely
  ✓ Lovely, but too loud
  ✓ This can be simulated by technology

• E-sports is booming
  ✓ Influencers through twitch, Youtube
Financial Snapshot

- Going down
  - Competition
  - Tariffs
  - Trade Wars
  - Changing Demographics

- How can Harley Davidson reclaim decreased profits?

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<tr>
<th>Year</th>
<th>NET INCOME (USD in thousands)</th>
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<tr>
<td>2013</td>
<td>733,993.00</td>
</tr>
<tr>
<td>2014</td>
<td>844,611.00</td>
</tr>
<tr>
<td>2015</td>
<td>752,207.00</td>
</tr>
<tr>
<td>2016</td>
<td>692,164.00</td>
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<tr>
<td>2017</td>
<td>521,759.00</td>
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Financial Snapshot

- Not a lot drastic change to cost of revenue
- Impressive control of costs
How Do We Make Money

- Motorcycles
  - Touring
  - Street
  - Dyna
  - Softail
  - V-Rod
  - Sportster

- Financial Services
  - Everyone deserves a Harley

- Parts & Accessories
  - Keeping Harley’s on the road

- Merchandise
  - Extreme global portfolio

- Iconic Brand
  - Licensing
### Pricing Model

#### Rental EV
- Moped’s
  - Per Hour
  - $5/hour
- Luxury
  - Per day
  - $75-$100

#### Electric Motors
- Moped
  - Starting at $1500
- Prime
  - Starting at $9900
- Luxury
  - Starting at $18,000

#### Hydrogen Jet Motorcycle
- New and Revolutionary
  - Starting at $21,000
## Recommendation Costs

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## Revenue Projections

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<th>YEAR</th>
<th>USD (IN THOUSANDS)</th>
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<tr>
<td>2018</td>
<td>$5,873,112.96</td>
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<tr>
<td>2019</td>
<td>$6,416,012.36</td>
</tr>
<tr>
<td>2020</td>
<td>$7,169,896.30</td>
</tr>
<tr>
<td>2021</td>
<td>$8,317,079.71</td>
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<tr>
<td>2022</td>
<td>$9,647,812.46</td>
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The graph above illustrates the projected revenue growth from 2018 to 2022, with a steady increase each year.
## Risk and Mitigations

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<th>Likelihood</th>
<th>Damage</th>
<th>Mitigation</th>
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| Change in China attitude towards US Brands   | Low        | Medium | - Marketing campaign  
- Country/Culture expert  
- E-Sports influence |
| Alienate traditional customer base           | Low        | High   | - Keep Iconic Products  
- Segregate branding  
- New Hydrogen Jet Bike |
| Government Policy Change                     | High       | Medium | - US Lobbying  
- Currency Hedge  
- Diversify Portfolio  
- Manufacturing to other countries |
| IP Issues                                    | Medium     | Medium | - Keep manufacturing out of China  
- Good Lawyer Team  
- First to market on innovation |
| Slow Adoption of Hydrogen Technology         | Low        | Medium | - Work with Toyota  
- Work with local and federal governments  
- Marketing campaign  
- Partial funding if need be |
Implementation: Changing Policies

- Increasing Tariffs
- Increased cost
- Increased price
- Lost price competitiveness
Implementation: Changing Policies

**Expand Thailand facility**
- Cheaper cost
- Closed to new market (Asia)
- Rev $480 million a year in Asia
- $50 million expansion cost

**US Lobbying**
- Lessen tariff
- $100,000 a year
Implementation: Changing Demand

- Environmental cause
  - Air pollution
  - EV

- Low Price
  - High efficiency
  - Utility vehicle
  - Price efficiency

- Technology Disruption
  - EV
  - AV
Implementation: Changing Demand

Push for “EV”
- Development in process
- Fuel efficient
- Solves environmental cause
- $1 million/year R&D investment

Start “Hydrogen-Jet” motorcycle
- JV with Toyota
- Fuel efficient
- Strengthened branch (power)
- $12 million initial investment

Launch “Rental business”
- New business model
- Expensive to buy, cheaper to rent
- Targets price sensitive customers
- Rental racks/shops
- $2 million initial investment
Implementation: Changing Demand

Rental business

- **Rental racks**
  - For mopeds
  - Installed on the streets
  - GPS attached for each unit
  - Customer behavior database

- **Rental shops**
  - For more luxurious models
  - Sales shops used for rental shops
  - Engagement with potential customers

1/10/2019
Implementation: Changing Demand

Rental business

6 month
- Inventory setup
- Distribution channel setup

1 year
- Sales shop as a rental service shops
- Rental racks installation

1 ½ year
- Launch of the rental business

2 year
- New revenue created
- More contacts with potential customers
Implementation: Changing Demographic

New countries
- Asia
- China

New customer group
- Young
- Female
Implementation: Changing Demand

Push for "Street fighter"
- Light
- Agile
- Practical
- Targets Asian market

Push for "EV"
- Mainly targets Chinese market
- Air pollution
- Difficult to get driver’s license
- $1 million/year R&D investment