

KAIST College of Business

Harley Davidson

: Driving Disruption

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KAIST Consulting

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Executive Summary

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Issue	Recommendations	Costs
Changing Government Policies - Tariffs	<ul style="list-style-type: none"> - Expand existing Thailand facility to support entrance to Asia-Pacific - Hire US Lobbying firm to advocate for Tariff reductions and exceptions 	\$35 Million \$100 K/yr (for 3yrs)
Changing Demand - Disruptors and Technology	<ul style="list-style-type: none"> - Aggressive Marketing Plan to embolden new technologies - China Marketing Plan to help expansion into EV Moped market - Extend EV options to entire product line-up - Produce Hydrogen-Jet motorcycle for 'greener' iconic Harley rumble <ul style="list-style-type: none"> - JV with Toyota - Embrace the Rental Economy: US & China 	3% of Sales \$1 Million/yr \$12 Million \$2 Million
Changing Demographic - Strength in Diversity	<ul style="list-style-type: none"> - Aggressive Marketing Plan to redefine the Harley brand for all demographics: More ethnicities, more Women, more people - Sponsor E-Sport racing events and influence developers of video games 	3% of Sales \$1 Million/yr (for 5 yrs)

Elevator Pitch

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Expand market utilizing policy



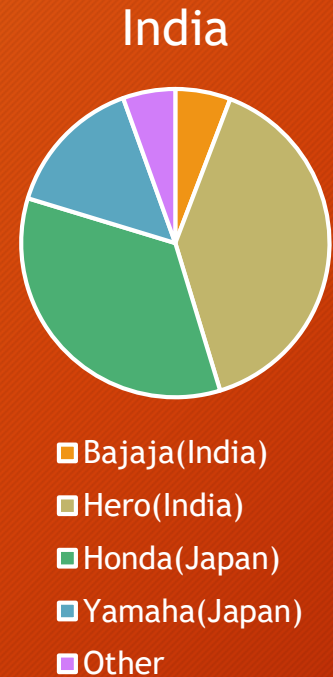
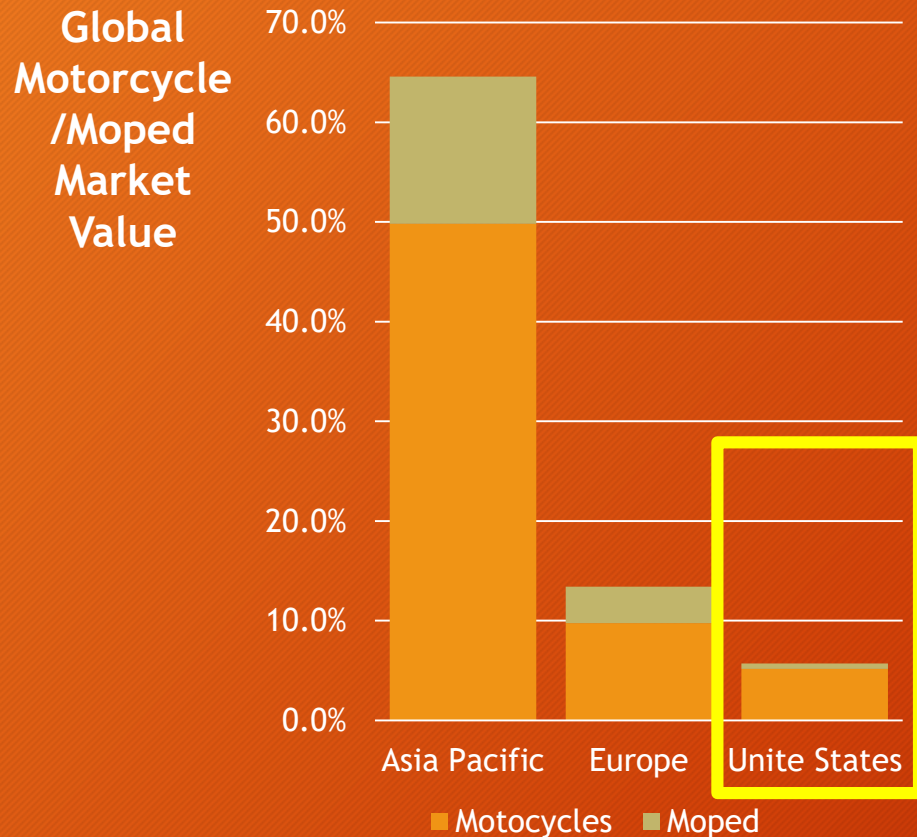
Lead changing demand rather than follow



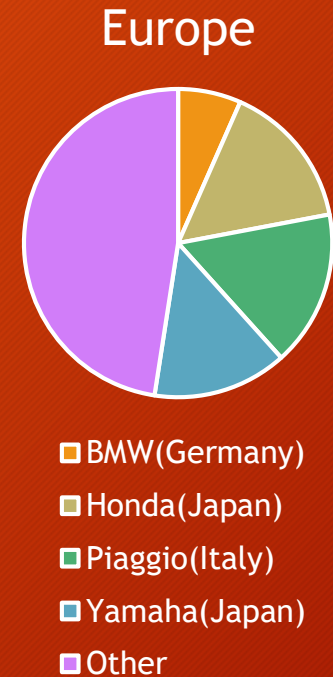
Attract diversified fans of Harley Davison

Global Market Share

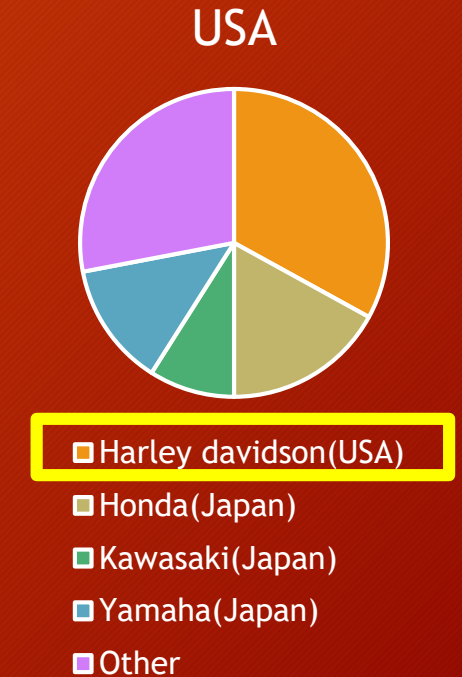
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NO Harley!



NO Harley!



Only 33%!!

WHY 5 POINT STRATEGY

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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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China

- Competitor : Jiangmen Dachangjian

Hard

- Rental EV

India

- Competitor : Hero, Royal Enfield

Hard

- Selling EV

EU

- Competitor : BMW, Piaggio

Positive

- Hydrogen jet motor cycle

Japan

- Competitor : Honda, Suzuki, Kawasaki

Very Hard

- No further actions

People love Harley Davidson

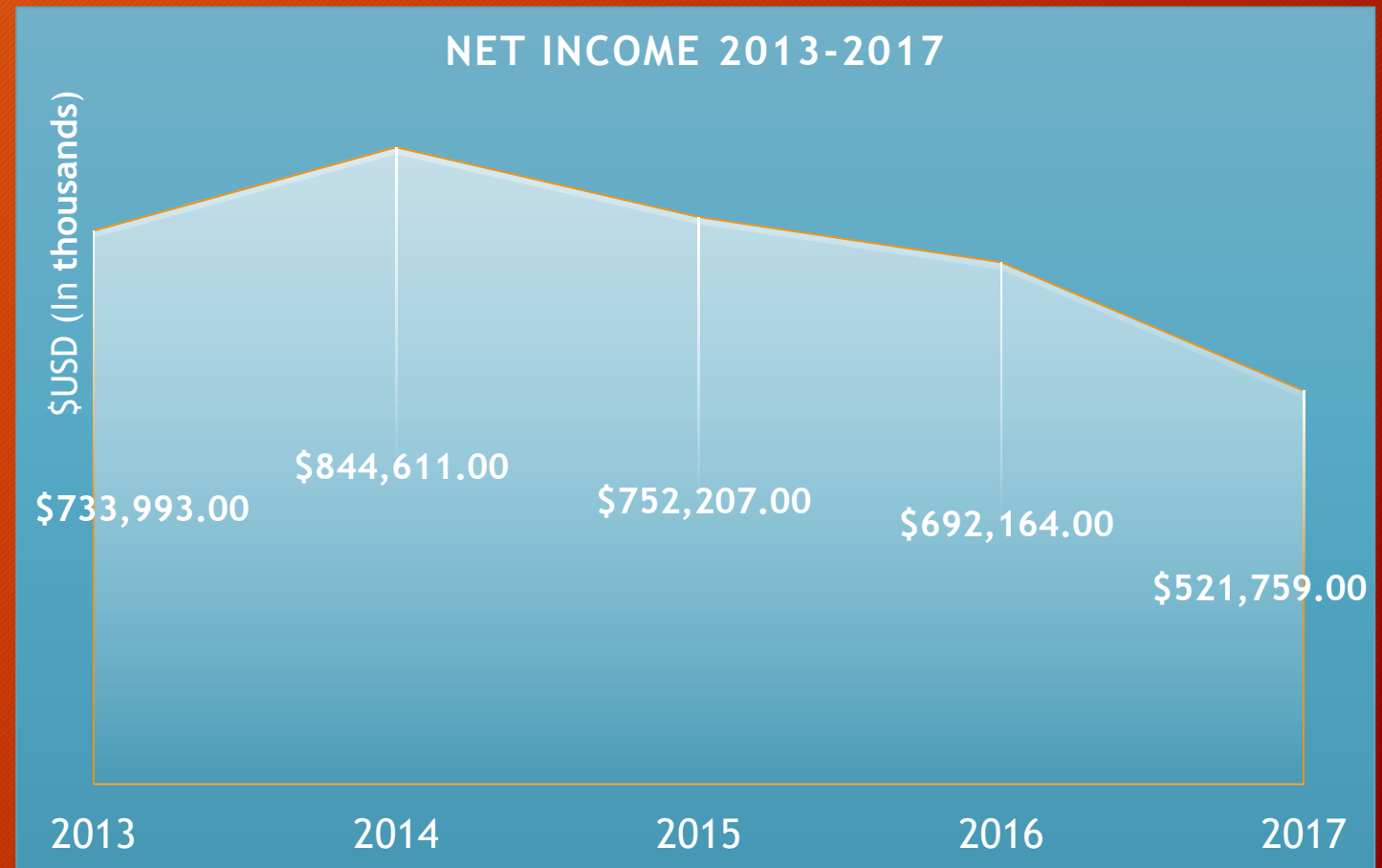
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- **People desires Legacy motor cycle of Harley davidson**
 - ✓ Emerging Asian market, Rich asians
- **Sounds of Harley Davidson is lovely**
 - ✓ Lovely, but too loud
 - ✓ This can be simulated by technology
- **E-sports is booming**
 - ✓ Influencers through twitch, Youtube

Financial Snapshot

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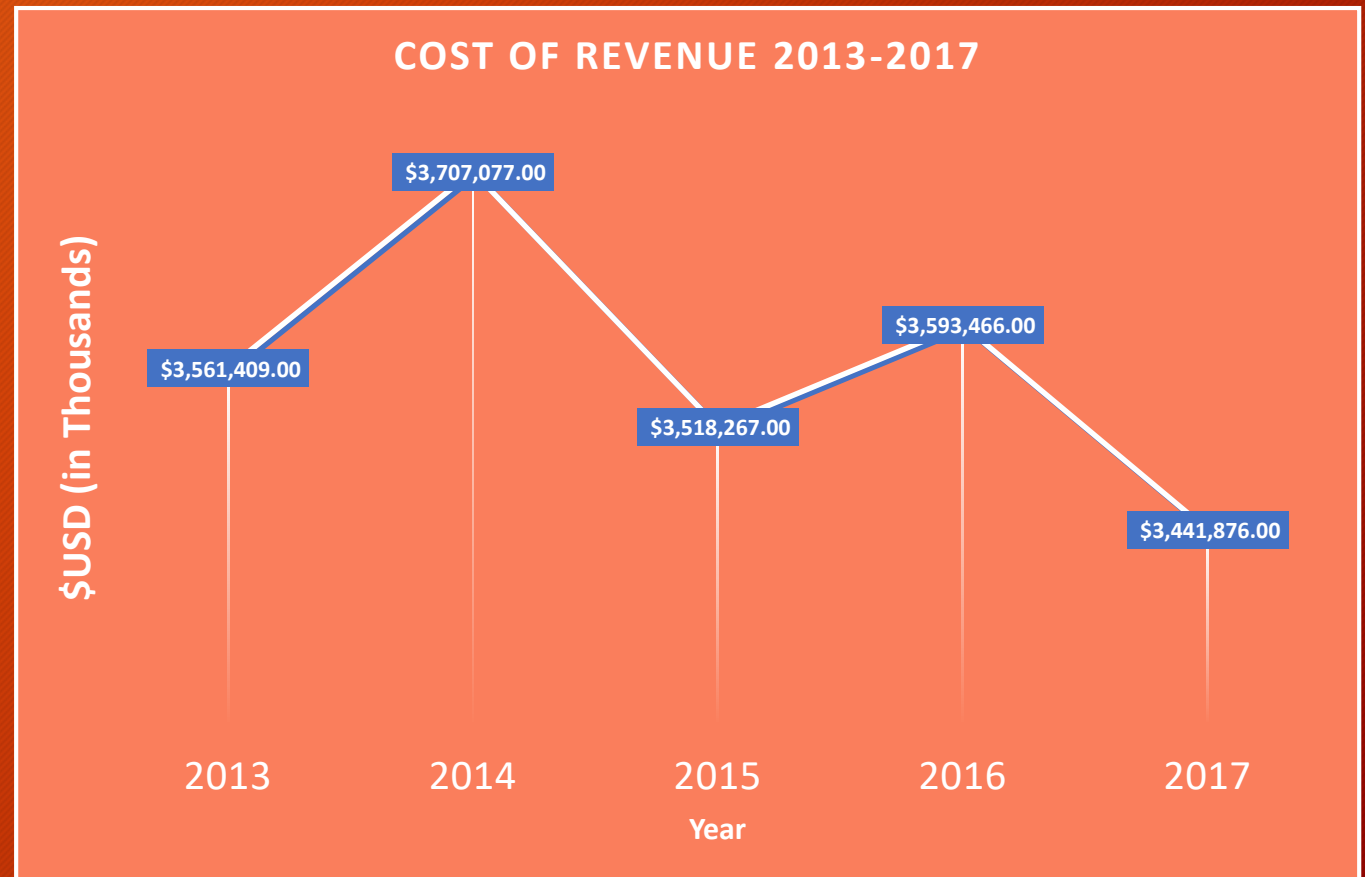
- Going down
 - Competition
 - Tariffs
 - Trade Wars
 - Changing Demographics
- How can Harley Davidson reclaim decreased profits?



Financial Snapshot

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- Not a lot drastic change to cost of revenue
- Impressive control of costs



How Do We Make Money

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- 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

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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

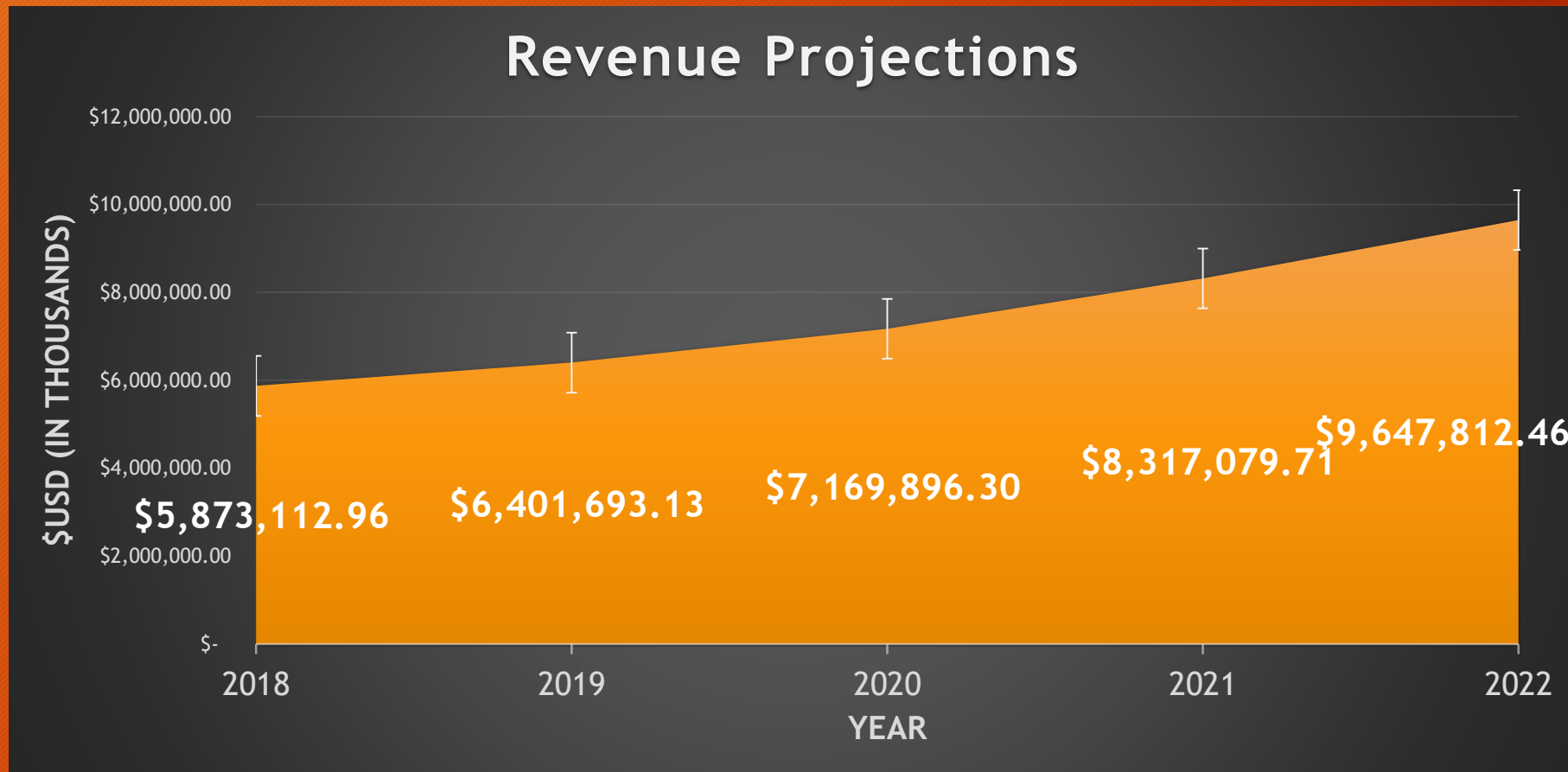
- New and Revolutionary
 - Starting at \$21,000

Recommendation Costs

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Revenue Projections



Risk and Mitigations

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Risk	Likelihood	Damage	Mitigation
Change in China attitude towards US Brands	Low	Medium	<ul style="list-style-type: none"> - Marketing campaign - Country/Culture expert - E-Sports influence
Alienate traditional customer base	Low	High	<ul style="list-style-type: none"> - Keep Iconic Products - Segregate branding - New Hydrogen Jet Bike
Government Policy Change	High	Medium	<ul style="list-style-type: none"> - US Lobbying - Currency Hedge - Diversify Portfolio - Manufacturing to other countries
IP Issues	Medium	Medium	<ul style="list-style-type: none"> - Keep manufacturing out of China - Good Lawyer Team - First to market on innovation
Slow Adoption of Hydrogen Technology	Low	Medium	<ul style="list-style-type: none"> - Work with Toyota - Work with local and federal governments - Marketing campaign - Partial funding if need be

Implementation : Changing Policies

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Increasing
Tariffs

Increased
cost

Increased
price

Lost price
competitive-
ness

Implementation : Changing Policies

Expand Thailand facility

Cheaper cost

Closed to new market (Asia)

Rev \$480 million a year in Asia

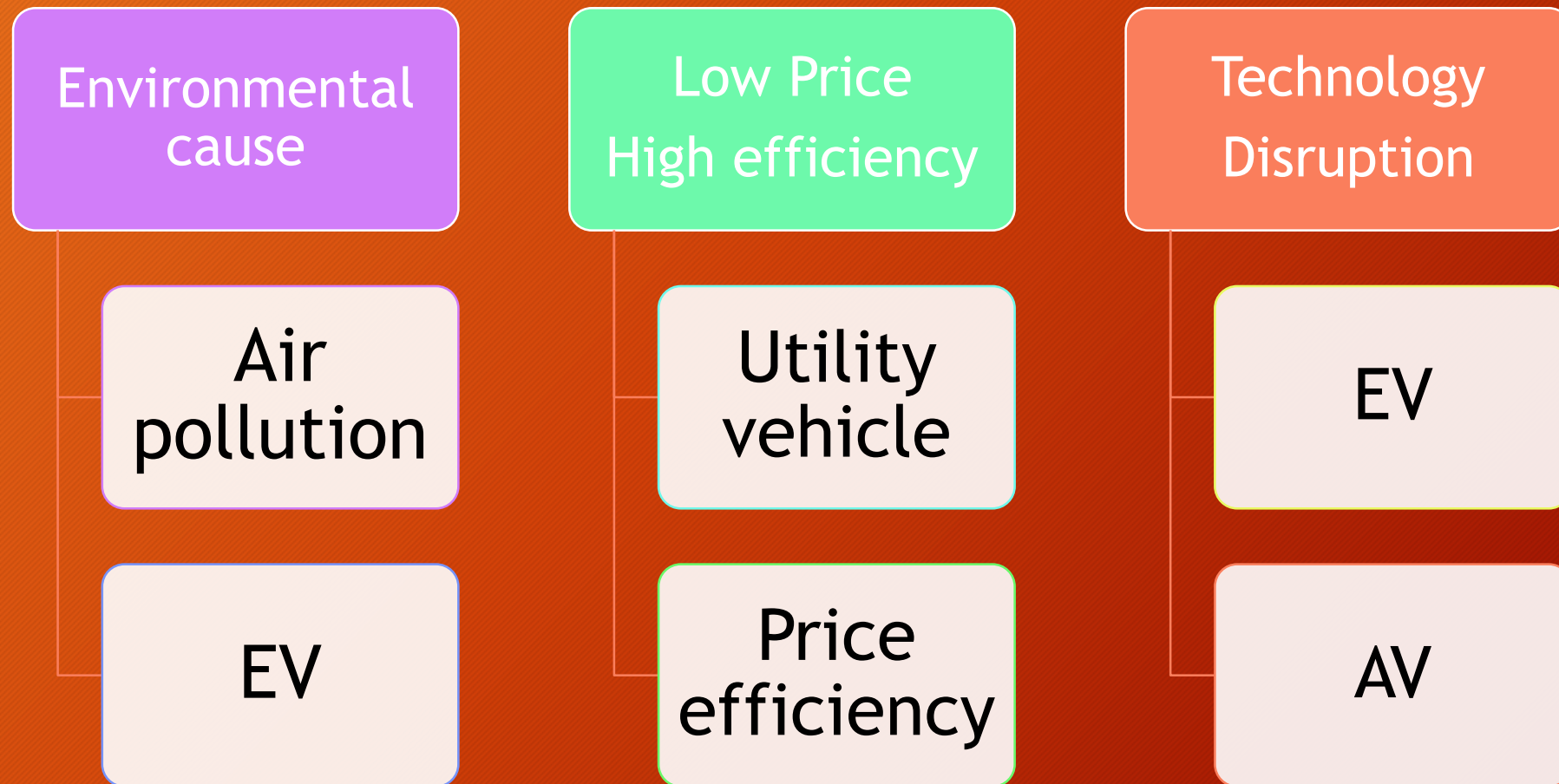
\$50 million expansion cost

US Lobbying

Lessen tariff

\$100,000 a year

Implementation : Changing Demand



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

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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

Implementation : Changing Demand

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Rental business

6 month

- Inventory setup
- Distribution channel setup

1 year

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

1 ½ year

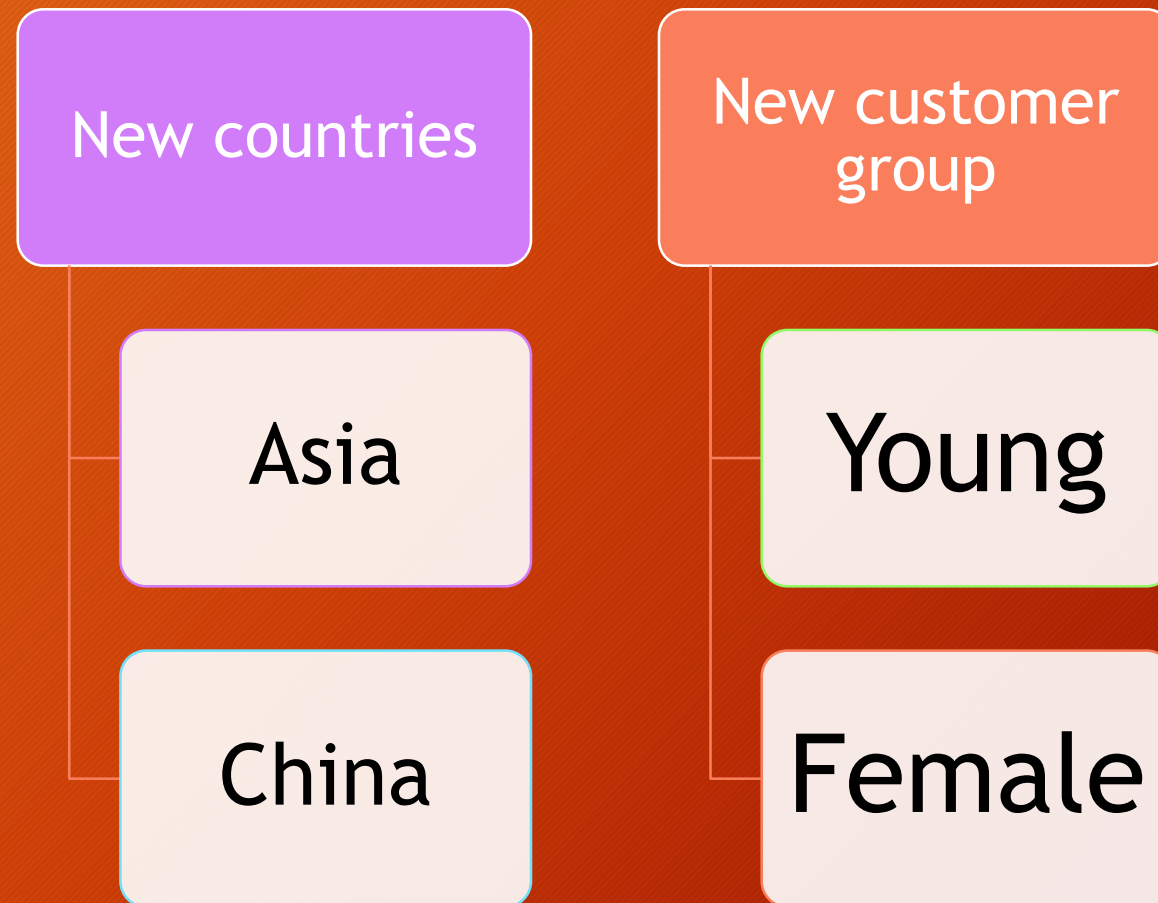
- Launch of the rental business

2 year

- New revenue created
- More contacts with potential customers

Implementation : Changing Demographic

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Implementation : Changing Demand

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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