Harley Davidson – The ride of freedom

LUSEM Consulting Group
Lund University School of Economics and Management
1/10/2019
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Presenting to:
Mr Matt Levatich
Freedom
“To stay the same you need to change”
“To stay the same you need to change”

Harley Davidson

Livewire By Harley Davidson

R&D ready to meet the future of riding
Agenda

- Situation
- Analysis
- Alternatives
- Recommendation
- Implementation
- Financials
- Risks
- Conclusion
Looking at the Brand identity of Harley Davidson

Physique
Big, bold & loud

Expression
Classic and traditional

Reflection
A free adventurer enjoying the ride

Brand Core
Freedom to ride

Personality
“Bad ass” rider

Culture
American values & Quality

Self image
Your are in the center claiming your space

Situation

Analysis

Alternatives

Recommendation

Implementation

Financials

Risks

Conclusion
The 10 year plan and the current threats

**2027**
- 2 million new riders in the US
- Develop EVs
- 50% International business
- ROI in the best 25% of S&P 500

**Threats**
- Shrinking consumer base
- Disruptive EV players in the market
- Tariffs hindering export
- Risk to stretch brand identity

**Situation**

**Analysis**

**Alternatives**

**Recommendation**

**Implementation**

**Financials**

**Risks**

**Conclusion**
Main Challenge

• How can Harley Davidson secure market leadership and long term growth in the face of a changing market without loosing the brand identity

Recommendation

• Establish daughter brand to drive EV whilst opening original brand Harley Davidson to new target audience
Starting out with your customer

- +35 years old
- Men
- Industry driven
- High disposable income

Aging target audience
Changing needs
Is the target audience limiting wider brand consideration
Forces in the competitive landscape

Asian markets pushing lighter vehicles

Emission regulation

EV & AV

TTP and steel tariffs

The motorcycle market
Starting out with your customer

Harley Davidson

33%
Volume share US

Worldwide

21,5 mopeds
78,5 % motorcycles

Europe

Index 71

Trend setting

Consumer preference

European decrease in HD
Alternative routes

- **POME**
  - Develop moped-segment to target POME (point of market entry)

- **Transport**
  - Develop electric vehicle transport segment to drive market penetration in Asia

- **Livewire**
  - Strengthen brand identity through daughter-brand targeting a wider customer base
Evaluation Criteria for success

1. Widen target audience
2. Drive profitability
3. Strengthen brand core
Evaluating HD’s alternative routes for growth

1. Widen target audience
2. Drive profitability
3. Strengthen brand core

POME
Transport
Livewire

- Green: High Priority
- Yellow: Medium Priority
- Red: Low Priority
Main Challenge

- How can Harley Davidson secure market leadership and long term growth in the face of a changing market without losing the brand identity?

Recommendation

- Establish daughter brand to drive EV whilst opening original brand Harley Davidson to new target audience.
Explaining the recommendation in three steps

1. Engagement campaign to target female audience
2. Separate Livewire by Harley out as daughter brand
3. Drive R&D synergies through Livewire

Key objectives:
- Over 2m new riders at home
- 60% international business with ROI %
- Long term growth through innovation & sustainability
Harley-Davidson: The ride of freedom

- Over 2m new riders at home
- Livewire by Harley
- R&D
- Long term growth through innovation & sustainability
- 60% international business with ROI %

Harley Davidson: Genderless

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Tapping into the market of female riders

HD: Genderless

- Free fun ride for women as well
- Design team
  - Market & Sales
- Outer design for lighter weight models
  - Brand Ambassadors
  - Advertisement/Media/Product placement
- 40 million
- 100 000
- 10 million
Livewire by Harley

- Building subsidiary focus on electric vehicles
- US, Europe & Oceania
- R&D
- Marketing
- Product development
- New plant
- Showrooms in urban centres
- Franchise distribution channel
- 40 million
- 400 million
- 10 million
- 10 m/year

Reaching out to young customers around the globe
Using data analysis to achieve long term growth

R&D Center

• One central R&D center focusing on sustainable solutions

• R&D
  • Hire Business Intelligence team

• Hire engineers to improve technology and testing models
  • Buy in and analyze data
  • Feedback and prediction

• 1.2 million

Situation
Analysis
Alternatives
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Financials
Risks
Conclusion
<table>
<thead>
<tr>
<th>$</th>
<th>2018</th>
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A receipt for long-term growth?

Launch lightweight in India

Distribution facility in China

Merchandise & apparel
A receipt for long-term growth?

Globalisation
- Launch lightweight in India

Market expansion
- Distribution facility in China

Disruption in EV
- Merchandise & apparel
A receipt for long-term growth?

Harley Davidson: Genderless

Livewire by Harley

R&D

Globalisation

Market expansion

Disruption in EV
## Costs of implementation

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<td>Outer design</td>
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**Design and marketing**
# Costs of implementation

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<td>528.65</td>
<td>179.95</td>
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Entering global market
## Costs of Implementation

### Research and Development

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## Costs of implementation

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<td>528.7</td>
<td>180.0</td>
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<td>177.0</td>
<td>560.7</td>
<td>212.0</td>
<td>215.2</td>
<td>218.9</td>
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Total investments: $1.4 B

Fund with internal funds
Revenue growth

CAGR of 7%

$7.5 BN sales in 2022

2.2% of global EV market 2022

Situation

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Stabilising margins

![Graph showing gross margin and operating margin from 2017 to 2022]
Profits stabilising 2020

Profit after investments

<table>
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<tr>
<th>Year</th>
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<td>Value</td>
<td>216.4</td>
<td>110.9</td>
<td>461.7</td>
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Market positioning giving market shares

- **2017**
  - Harley: 7%
  - Others: 93%

- **2022**
  - Harley: 9%
  - Others: 91%
Reaching goals

- 50% global sales achievable (44% in 2022)
- Approx. 400k new Harley drivers per year: 4M new drivers 2027
- Return on investment in line with top 25% of S&P 500
- Financially sustainable

2027
Harley Davidsson – The ride of freedom

Risks

<table>
<thead>
<tr>
<th>Risks</th>
<th>Mitigations</th>
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<td>1. Global tariffs impact cost structure</td>
<td>Opening up a new plant in Europe and avoid Asian trade war</td>
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<tr>
<td>2. Emission regulation in Asia and Europe</td>
<td>Use livewire synergies to minimize impact</td>
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<tr>
<td>3. Widening of target audience clashing with existing customer base</td>
<td>Communicating Brand core</td>
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Likelihood

Impact

1. Global tariffs impact cost structure
2. Emission regulation in Asia and Europe
3. Widening of target audience clashing with existing customer base
The 10 year plan and the current threats

**Situation**

- 2 million new riders in the US
- Develop EVs
- 50% International business
- ROI in the best 25% of S&P 500

**Analysis**

- Shrinking consumer base
- Disruptive EV players in the market
- Tariffs hindering export
- Risk to stretch brand identity

**Alternatives**

- Reach new customer base in women and younger audience
- Create brand focus with Livewire as daughter brand
- Livewire production in Europe
- Two focused brands to reach high ROI

**Recommendation**

**Implementation**

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Recommendation

• Establish daughter brand to drive EV whilst opening original brand Harley Davidson to new target audience
Freedom to ride