

Harley Davidson – The ride of freedom

LUSEM Consulting Group

Lund University School of Economics and Management

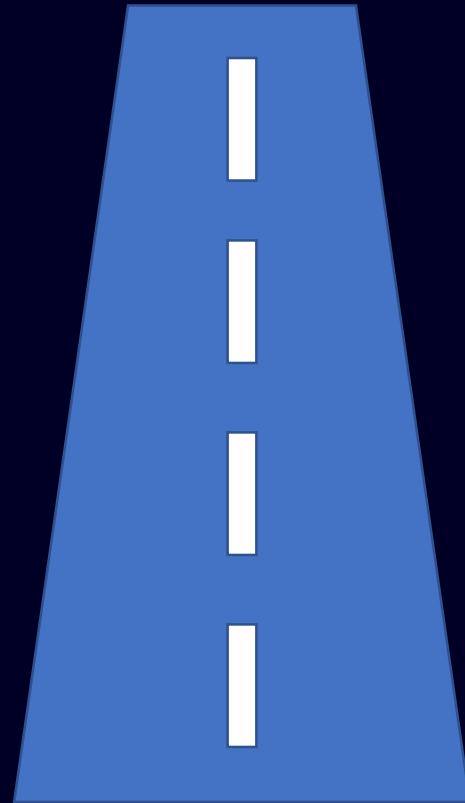
1/10/2019

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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



Personality

“Bad ass” rider

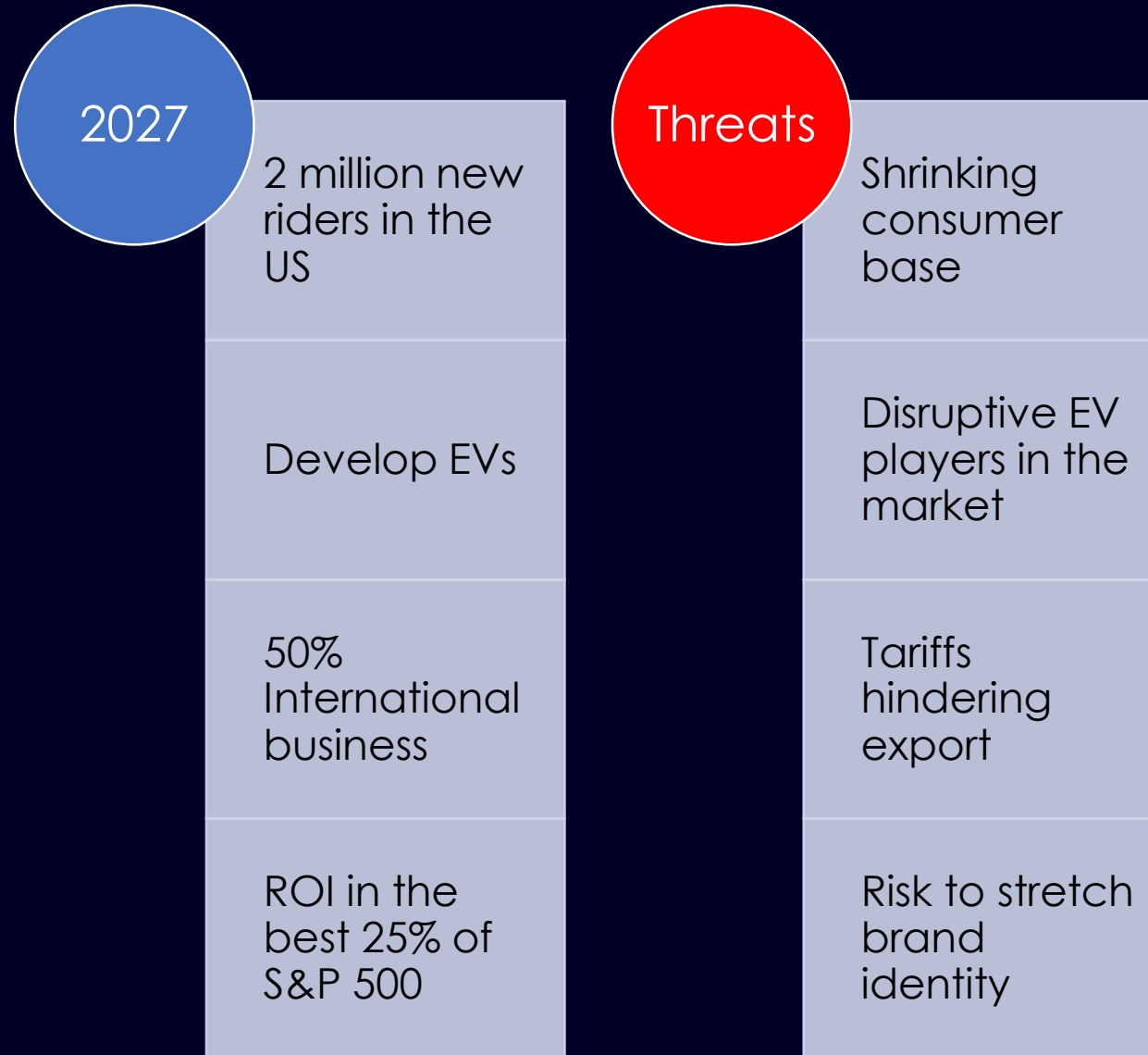
Culture

American values & Quality

Self image

You are in the center claiming your space

The 10 year plan and the current threats



Situation

Analysis

Alternatives

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Financials

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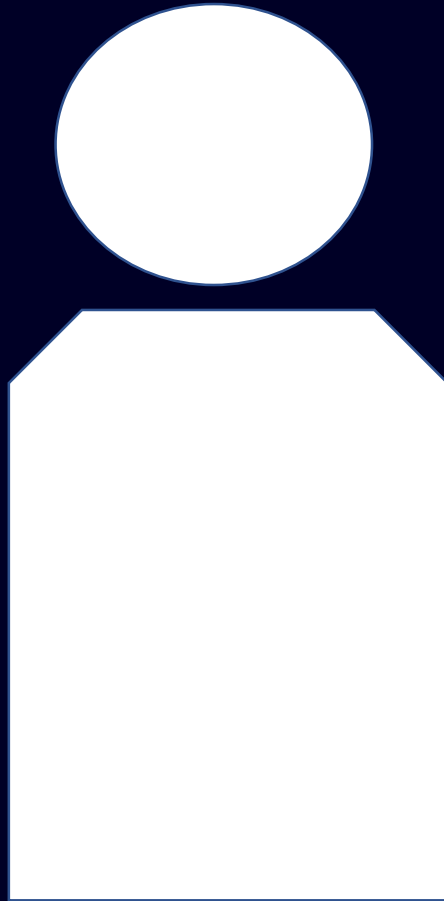
Main Challenge

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

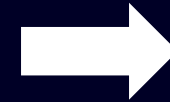
Recommendation

- Establish daughter brand to drive EV whilst opening original brand Harley Davidson to new target audience

Starting out with your customer



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



Aging target audience



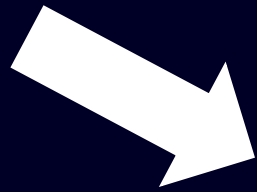
Changing needs



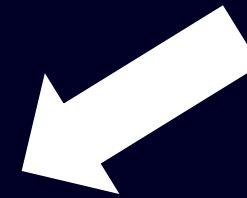
Is the target audience limiting wider brand consideration

Forces in the competitive landscape

Asian markets pushing lighter vehicles

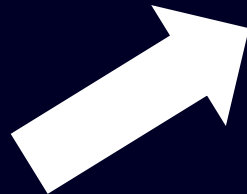


EV & AV

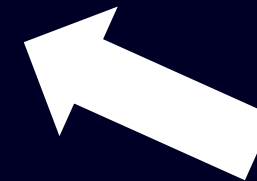


The motorcycle market

Emission regulation



TTP and steel tariffs



Situation

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Alternatives

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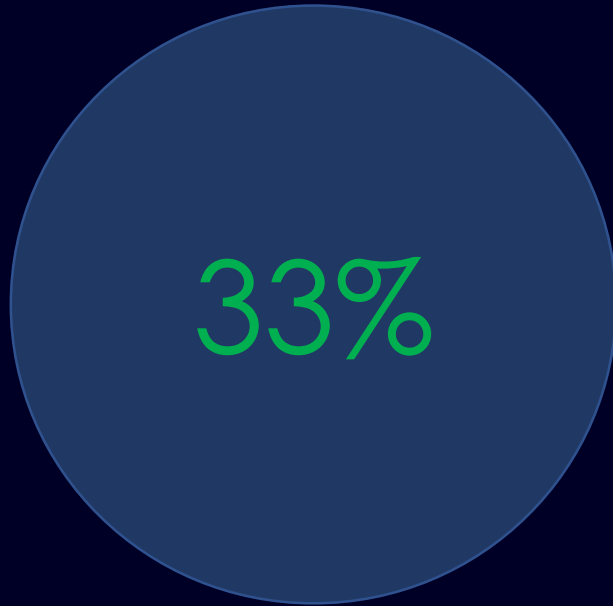
Financials

Risks

Conclusion

Starting out with your customer

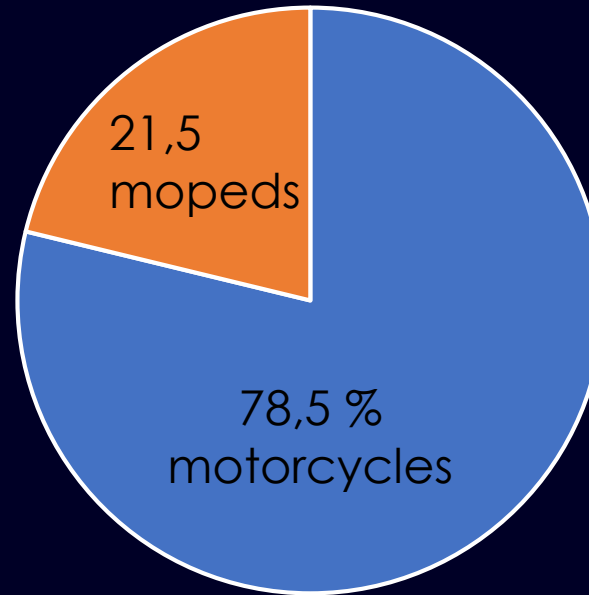
Harley Davidson



Volume share US

Trend setting

Worldwide



Consumer preference

Europe



European decrease in HD

Situation

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Alternatives

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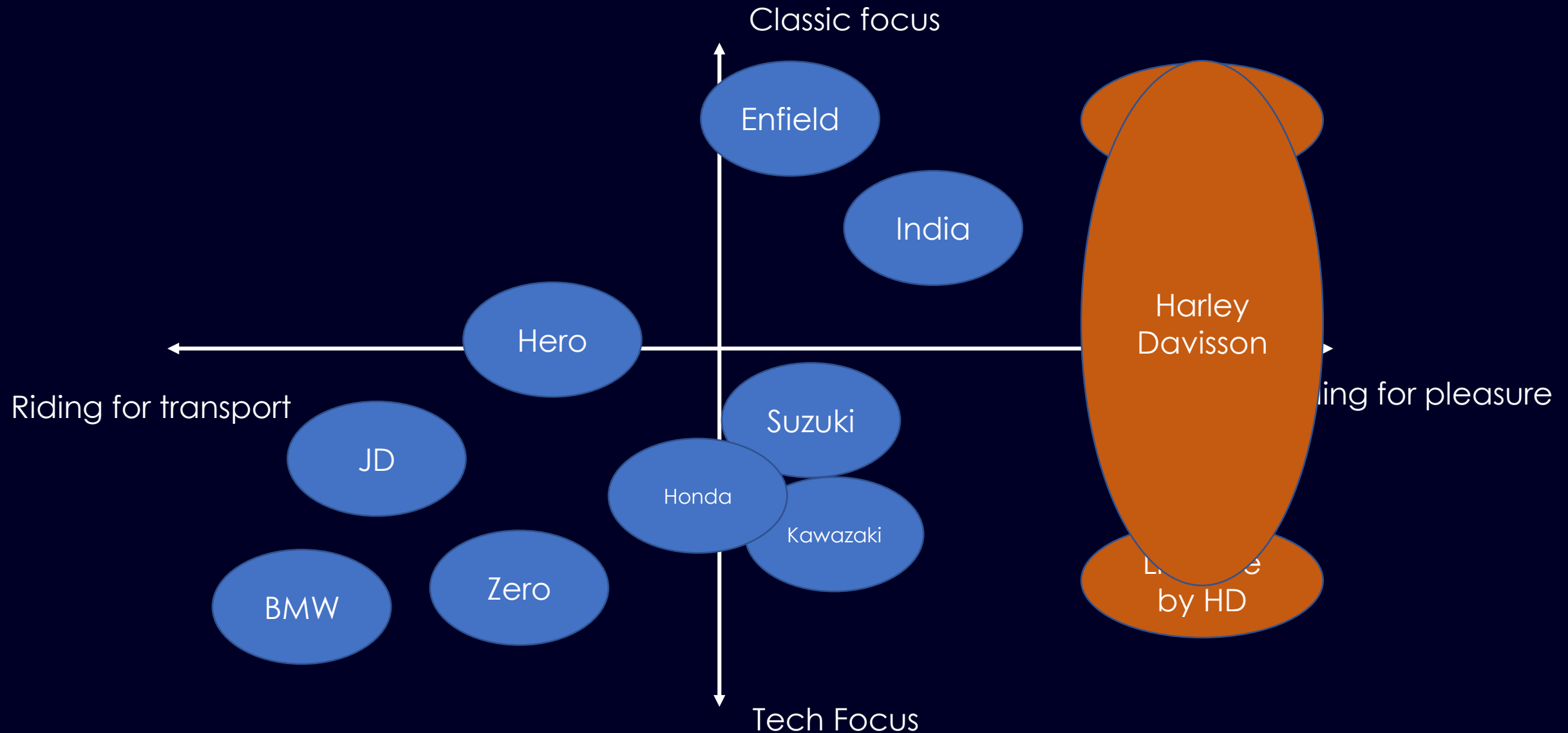
Implementation

Financials

Risks

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Mapping the competitive



Situation

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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

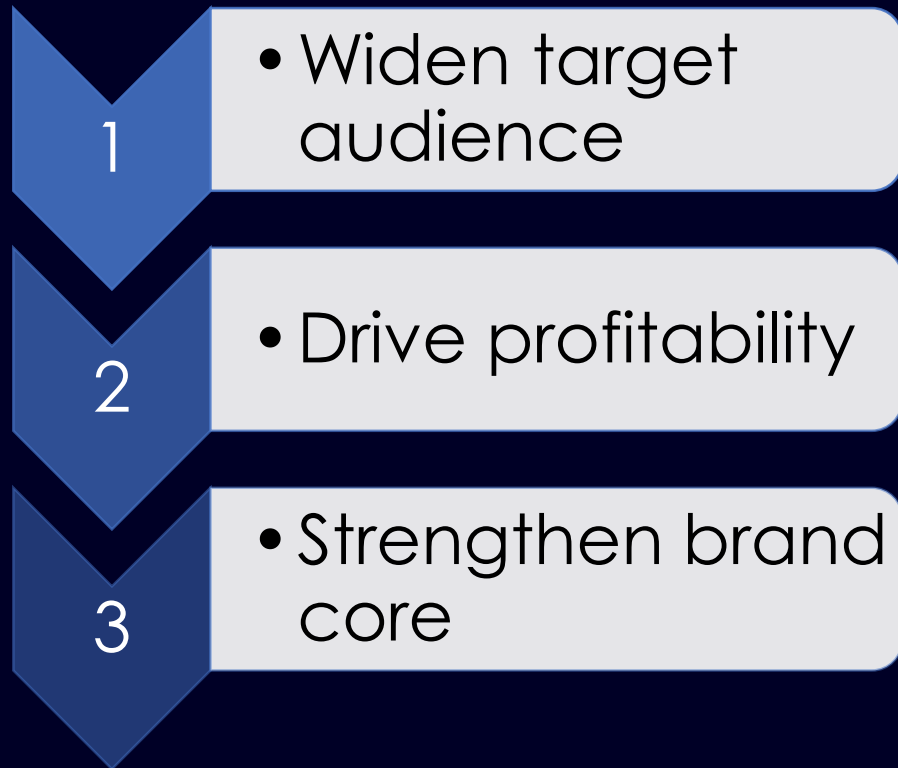
Livewire

- Strengthen brand identity through daughter-brand targeting a wider customer base

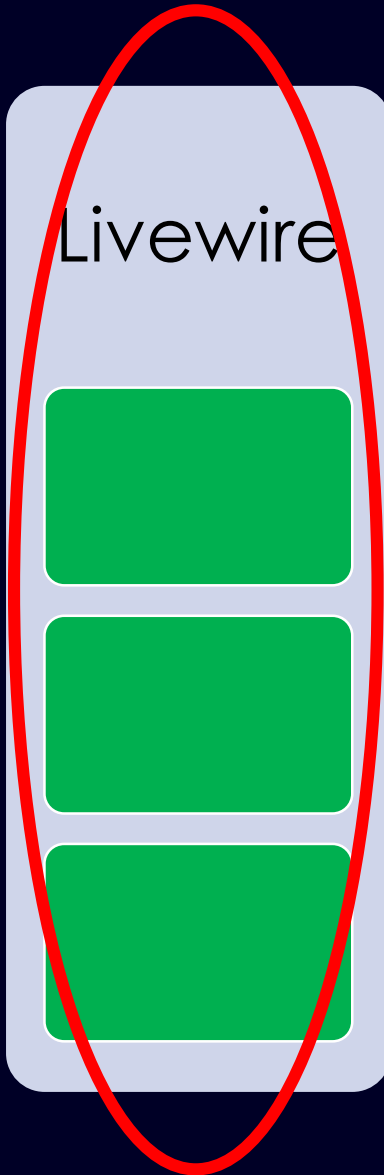
Evaluation Criteria for success



Evaluating HD's alternative routes for growth



	POME	Transport	Livewire
1	Green	Green	Green
2	Yellow	Yellow	Green
3	Red	Red	Green



Main Challenge

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Recommendation

- Establish daughter brand to drive EV whilst opening original brand Harley Davidson to new target audience

Explaining the recommendation in three steps

Key objectives

Engagement campaign to target female audience

Over 2m new riders at home

Separate Livewire by Harley out as daughter brand

60% international business with ROI %

Drive R&D synergies through Livewire

Long term growth through innovation & sustainability

Harley Davidson – The ride of freedom

Over 2m new riders at home

60% international business
with ROI %

Long term growth through
innovation & sustainability

Harley
Davidson:
Genderless

Livewire by
Harley

R&D

Situation

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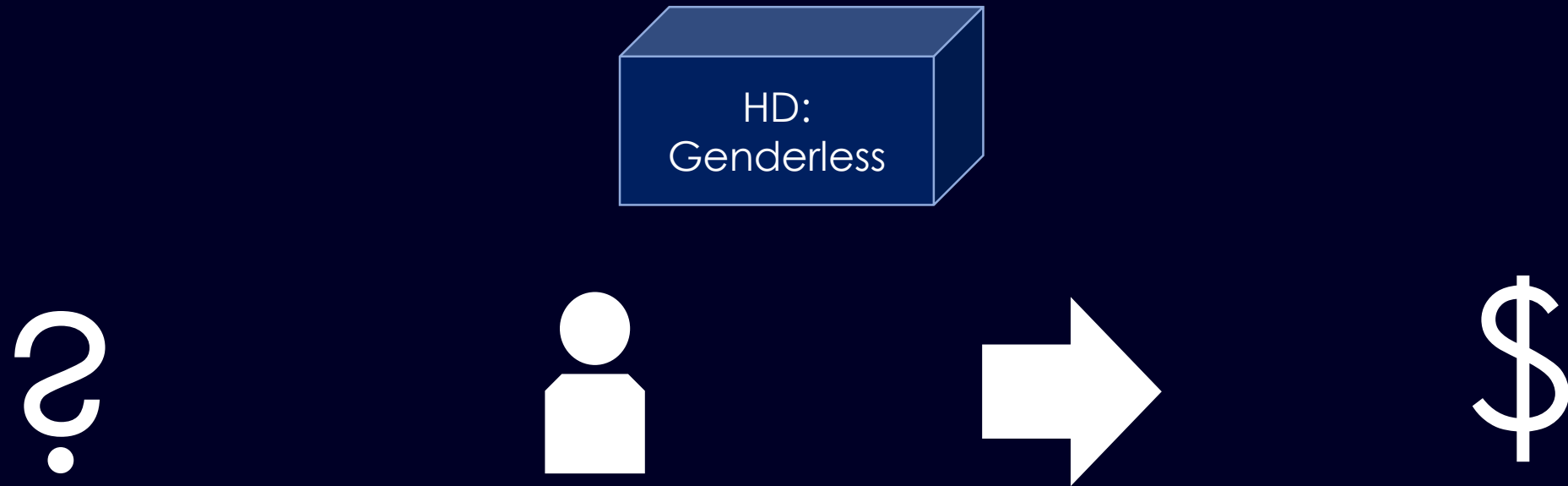
Implementation

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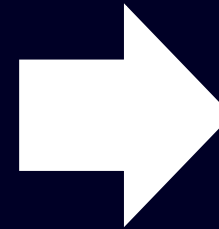
Conclusion

Tapping into the market of female riders



- 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

Reaching out to young customers around the globe



- 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

Situation

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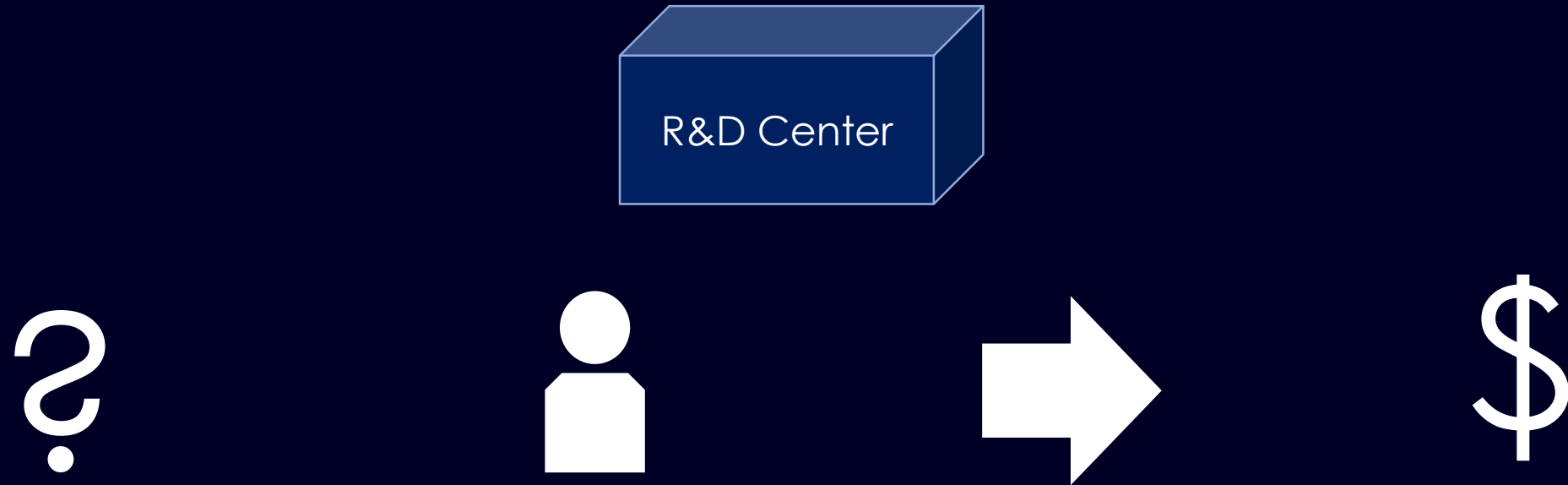
Implementation

Financials

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Conclusion

Using data analysis to achieve long term growth



- 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

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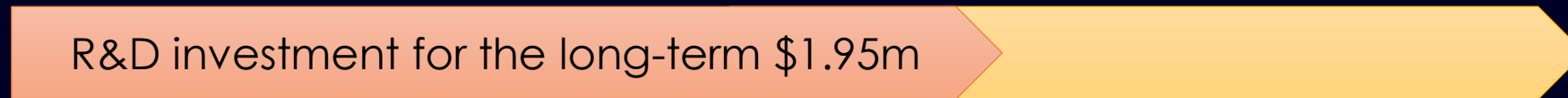
Financials

Risks

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Timeline

\$	2018	2019	2020	2021	2022
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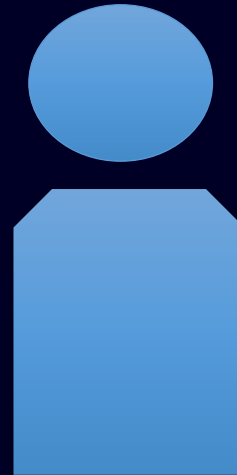


A receipt for long-term growth?

Launch
lightweight
in India

Distribution
facility in
China

Merchandise
& apparel



Situation

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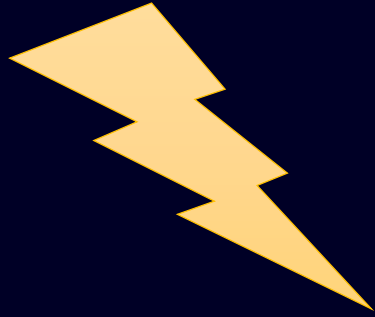
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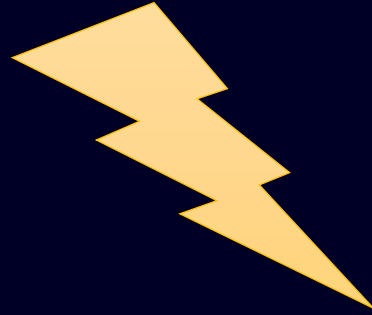
A receipt for long-term growth?

Globalisation



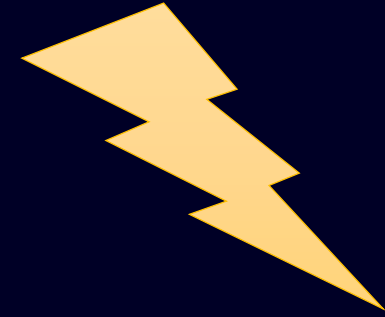
Launch
lightweight
in India

Market expansion



Distribution
facility in
China

Disruption in EV



Merchandise
& apparel

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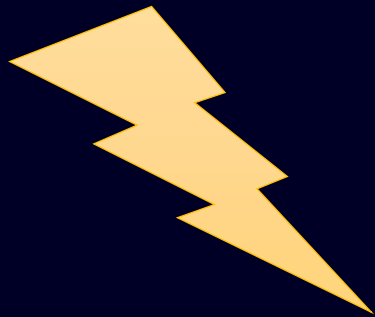
Risks

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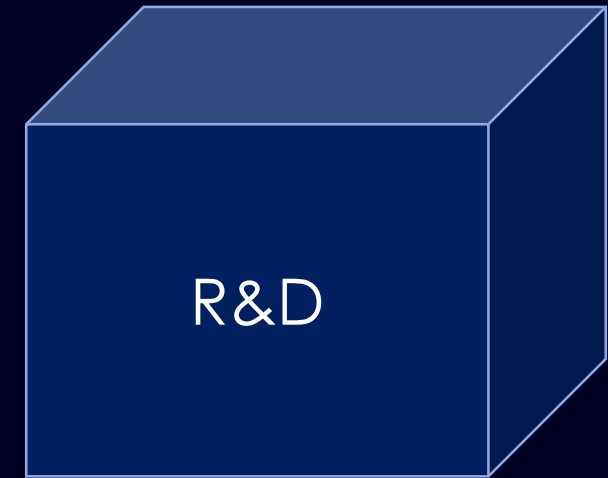
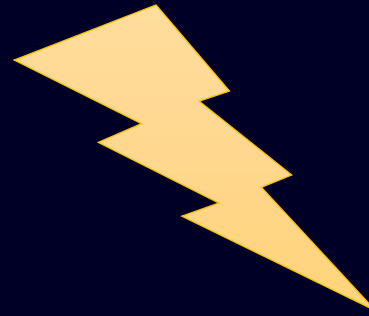
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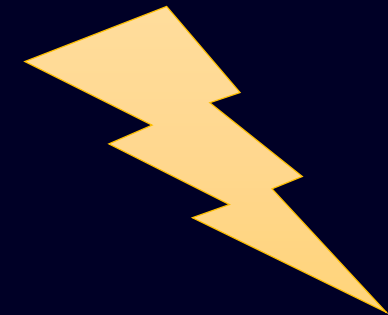
Globalisation



Market expansion



Disruption in EV



Situation

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Costs of implementation

\$	2018	2019	2020	2021	2022
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HD genderless	2018	2019	2020	2021	2022
Outer design	5.00				
Brand ambassador		0.10	0.10	0.10	0.10
Advertisement		10.00	10.00	10.00	10.00
Total	5.00	10.10	10.10	10.10	10.10

Costs of implementation

\$	2018	2019	2020	2021	2022
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Livewire by HD	2018	2019	2020	2021	2022
Development of EV bikes	70	70	70	70	70
New plant	100	400	50	50	50
Showrooms		10.4	11.7	13	14.3
Franchise of distribution channels		10	10	10	10
Marketing		38.25	38.25	40.16	42.57
Total	170	528.65	179.95	183.16	186.87

Costs of implementation

\$	2018	2019	2020	2021	2022
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R&D investment for the long-term

Research and development	2018	2019	2020	2021	2022
R&D expenses		20	20	20	20
Engineers	1.2	1.2	1.2	1.2	1.2
BI team	0.75	0.75	0.75	0.75	0.75
Total	1.95	21.95	21.95	21.95	21.95

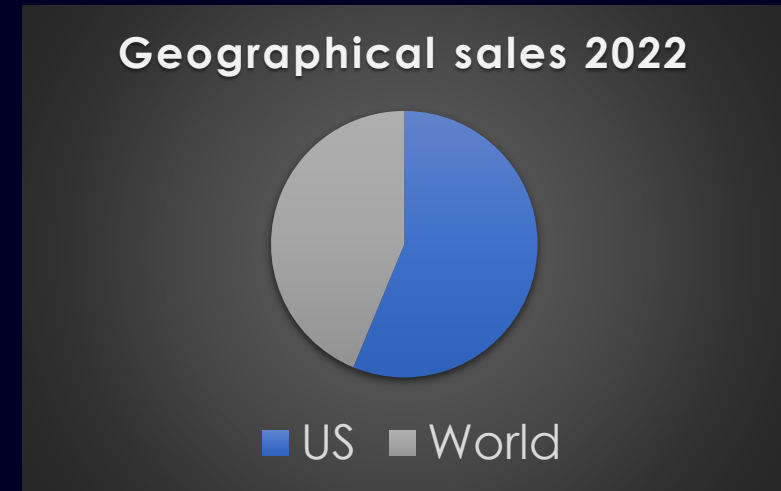
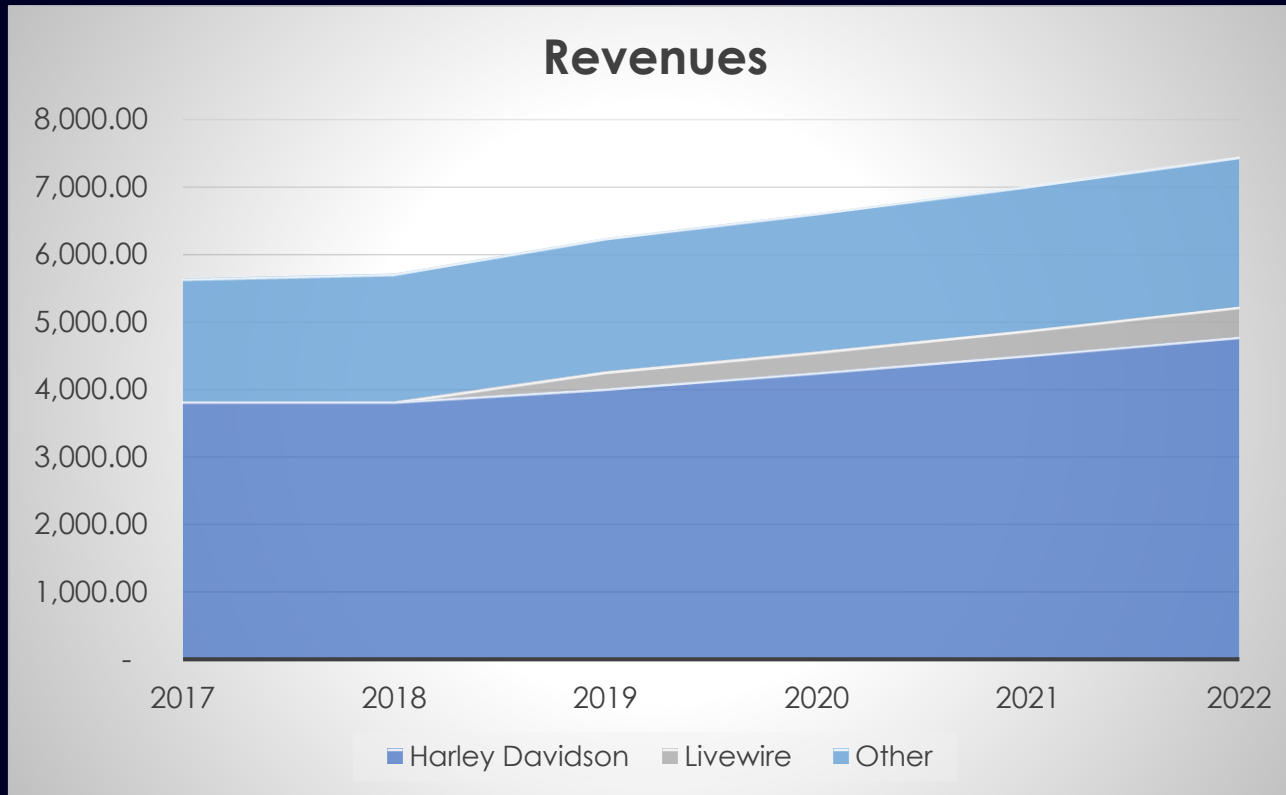
Costs of implementation

Total	2018	2019	2020	2021	2022
HD genderless	5.0	10.1	10.1	10.1	10.1
Livewire by HD	170.0	528.7	180.0	183.2	186.9
Research and development	2.0	22.0	22.0	22.0	22.0
Sum	177.0	560.7	212.0	215.2	218.9

Total investments: \$1.4 B

Fund with internal funds

Revenue growth

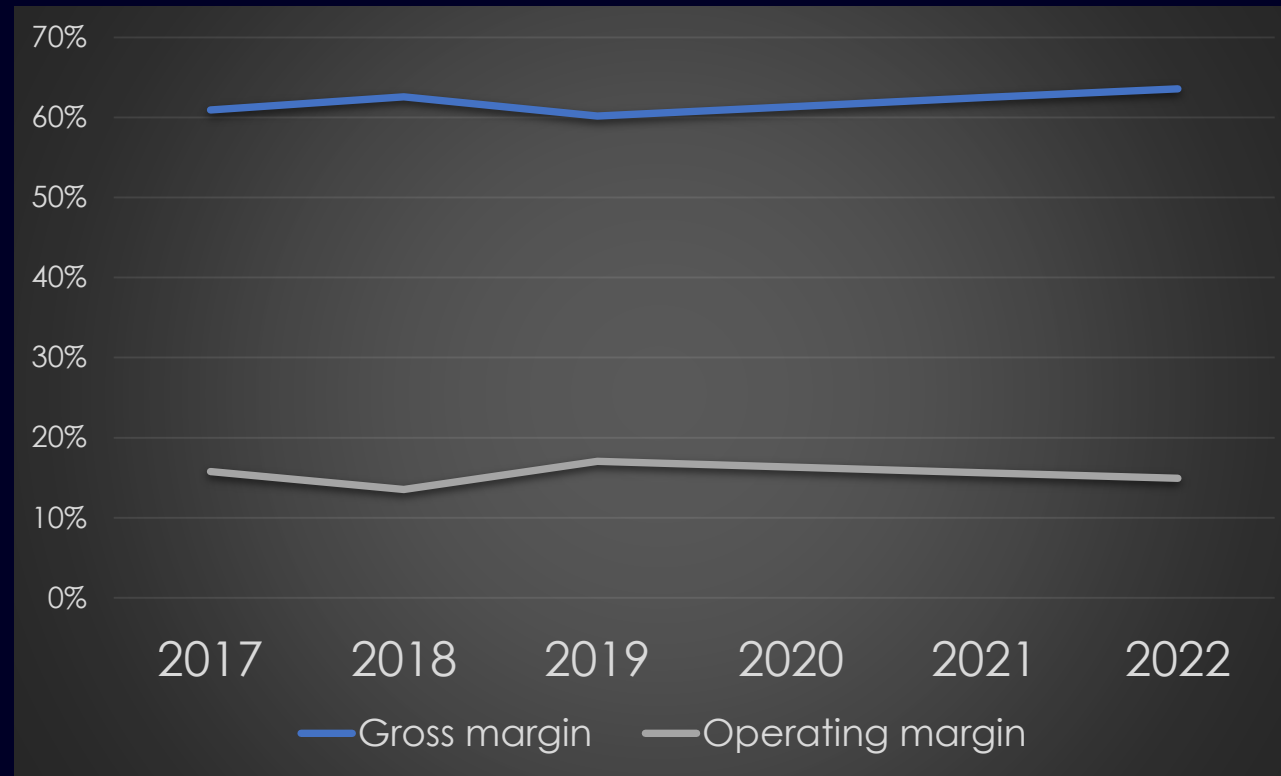


CAGR of 7%

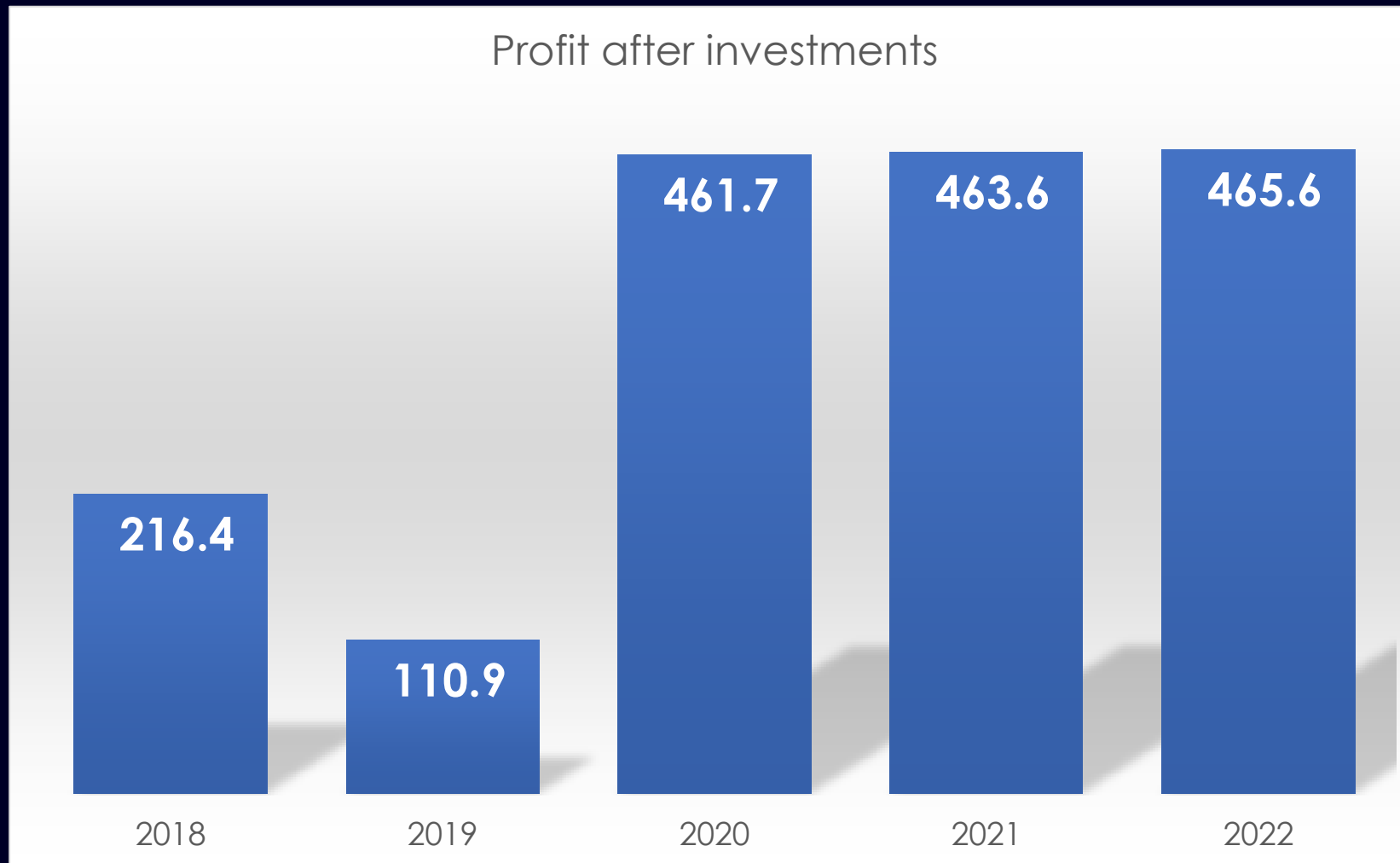
\$7.5 BN sales in 2022

2.2% of global EV market 2022

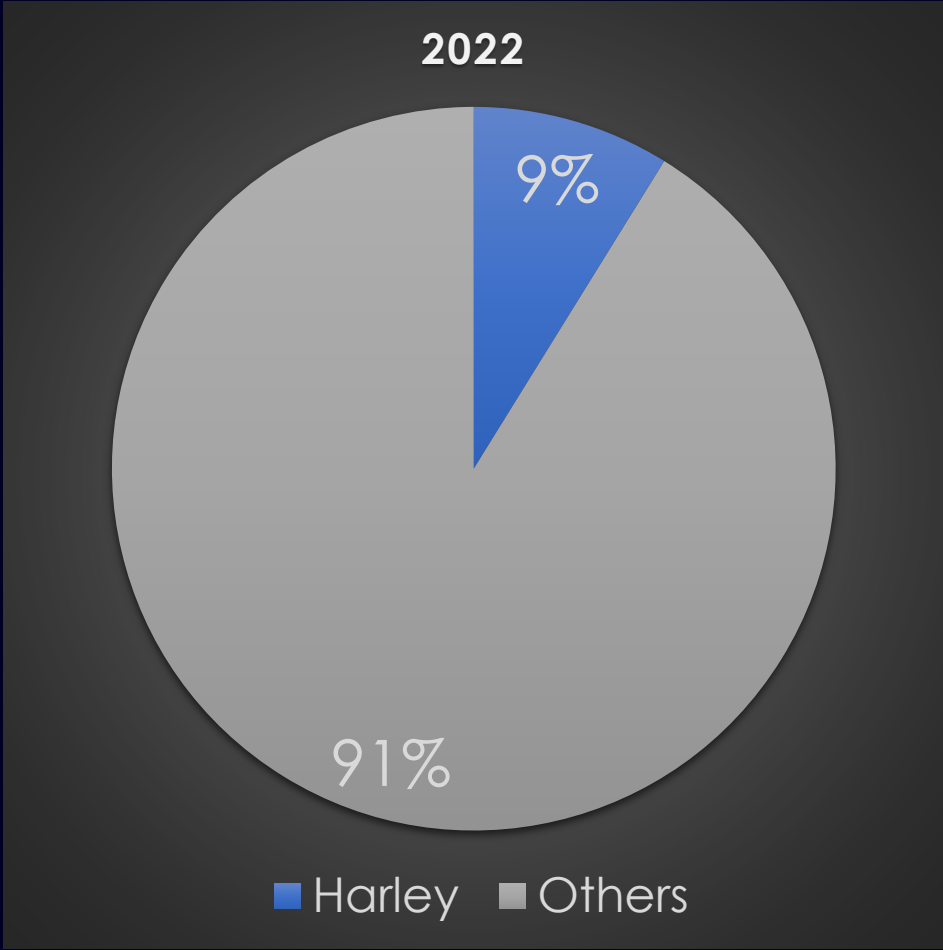
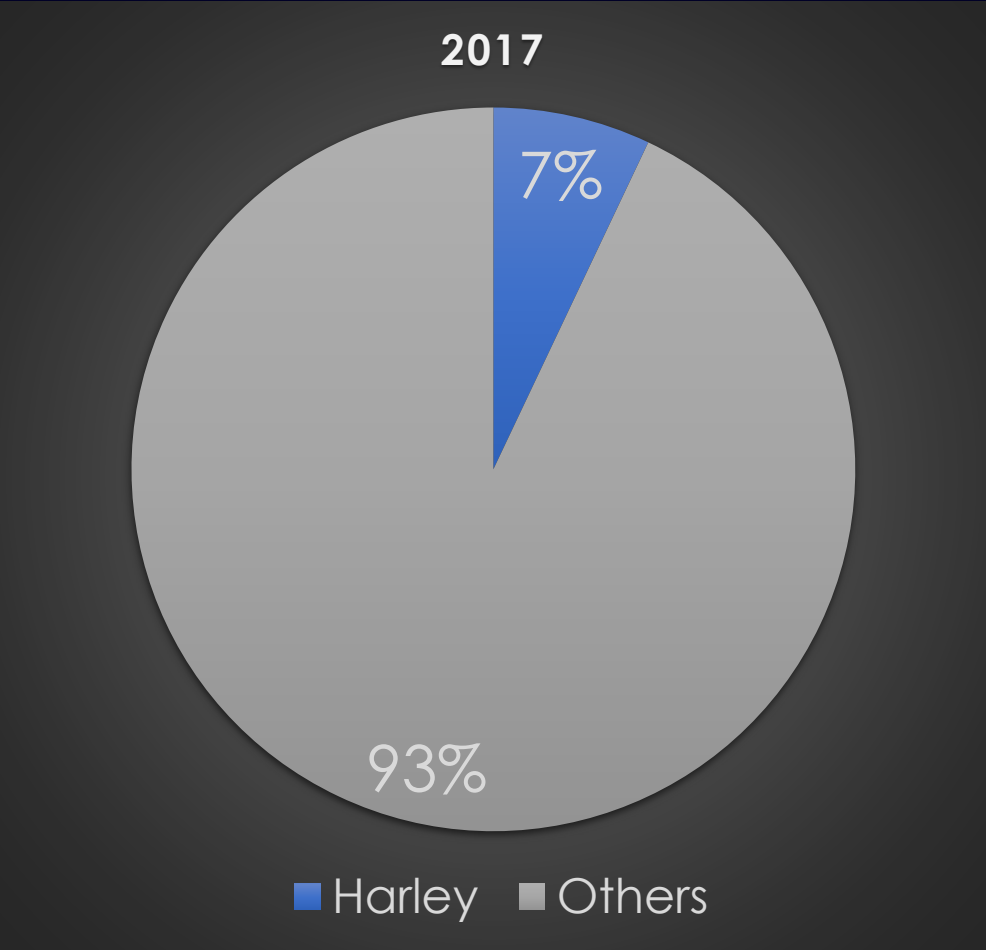
Stabilising margins



Profits stabilising 2020



Market positioning giving market shares



Reaching goals

50% global sales
achievable (44% in
2022)

Approx. 400k new
Harley drivers per year:
4M new drivers 2027

2027

Return on
investment in line
with top 25% of S&P
500

Financially
sustainable

Situation

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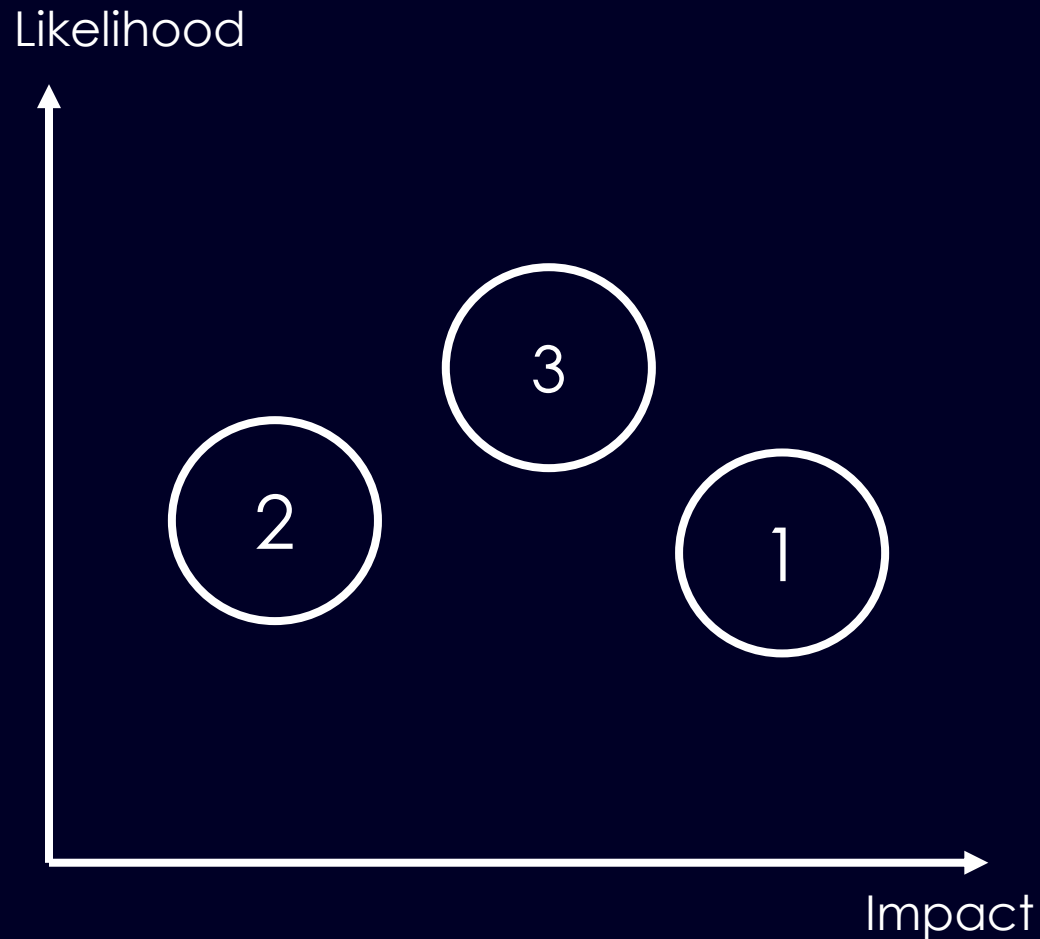
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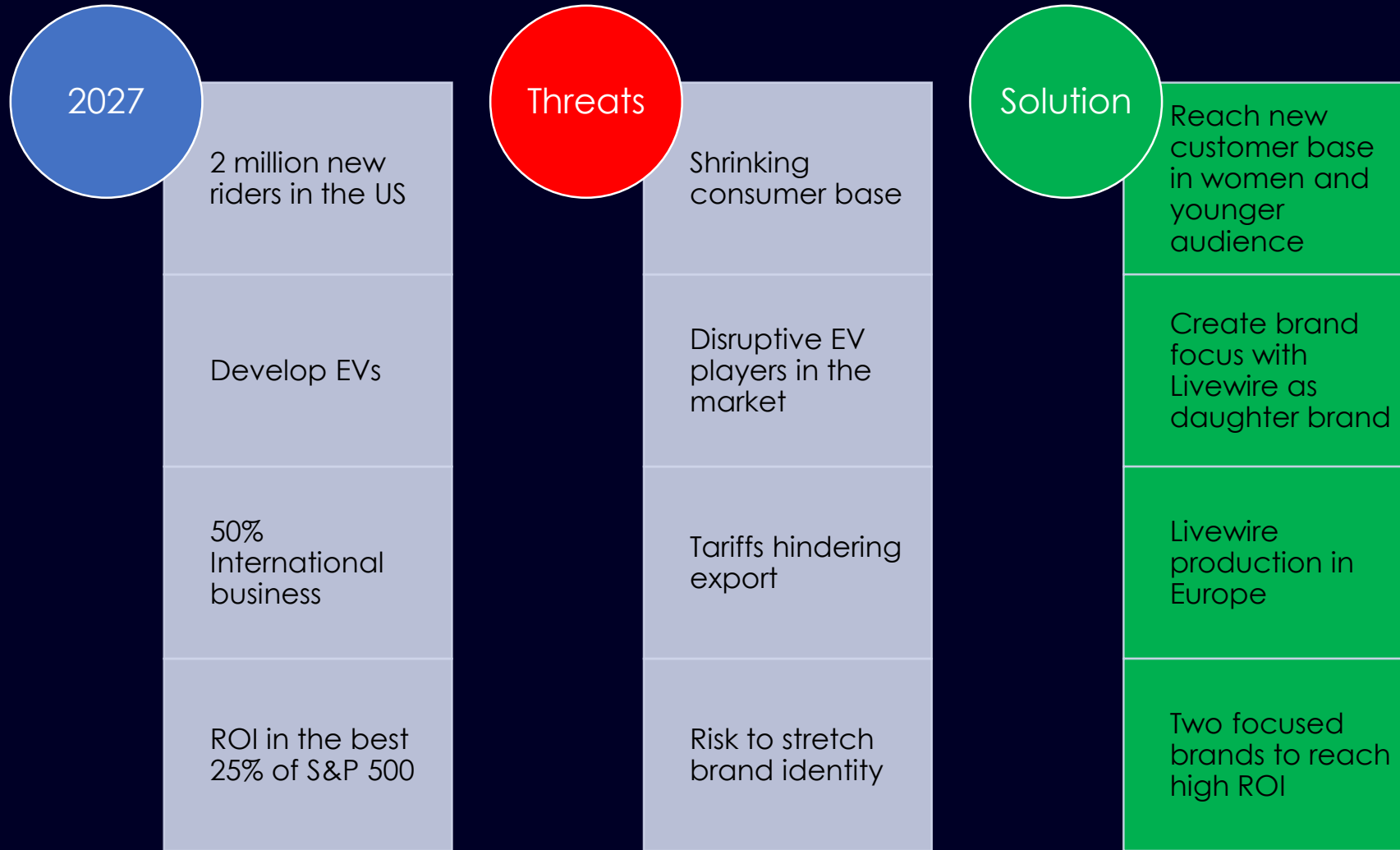
Conclusion

Harley Davidsson – The ride of freedom



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

The 10 year plan and the current threats



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

Harley Davidson

Livewire By Harley
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R&D ready to meet
the future of riding

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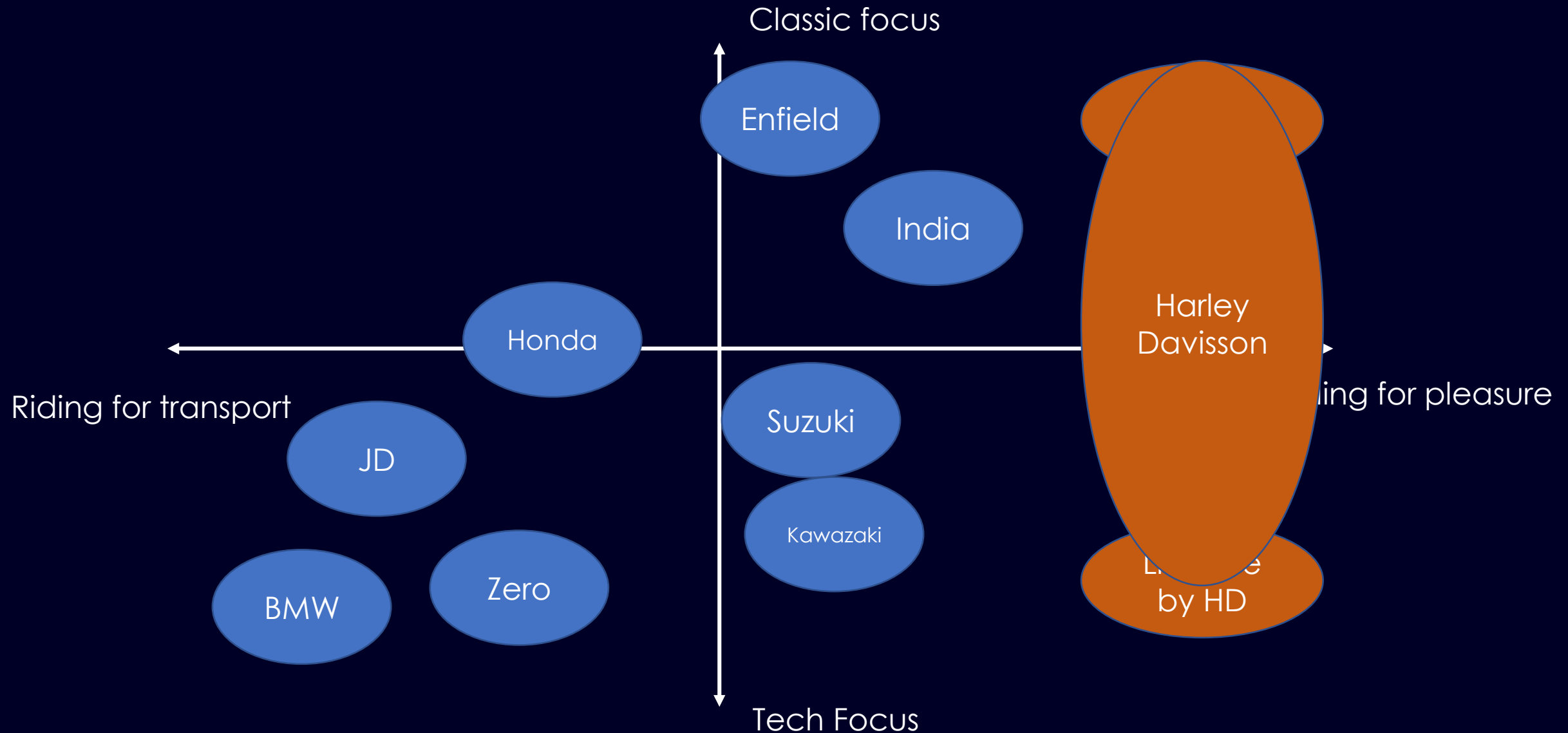
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Mapping the competitive



Freedom to ride

