

# Harley Davidson

## *Navigating the Road Ahead*

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EAST COAST GLOBAL CONSULTING

# Agenda

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- Challenge Delia
- Key Issues & Objectives
- Recommendation
- Analysis
- Alternatives Chelsey
- Implementation Plan Allison
- Financials Jennifer
- Risks & Mitigations
- What Success Looks Like Delia

# Challenge

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How can Harley Davidson achieve it's goals  
in response to industry disruption?

# Key Issues

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- Decreasing ridership & relevance
- Emergence of electronic and autonomous vehicles
- Disruptive economic policies
- Changing customer demographics
- Increased competition

# Key Objectives

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- Increase ridership
- Innovation and new product offerings
- Grow international business
- Improve return on invested capital
- Greater emphasis on sustainability and the environment

# Recommendation

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Acquire Zero Motorcycle to establish  
DavidsonElectric and tighten focus on  
Harley Davidson Heritage Brand

# Analysis

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# External Industry Analysis

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## THREATS:

- Disruption from EVs and AVs
- Disruptive economic policies and political landscape (tariffs, trade wars)
- Shifting population demographics
- Global anti-American sentiments
- Climate change: changing regulations

**Be ahead of the curve in  
anticipating future trends  
and regulations**

## OPPORTUNITIES:

- Motorcycle/moped ridership strong in growing economies
- EV motorcycle/moped market fragmented (startups)
- Demand for EV motorcycles/mopeds increasing (\$10B increase by 2025)

**New target market: stylish,  
convenience-seeking,  
young professionals**



# Harley Davidson Motor Company

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## STRENGTHS:

- Extremely strong branding (loyalty, culture)
- Maintaining US market share in heavyweight category (33% overall)
- Excellence in engineering and style
- Strategic partnerships and locations worldwide
- America-first mentality growing (MAGA) among base

**Shift in focus risks alienating loyal base**

## WEAKNESSES:

- Experiencing decreasing sales
- Shifting demographics in US market
- Extremely strong branding
- EVs new to business

**Core business not enough – can't miss the boat on new trends**

# 10-Year Plan

Stated Goal	Critique
1) Increase Ridership	Currently not doing enough
2) 100 new high-impact motorcycles	Need to tighten focus: drop to 50 and shift focus to EV
3) Grow internationally by 50%	Absolutely! Maybe more!
4) Improving ROI	Currently not doing enough
5) Grow sustainability focus	Currently not doing enough

# Competitive Landscape

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## Honda

- Leading brand globally
- Taking cautious line on EVs

Large scale, first-mover advantage

## Royal Enfield

- Similar offering to Harley Davidson heritage line
- Focusing on heritage and customization

Beat them on heritage

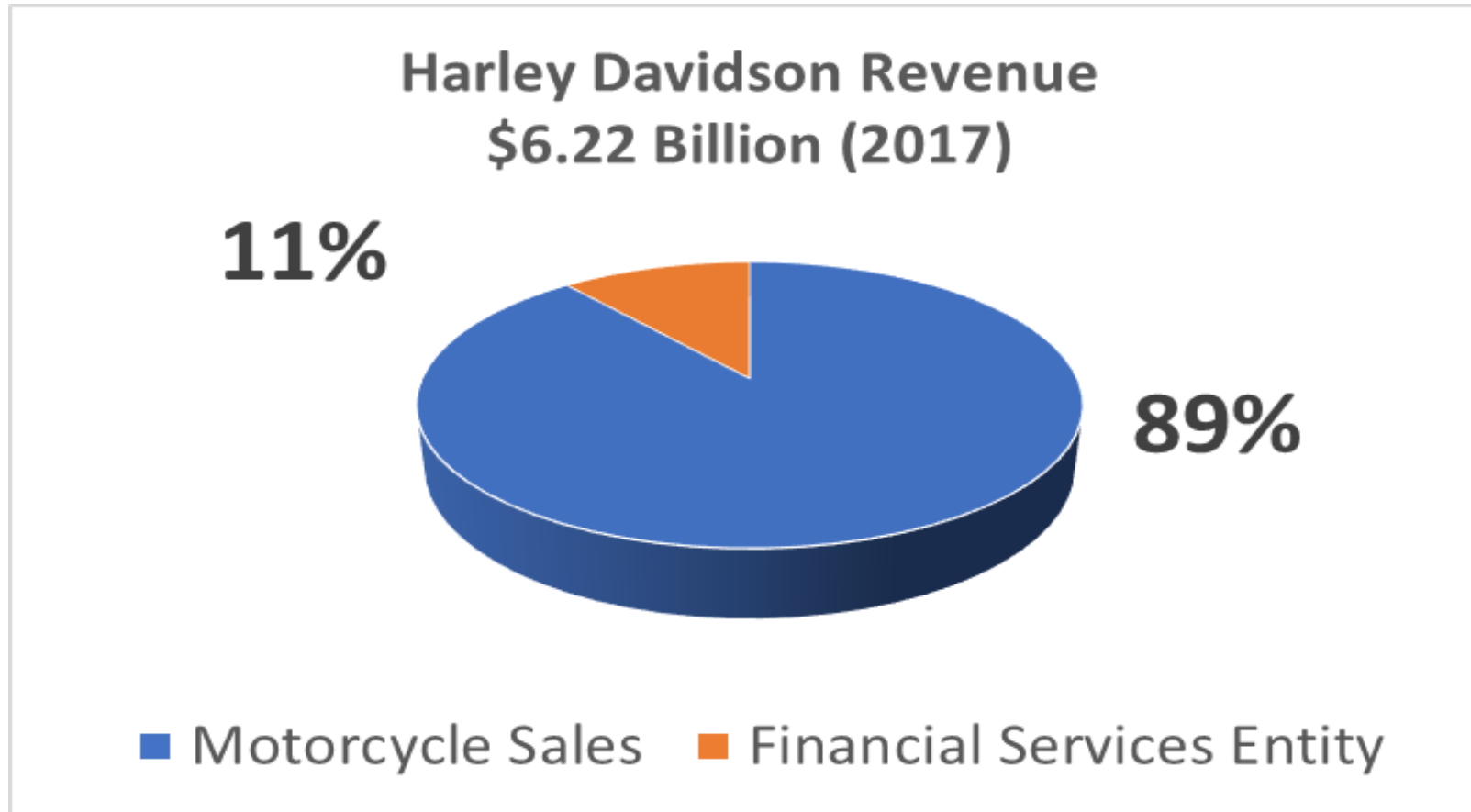
# Financial Snapshot

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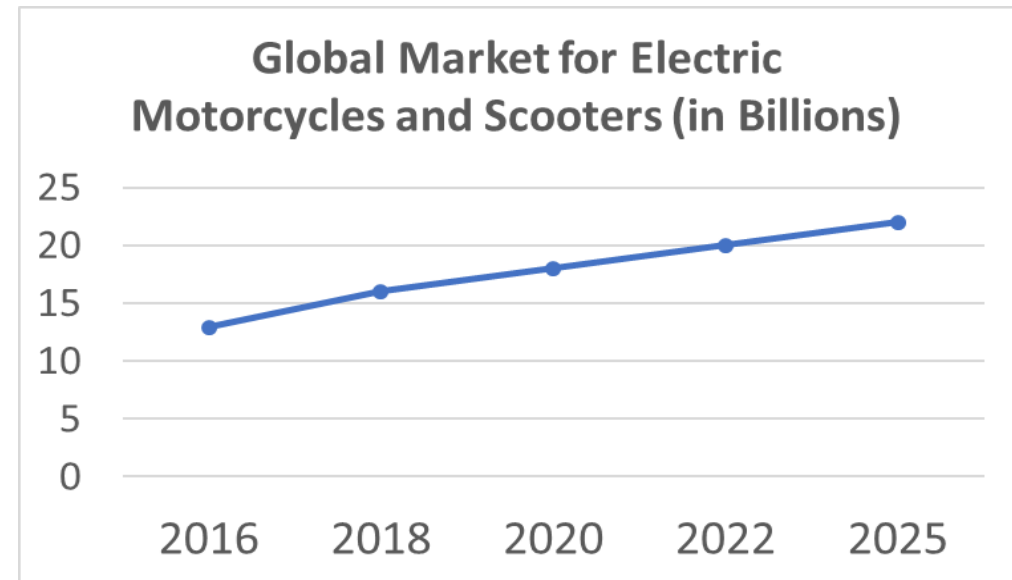
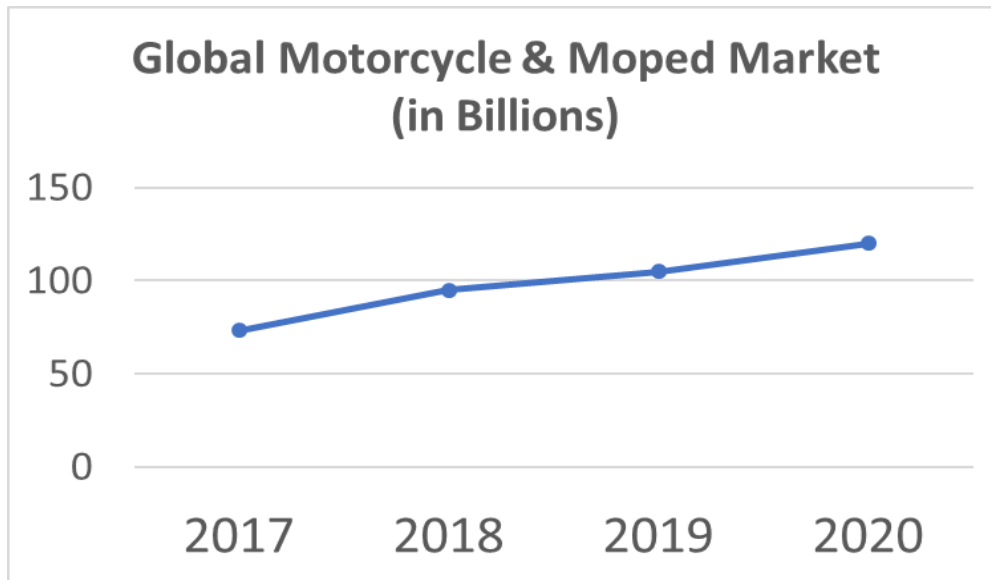
# Financial Snapshot

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# Financial Snapshot

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- **Growth in Both Motorcycle & Moped Market AS WELL as Electric Motorcycles**

# Financial Snapshot

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<b>Motorcycle Units by Region</b>	<b>2017</b>	<b>Percentage</b>	<b>Vehicle Units</b>	<b>Percentage</b>
<b>United States</b>	147,972	61%	160,000	50%
<b>Total International Sales</b>	94,816	39%	157,000	50%
<b>Total Sales Units</b>	<b>242,788</b>	<b>100%</b>	<b>317,000</b>	<b>100%</b>

- **Goal to Increase Ridership to 2 M Riders by 2027**
- **Goal to Increase International Business to 50% Harley's Annual Volume**

# Alternatives

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CHELSEY KING



# Alternatives

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**1** Premium Gas Powered Player

**2** Reposition as EV Player

**3** Establish Electric-Focused Subsidiary

# Alternative 1: Premium Gas Powered Player

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## Advantages

- Remain true to brand heritage
- History of experience and success

## Disadvantages

- Limited market opportunity
- Risk of irrelevancy
- Increasing EV competition
- Environmental uncertainty

# Alternative 2: Reposition as EV Player

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## Advantages

- Appeals to new customers
- Opportunity to grow internationally

## Disadvantages

- Alienates existing customer
- Lack of in-house EV experience
- Brand recognition as a gas powered player
- Increasing competition

# Alternative 3: Establish Electric-Focused Subsidiary

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## Advantages

- Preserves Harley Davidson brand heritage while 'leaning in' to EV
- Opportunity to expand internationally
- Capture new ridership
- Leverages existing marketing and financial competencies

## Disadvantages

- Capital investment

# Decision Matrix

Key Objectives	Gas Player	EV Player	Subsidiary
Increase ridership	—	+	+
Innovate	—	+	+
Grow internationally	—	+	+
Return on Investment	—	—	+
Emphasis sustainability	—	+	+

# Recommendation

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Acquire Zero Motorcycle to establish  
DavidsonElectric and tighten focus on  
Harley Davidson Heritage Brand

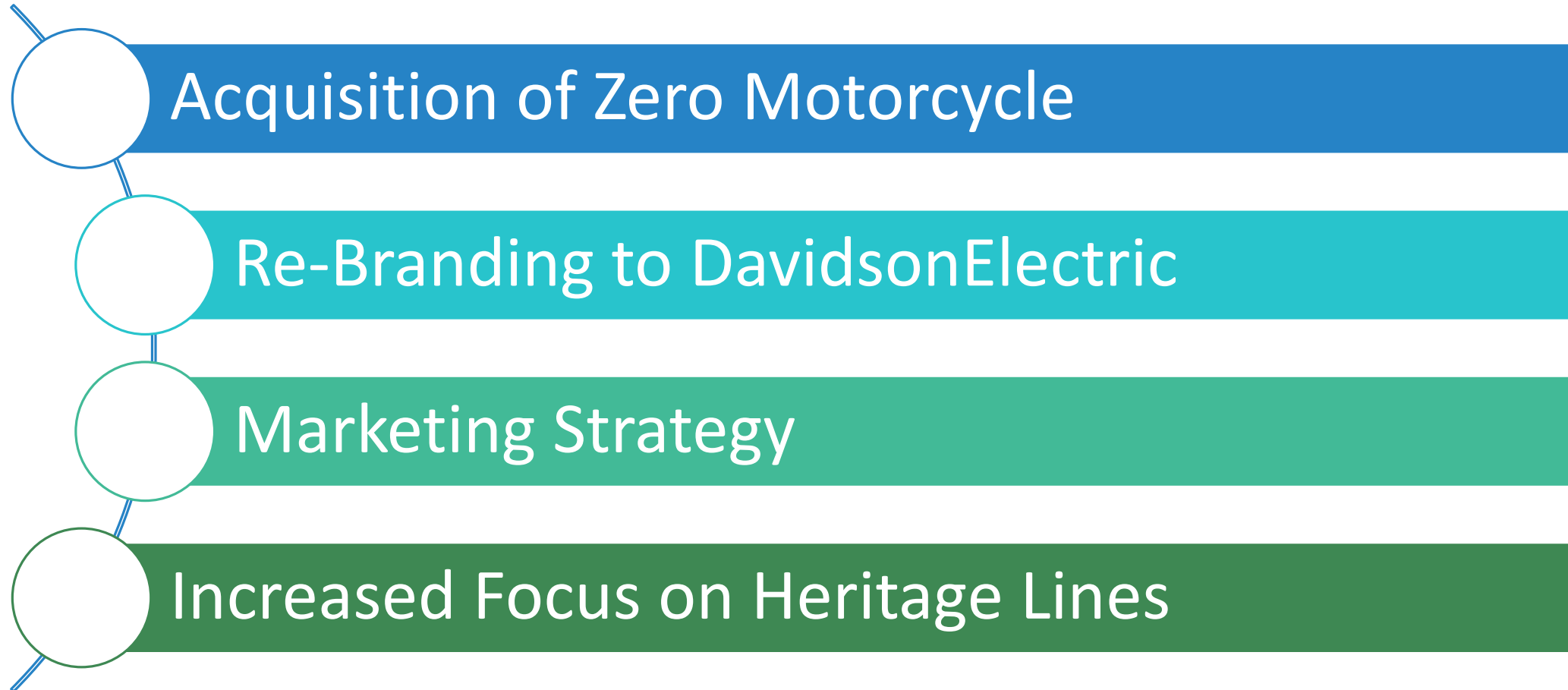
# Implementation Plan

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ALLISON PENTON

# Implementation Plan

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# Timeline

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## 0-24 months

- Purchase Zero Motorcycle
- Rebranding of new subsidiary : DavidsonElectric
- Continue building new Thailand manufacturing plant
- Roll out DavidsonElectric marketing campaign
- Increased focus on heritage lines

# Purchase of Zero Motorcycles

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Private  
Company

EV Focus

Sales of  
\$90M

30  
Countries

Acquire  
Technology

# Rebranding

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DAVIDSON **ELECTRIC**

**HQ in Wisconsin, USA**



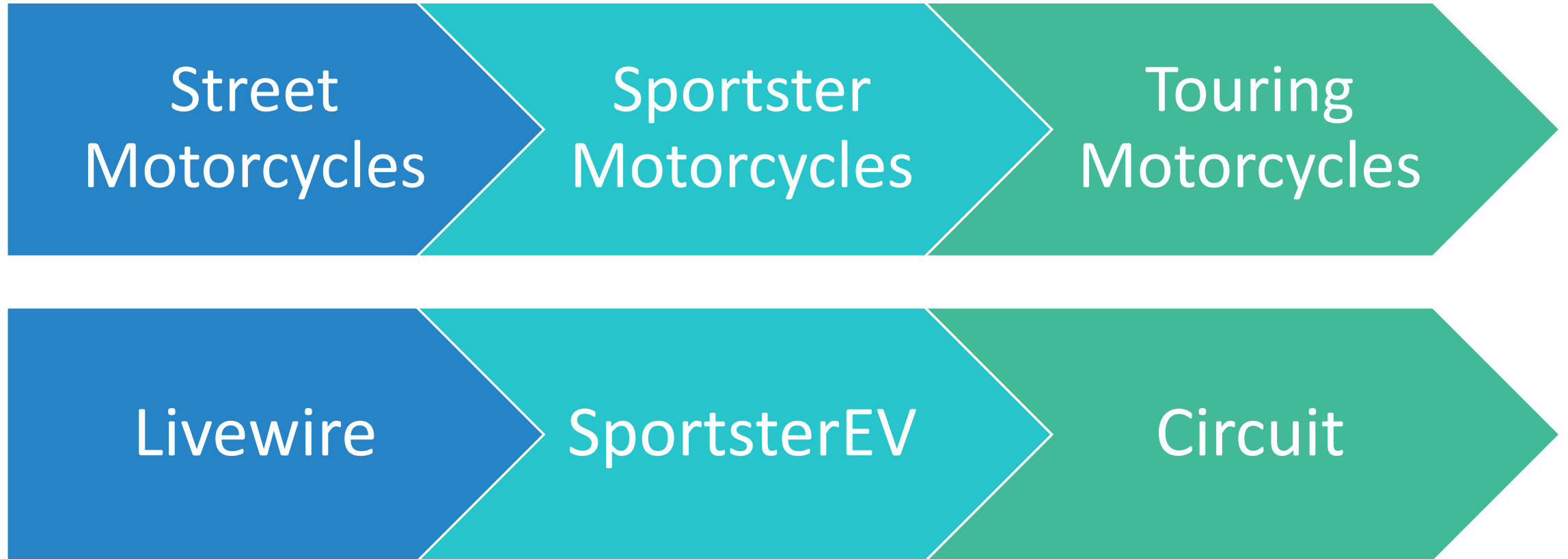
# DAVIDSONELECTRIC

Style and substance in a changing world.



# New Product Focus

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# Dealership Growth

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## USA

Dual dealerships

Harley Davidson and  
DavidsonElectric



## Asia Pacific

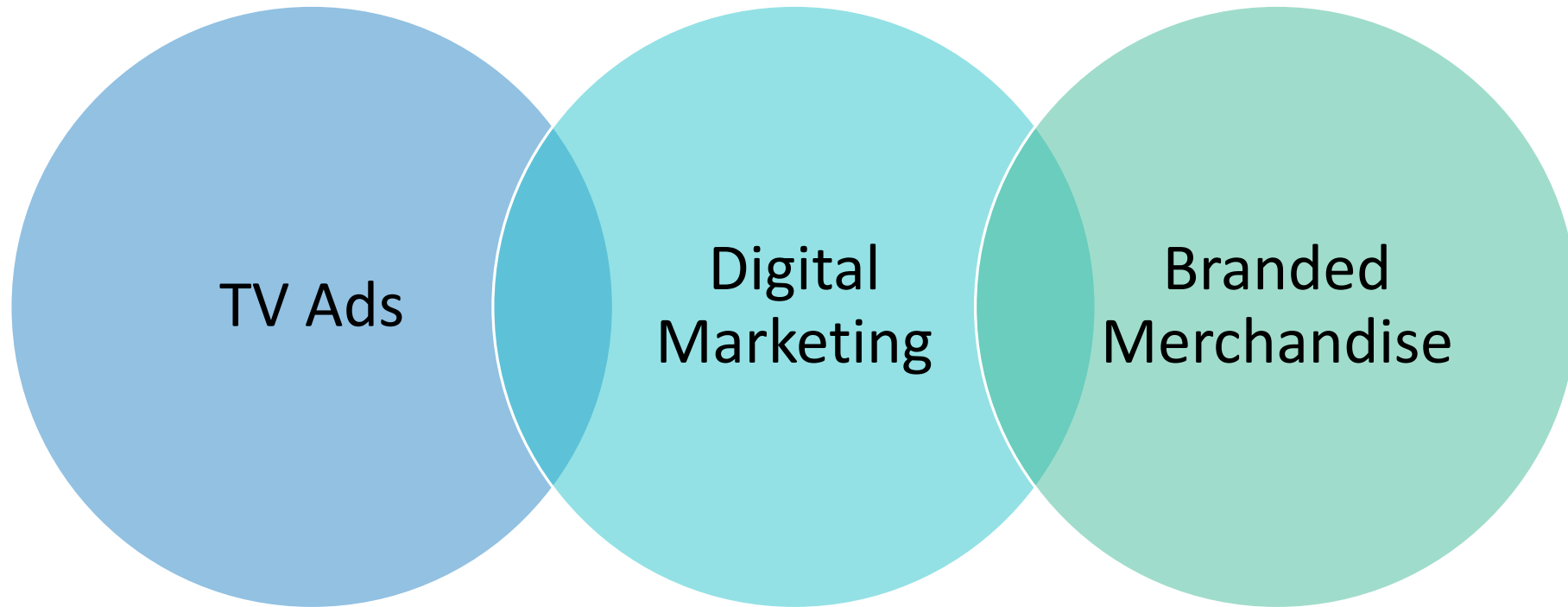
DavidsonElectric  
dealerships only

Local dealers and marketing  
professionals



# Marketing Campaign

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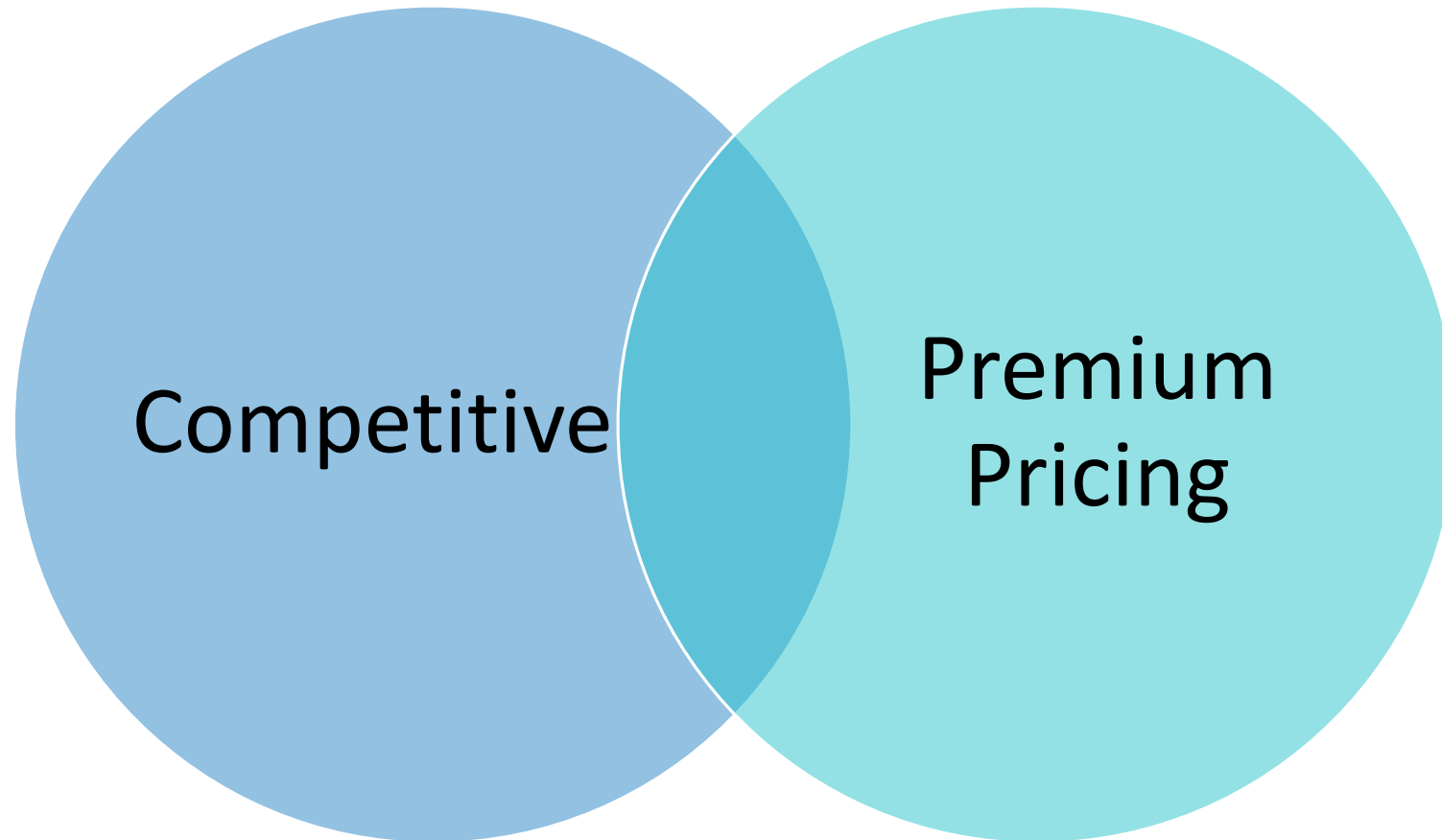


**Geo-targeted to coastal USA and Asia Pacific Market**



# Pricing Strategy

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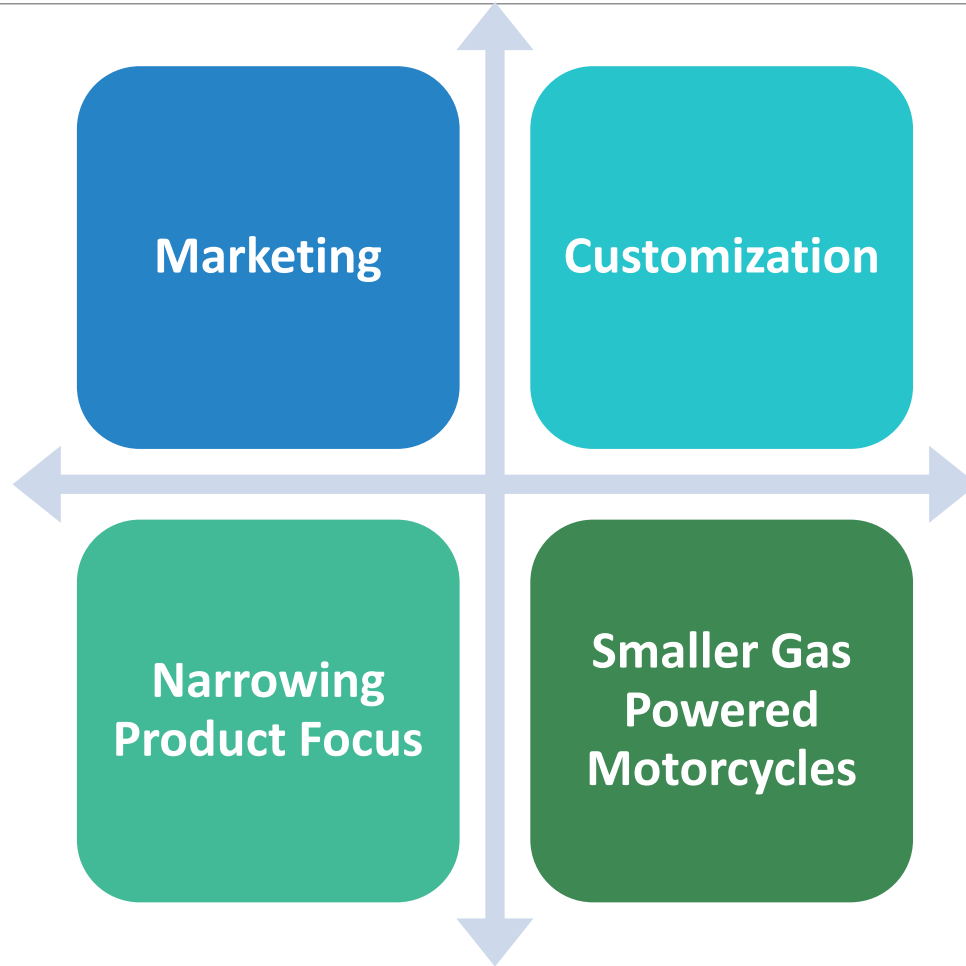
# Talent Management

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# Focus on Heritage Lines

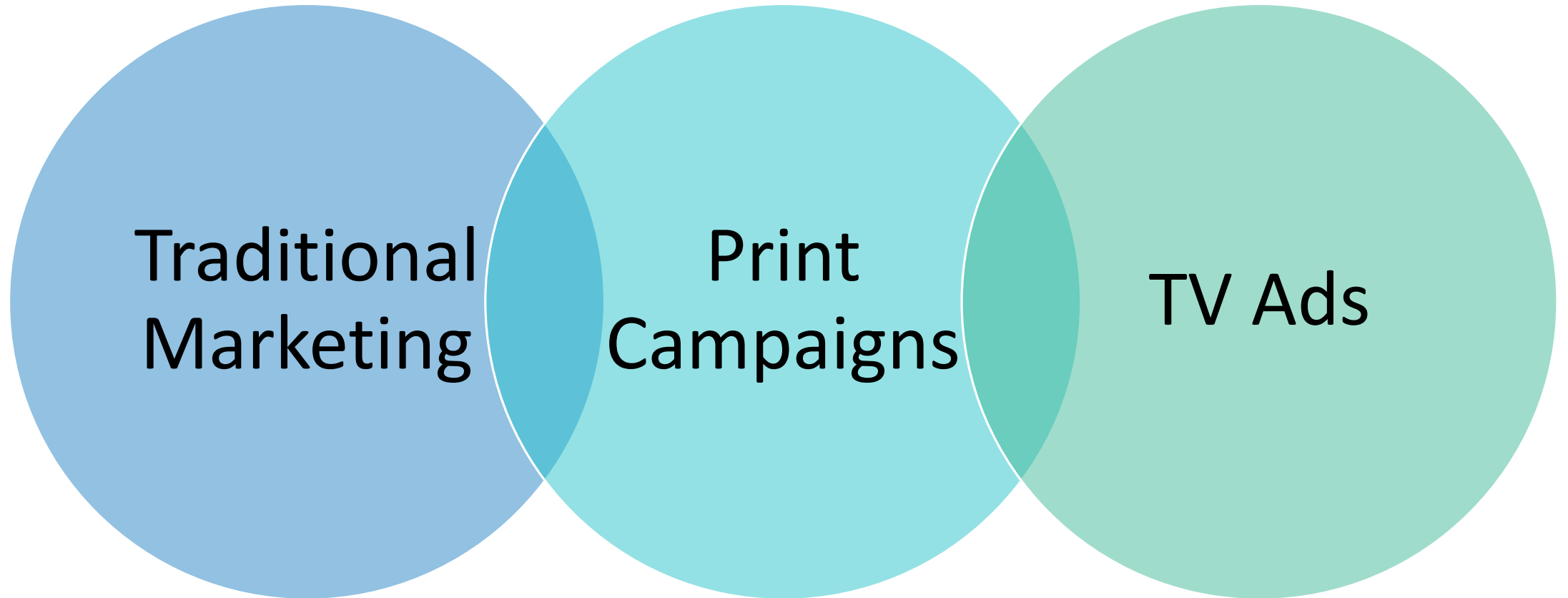
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Target demographic is older with more traditional values.

# Marketing Campaign

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Traditional  
Marketing

Print  
Campaigns

TV Ads

# Financials

# Risks & Mitigations

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# Goals

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- Return on Invested Capital – Top 25% of S&P 500
- Efficiently Allocate Capital Resources & Maintain Discipline in Future Investments

# How much will this cost?

TASKS	Assumptions	2018	2019	2020	2021	2022
<b>Set up Subsidiary - Davidson Electric</b>		200	200	200	200	200
<b>Buy Zero</b>	Purchase for 2 * Revenue	180				
Incremental Costs for EV Infrastructure	Assume \$10M per Year	10	10	10	10	10
<b>Open Manufacturing Facility in China</b>						
Operating	\$450-550 M over 5 years	100	100	100	100	100
Capital	\$225-275 M over 5 years	50	50	50	50	50
<b>Open Manufacturing Facility in Thailand</b>						
Operating	\$450-550 M over 5 years	100	100	100	100	100
Capital	\$225-275 M over 5 years	50	50	50	50	50
<b>Open New Dealerships</b>		150	150	25	25	25
<b>Total Cost</b>		<b>840</b>	<b>660</b>	<b>535</b>	<b>535</b>	<b>535</b>

# Davidson-Electric Sales

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	2018	2019	2020	2021	2022
Units Sold	60,000	70,000	80,000	90,000	100,000
Average Price	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
	\$ 600,000,000	\$ 700,000,000	\$ 800,000,000	\$ 900,000,000	\$ 1,000,000,000

- **Profitable by Year 3**
- **Strong Return on Invested Capital**
- **Disciplined Investment in Asia-Pacific Market**

# Risks and Mitigations

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Erode brand heritage

- Low risk
- Creating new subsidiary with own identity

Competition

- Medium risk
- Acquisition of Zero's available competencies and resources

Continued disruptive economic policies

- Medium risk
- Diversified geographic portfolio and manufacturing facilities



# Conclusion

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# What Success Looks Like

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Increase ridership

EV lightweight focus captures new riders in Asia Pacific

Innovation and new product offerings

Establish new manufacturing facility to service Asia Pacific

Grow international business

Acquire Zero Motorcycle to gain EV experience and move towards industry leadership

Improve return on invested capital

Profitable by Y3

Emphasis on Sustainability

Remain true to roots while hedging against industry disruption

# Questions?

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THANK YOU

# Financial Assumptions

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- Acquisitions are 2x the sales revenues

# Contingency Plan

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## **Shift focus to Brazil**

- Limited major competition (Honda, Yamaha)
- Above global average ridership of motorcycles compared to mopeds
- Existing manufacturing plant
- Relatively low import tariffs in comparison to some other countries
- Increased customer purchasing power
- Large population of young professionals