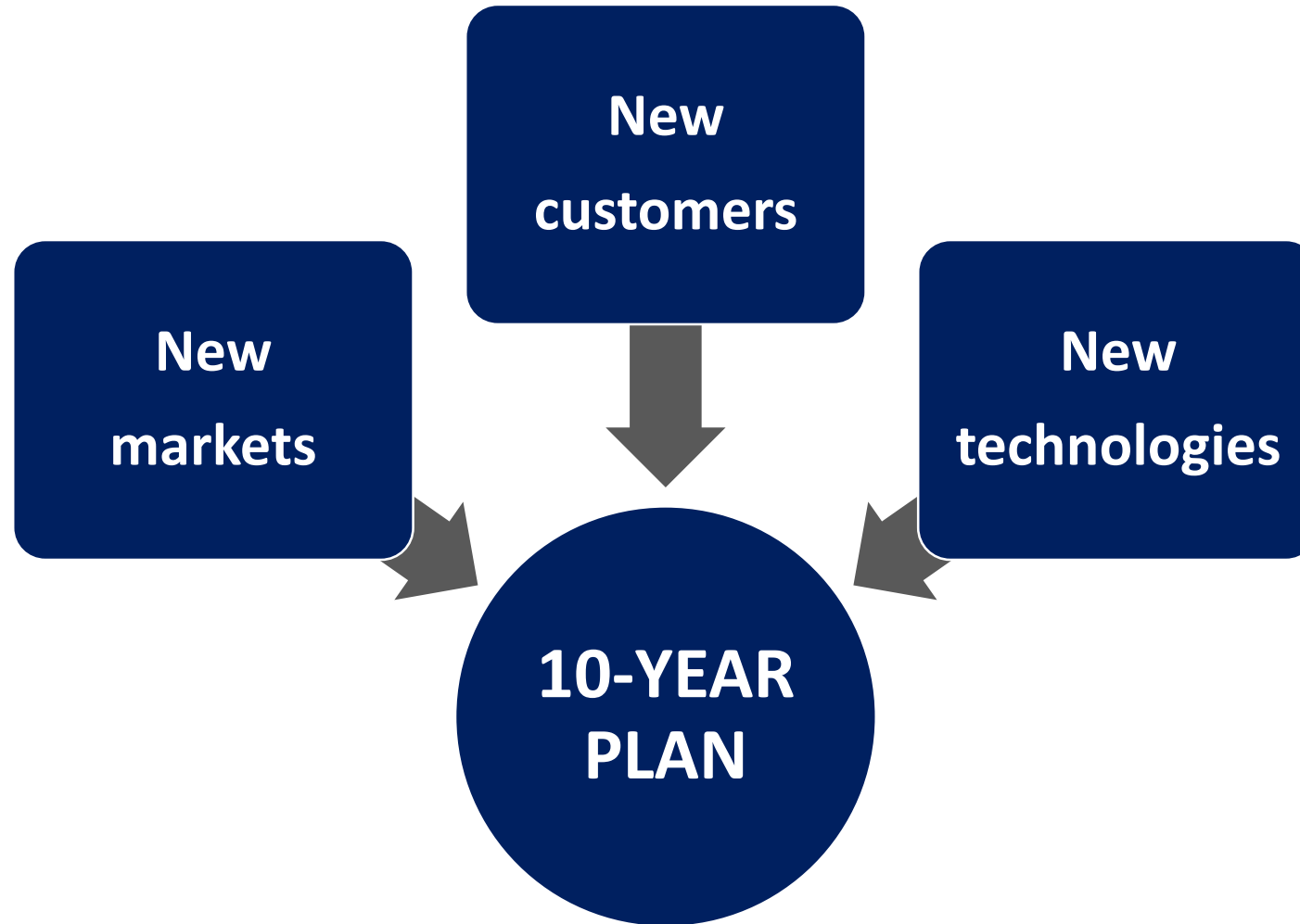


# HARLEY DAVIDSON

## Riding Through or Defending Against Disruption?

- 1** Problem
- 2** Recommendations
- 3** Internal & External Analysis
- 4** Strategic Alternatives
- 5** Implementation
- 6** Financial Analysis
- 7** Contingency Plan
- 8** Conclusion

# Harley Davidson's 10-Year Plan: In 2017, a 5-point plan was announced focusing on three key areas



**Problem:** Harley Davidson's 10-year plan entails three key gaps that need to be overcome to compete in the disruptive landscape

## Harley Davidson's 10-Year Plan

Lack of product line focus

Narrow sector focus

New customer experience challenge

- Which products should you focus on?
- What adjacent sectors could be exploited for growth?
- How can we accelerate the customer experience?

# Recommendation: Three strategies will allow Harley Davidson to strengthen its 10-year plan



# Internal Analysis: Harley Davidson exhibits strong core competencies but is lacking strategic focus and clarity

## Strengths

- Strong brand and reputation
- Strong customer loyalty in customer segment
- Just-in-time inventory management
- Design superiority
- Customization

## Weaknesses

- Narrow customer target segment
- Narrow product range (2018)
- Lack of mindspace for women and Millennials

# External Analysis: Harley Davidson operates in a challenging environment facing disruption, legal challenges and customer challenges

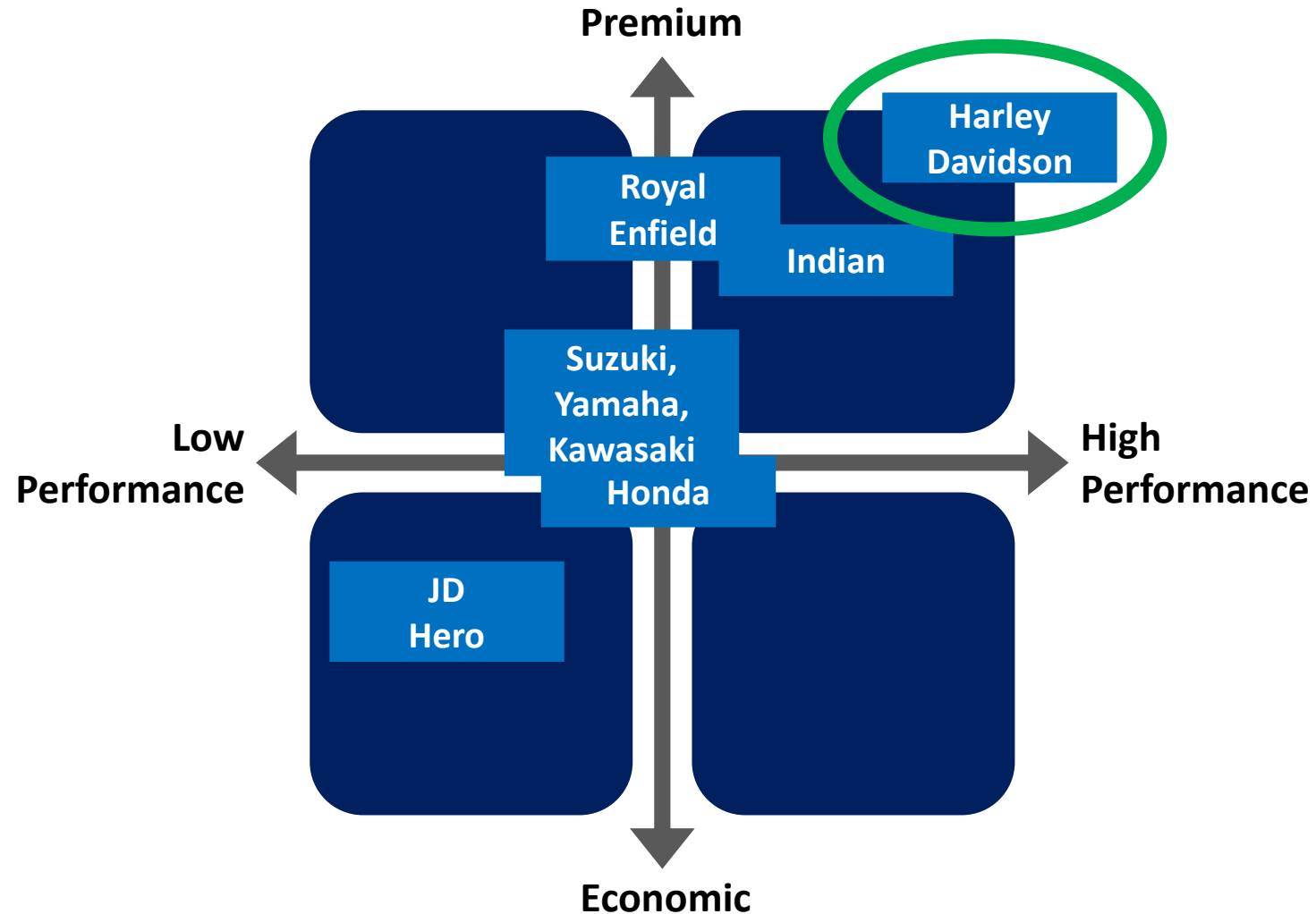
## Opportunities

- Electric vehicles (EVs) disrupt the market
- Changing consumer demographics
- Increased need for connectivity
- Accelerated demand for customization
- Shift towards experience economy

## Threats

- Electric vehicles (EVs) and autonomous vehicles (AVs) attract new competition
- Lack of demand for motorcycles from Millennials
- Trade wars
- New players, e.g. start-ups, disrupting the industry
- Increasing environmental concerns

# Competitor Positioning Map: A 2-dimensional matrix on price and performance unveils the competitive landscape Harley Davidson operates in





# Strategic Alternatives: Six strategies have been evaluated to identify the key 10-year plan adjustments Harley Davidson needs to undertake

STRATEGY	Customer Fit	Strategic Fit	Profitability	Feasibility	Risk Level	DECISION
Large product line	+	×	×	×	×	×
M&A of competitor	×	×	+	+	+	×
Partnership with Tesla	+	+	+	×	×	×
Traditional lines and premium EVs	+	+	+	+	×	+
New revenue streams	+	+	+	+	×	+
Millennial customer centricity strategy	+	+	+	+	×	+

# Implementation (1/3): Focus on traditional lines and premium EVs/low-CC motorcycles

## WHAT

- Focus on traditional models while expanding into EVs and low-CC motorcycles (= less than 200 CC)

## WHY

- Address clear target segments, i.e. women, millennials while maintaining the brand image

## HOW

1. Refocus R&D efforts from 100 models to 30 models by 2027
2. Conduct market research on women and Millennials for EVs and low-CC motorcycles
3. Acquire Zero (USA) for their EV technology and design a new Harvey frame for an EV vehicle
4. Launch EVs and low-CC motorcycles marketing plan, starting in the USA followed by Germany, Italy and Japan
5. Marketing plan focusing on zero emissions for EVs, customized vehicles for top consumer experience
6. Focus on experience and ease of riding for women and millennials

# Implementation (2/3): Explore new revenue streams

## WHAT

- Explore new revenue streams by motorcycle sharing program to leverage core competencies

## WHY

- Promote enjoyable new customer experience through a motorcycle sharing program

# Implementation (2/3): Explore new revenue streams

## HOW

1. Invest in R&D to develop all-terrain vehicles (ATVs) technologies, e.g. chassis
2. Acquire *Roadfun* – a German startup – to launch an app for improved motorcycle experience
3. Set-up EV charging stations in Grand Canyon and Las Vegas (2019), the DACH region (2019) and Japan (2020)
4. Launch a motorcycle experience program to target strategic tourist locations based on pay per use pricing model
5. Promote outstanding customer stories to engage with customers through personal touch-points, e.g. Instagram

# Implementation (3/3): Millennial customer centricity strategy

## WHAT

- Focus on customer centricity approaches by offering gamification, GP event and cross-marketing programs

## WHY

- Engage with a new customer base, i.e. women and millennials through dynamic personal touchpoints

## HOW

1. Invest in gamification App and VR technologies to promote an amazing customer interface to Millennials
2. Set-up an experience center for VR/AR and gamification games named “HDEX” (Harley Davidson Experience) in Tokyo
3. Organize an EV GP (Grand Prix) in Tuscany (Italy) to generate interest in EVs and build image (2020)
4. Promote cross-marketing approaches with merchandising items to attract women and millennials for EVs

# Key Performance Indicators: The following metrics allow Harley Davidson to track the success of the suggested strategies

Key Performance Indicator	Target
➤ Sales of traditional motorcycles vs. EVs, low-CCs, ATVs	75% vs. 25% by 2022
➤ Number of ride-sharing program users	200,000+ unique users per year
➤ Customer satisfaction level	95%+
➤ Increase in merchandise sales	50% increase by 2022
➤ Number of <u>active</u> users of app	20,000 weekly



# Timeline: The following schedule illustrates how the suggested strategies should be initiated

	2018		2019		2020		2021		2022	
	H2	H1	H2	H1	H2	H1	H2	H1	H2	
<b>PRODUCT LINE FOCUS</b>										
Cut down 100 models to 30										
Acquire <i>Zero</i> (USA)										
Market research on women and Millennials										
Marketing for EVs										
<b>NEW REVENUE STREAMS</b>										
ATVs R&D										
Manufacturing line re-planning										
Marketing cost through dealerships										
Acquire <i>RoadFun</i> (Germany)										
EV charging stations in Europe										
Experiential Harvey stations in new cities										
Market customer success stories										

# Timeline: The following schedule illustrates how the suggested strategies should be initiated

	2018		2019		2020		2021		2022	
	H2	H1	H2	H1	H2	H1	H2	H1	H2	
<b>MILLENNIAL CUSTOMER CENTRICITY STRATEGY</b>										
VR gamification app										
Harley Davidson merchandise for women										
EV GP in Italy										

# Financial Analysis: Current situation – Declining sales

In M\$	2013	2014	2015	2016	2017
Motorycle	4,067	4,385	4,127	4,122	3,825
Parts & Acc	873	875	862	842	804
Merchandise	295	284	292	284	262
Financial Services	641	660	686	725	732
Other	21	21	26	22	22
Total Revenue	5,897	6,225	5,993	5,995	5,645
Motorycle	69%	74%	70%	70%	65%
Parts & Acc	15%	15%	15%	14%	14%
Merchandise	5%	5%	5%	5%	4%
Financial Services	11%	11%	12%	12%	12%
Other	0%	0%	0%	0%	0%
Total Revenue	100%	100%	100%	100%	100%
Net Income	<b>733</b>	<b>844</b>	<b>752</b>	<b>692</b>	<b>521</b>
% ne income as Rev	12%	14%	13%	12%	<b>9%</b>

# Financial Analysis: Costs

Costs	2018	2019	2020	2021	2022
In M\$					
<b>Focus on traditional lines and premium EVs/low-CC motorcycles</b>					
Cut down 100 models to 30	-75	-60	-70	-70	-70
Acquire Zero	400				
Integration Cost to Zero		10			
Marketing for EV		10	15	20	20
Market Research for Women and Millenials	1	1	1	2	2
<b>New Revenue Streams</b>					
ATV R&D	1	2	3	4	5
Manufacturing line replanning		10			
Marketing cost through Dealerships		1	1	1	1
Acquire Road Fun		7			
EV Charging Stations in Europe		25	25	25	25
Experiential Harley Stations in New Cities		5	3	3	6
Market Customer Success Stories		0.5	0.5	0	0
<b>Millennial customer centricity strategy</b>					
VR Gamification App	2	25	35	35	35
Harley Merchandise to Women		20		40	55
EV GP in Italy			20	15	15
<b>Additional Costs</b>	<b>329</b>	<b>56.5</b>	<b>33.5</b>	<b>75</b>	<b>94</b>

**Major Costs:**

- Acquisition
- EV Charging Stations
- Gamification

**Cost Reduction**

100 lines to 30 lines

# Financial Analysis: Projected new revenues

Revenue	2018	2019	2020	2021	2022	Trends
<b>Focus on traditional lines and premium EVs/low-CC motorcycles</b>						
Motorcycle Traditional	3825	3900	4200	4400	4600	
New CC	260	400	500	650	800	
EV	90	120	150	180	220	
Merchadise push to Women						
<b>New Revenue Streams</b>						
ATV		150	160	170	180	
Experience Centers	1	1	1	1	1	
<b>Millennial customer centricity strategy</b>						
Gaming	1	1	1	1	1	
Merchandise	262	280	300	350	400	
<b>Total New Revenue</b>	<b>7115</b>	<b>6984</b>	<b>7399</b>	<b>7923</b>	<b>8412</b>	
<b>IMPACT</b>						
Revenue from New Product Line		671	811	1001	1201	
% of Traditional Motor Cycle		17%	19%	23%	26%	

**Sales From New Product Lines**

**2X Increase**

# Financial Analysis: Revenue increase of 2X in 2022

In M\$	2017	2018	2019	2020	2021	2022
Motorycle	3,825	6,853	6,704	7,099	7,573	8,012
Parts & Acc	804	1,440	1,409	1,492	1,592	1,684
Merchandise	262	262	280	300	350	400
Financial Services	732	1,311	1,283	1,359	1,449	1,533
Other	22	22	22	22	25	25
Total Revenue	5,645	9,889	9,698	10,272	10,989	11,654

**2X Increase in revenue for 2022**

**ZERO :**  
**800M Valuation**

**Part Stock : 50% 400M**  
**Part Cash : 50% 400M**

**Road Fun :**  
**7M Valuation**

**Full Cash : 7M**

**Contingencies:** The following risks are underlying the suggested strategies and need to be mitigated in a timely and professional manner

Anticipated Risk		Contingency
➤ Alienation of traditional customers	▶	Stronger customer engagement offline
➤ EVs and low-CCs fail to gain traction	▶	Initiate strong partnerships for co-branding, e.g. Apple
➤ Fail to get headway in the ATV market	▶	Initiate experience events with corporate firms, e.g. off-road driving
➤ Lack of interest in motorcycle sharing	▶	Collect customer feedback early
➤ Failure of acquisition deal	▶	Incubate own technology in-house



**Conclusion:** Three strategies have been introduced and will allow Harley Davidson to strengthen its 10-year plan



**THANK YOU  
FOR YOUR ATTENTION**

**We now welcome any questions you may have.**