AGENDA

- Challenge
- Recommendation
- Analysis
- Alternatives
- Implementation
- Financials
Challenge
Where you are now

- Reacting to changes in policy, technology and consumer preferences
- Radical departure from core strength

How to get there

OUR MANDATE: Assessing Harley Davidson’s 10-year plan

Where you want to be

- Expand the market and meet new needs without compromising Harley Davidson’s core strengths

Do not lose focus that you sell a lifestyle, not just a motorcycle
RECOMMENDATION
Respond to disruptive forces without compromising your core

- Positioning
- Innovation
- Expansion to new markets

Enhance overall strategy with tactical changes. Focus on market expansion rather than product line.
Analysis
Politics

- Imposition of tariffs
- Non ratification TPP FTA
- Environmental regulations – ban of combustion engines

Economics

- Increase in oil prices
- Period of economic recovery

Social

- Harley Davidson is a culture and a lifestyle
- Creation of a sense of belonging to a community
Technology

- Disruption
- EV and AV
- Smart systems

Demographics

- Target customer: men aged 35+ with financial means
- Core customers continuously retiring
- Change in customer preferences
Competitive Landscape

Honda

Jiangmen Dachangjiang (JD)

Hero Motocorp

Indian

Royal Enfield
Honda

Jiangmen Dachangjiang (JD)

Hero Motocorp

Indian

Royal Enfield

Stylistically similar
Competitive Landscape

- Honda
- Jiangmen Dachangjiang (JD)
- Hero Motocorp
- Indian
- Royal Enfield

- Stylistically similar
- Iconic and lengthy motorcycle history
ALTERNATIVES
Criteria for enhanced strategy

Market share
- Penetrate other demographics

Core Identity
- Maintain the Harley Davidson way of riding

Customer needs
- Allow customers to identify directly with their bike

Innovation and technology
- Keep up with technological trends without alienating customer base
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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>• Increase the number of new Harley riders in the US to 2M by 2027</td>
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<td>2</td>
<td>• 100 impact motorcycles</td>
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<td>3</td>
<td>• Grow the international business to 50% of Harley’s annual volume by 2027</td>
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<td>4</td>
<td>• Improve ROC so that it falls within the top 25% of the S&amp;P 500</td>
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<td>5</td>
<td>• Environmental consciousness and sustainability</td>
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Matt’s Strategy
Matt’s Strategy: areas to improve

1. Increase the number of new Harley riders in the US to 2M by 2027
2. 100 impact motorcycles
3. Grow the international business to 50% of Harley’s annual volume by 2027
4. Improve ROC so that it falls within the top 25% of the S&P 500
5. Environmental consciousness and sustainability
Increase customization, not product line

- Gas vehicles on the short term
- Continue R&D for EV (midterm)
- Avoid AV
- Customization
- Addressing riding lifestyle for other demographics

Maintain core identity of selling a lifestyle of thrill, passion and freedom

Address points 2, 3 and 5
**Addressing point 3**

**Tactical international market strategy**

- Continue with CKD plants in Asia-Pacific, US and Europe
- Increase to 300 dealerships worldwide
- Include manufacturing in Germany, China and India
- Increase market share

Increasing market share will ensure tactical growth
Recommendation

Respond to disruptive forces without compromising your core

- Positioning
- Innovation
- Expansion to new markets

Enhance overall strategy with tactical changes. Focus on market expansion rather than product line.
IMPLEMENTATION
More Roads to Harley Davidson
Expand

Gas based engine

Millennials

FS

Innovation

Adress Europe and Asia Pacific Market (Market Research)

➢ 300 new dealerships until 2020

Plants in Germany, India and China (sports and touring)

CKD in US, Europe and Asia Pacific

Marketing as soon as it is adopted (Teaching + Mentorship)
Expand

Gas based engine

Millennials

FS

Innovation

AMERICAN ICON

LIFESTYLE

No EV and AV in short term

Focus on gas based engine
  ➢ Ensure environmental sustainability until 2025
Expand
Gas based engine
Millennials
FS
Innovation

Millennials
Women
Customization
Expand

Gas based engine

Millennials

FS

Innovation

Challenge

Recommendation

Analysis

Alternatives

Implementation

Financials

Lend asset based

Lend income based

More customers under 35

Increase in income
Challenges:
- Expand
- Gas based engine
- Millennials
- FS
- Innovation

Recommendation:
- Regenerative brakes
- Lane departure systems
- Perimeter awareness
- Selfbalancing motorcycles
- Driving Assistant voice recognition system
Challenge: Expand, Gas based engine, Millennials, FS, Innovation

Recommendation: Gas based engine

Analysis: lane departure systems, perimeter awareness, driving assistant voice recognition system

Alternatives: Regenerative brakes

Implementation: Gas based engine

Financials:
Challenge: Expand

Recommendation: Gas based engine

Analysis: Millennials

Alternatives: FS

Implementation: Technologies

Financials:

- Regenerative brakes
- Lane departure systems
- Perimeter awareness
- Selfbalancing motorcycles
- Driving Assistant voice recognition system

Networks:

- Communication
- Strategic partnership
- API Application Processing Interface
- Nordersted Technologies

Innovation
FINANCIALS
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<td><strong>Target</strong></td>
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<td><strong>Target by 2022 – 1.5 Bn</strong></td>
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<td><strong>CapEx 805 Mn</strong></td>
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## CapEx

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<td>In 3 years</td>
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<td>Manufacturing</td>
<td>3 years</td>
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<td>5 years</td>
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<td>Manufacturing</td>
<td>500</td>
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<td>CKD</td>
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<td><strong>Proposal</strong></td>
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<td><strong>Target revenue by 5 years – 1.75 bn</strong></td>
<td><strong>CapEx of 1.2 Bn</strong></td>
<td><strong>Other expenses of 100 Mn</strong></td>
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<td><strong>Market share of at least 51% internationally</strong></td>
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**Proposal**

- Target revenue by 5 years: 1.75 bn
- CapEx of 1.2 Bn
- Other expenses of 100 Mn
- Market share of at least 51% internationally
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<td>1- Can’t expand penetration into international market</td>
<td>2- Can’t penetrate other demographics</td>
<td>3 – No innovation to meet customer needs</td>
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**Risks**

- Challenge 1: Can’t expand penetration into international market
- Challenge 2: Can’t penetrate other demographics
- Challenge 3: No innovation to meet customer needs

**Likelihood**

- Green: Low
- Yellow: Medium
- Red: High
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<td>1- Focus on emerging and industrialized economies</td>
<td>2- Tactical use of customer information and markets</td>
<td>3 – Partnering with GA technologies or similar company; Increase customization options; More efficient engines</td>
<td>Impact</td>
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**Mitigation**
Questions?