



Harley-Davidson: Growth Challenges Ahead

“DESIRABILITY IS A MOTIVATING FORCE DRIVEN BY EMOTION”



MISSION

More than building machines, we stand for the timeless pursuit of adventure. Freedom for the soul

VISION

Building our legend and leading through innovation, evolution and emotion.

AMBITION

Harley-Davidson as the most desirable motorcycle and lifestyle brand in the world, building upon our history and leading motorcycle culture into the future.



The Company that Sparked a Revolution

- Started in 1903 in Milwaukee, Wisconsin
- Founded by Walter Davidson, Arthur Davidson, William Davidson and William Harley
- William Harley and the Davidsons grew up a couple of houses apart from another





Making History in America

- The first Harley Davidson factory was a wooden shed in Davidson's family's backyard
- The first motorcycle created by Harley Davidson was single cylinder engine with a leather drive belt
- The first Harley-Davidson motorcycle was actually built for speed and designed to be a race bike

Fun Fact: Anyone know where Harley Davidson got the nickname "Hogs" from?





World War Efforts

- In 1921, Harley Davidson was the first motorcycle to win a race with an average speed of more than 100 mph
- The demand for the bikes grew which resulted in expansion of their factories several times in order to keep up with the demand
- They produced over 20 thousand motorcycles for the US military during World War I and 90 thousand motorcycles for Military use during World War II
- Harley Davidson was awarded two Army-Navy E awards for Excellence in Production.



Fun Fact: Where and what does the current headquarters of Harley Davidson reside on?

Timeline

- By 1931, the US motorcycle industry was dominated by three companies
 - By the mid-1950's Harley-Davidson had 60% of the US market, their racer reputation also started to change
 - Harley hit a speedbump when Honda Motor Companies looked to enter US markets in 1959
 - Harley lost its position as market leader, although their sales doubled in 1965
 - Harley went public in 1965 and was acquired by American Machine and Foundry (AMF)
 - In 1966, the president of the company made a statement denying that these smaller lightweight bikes were a threat
 - In 1975 Honda made a heavyweight bike directly competing with Harley
 - By 1980, AMF decided to sell Harley
 - Serious changes occurred to survive, including a tariff in 1983
 - Harley-Davidson Owners Group (HOG) was created in 1983
 - Went public for the second time in 1989
 - Harley looked to expand into international markets
 - The recession hit Harley-Davidson hard
 - Profits in 2012 were roughly 25% from licencing sales
 - By 2016, the Harley bar and shield logo was the 80th most valuable global brand
 - In 2017 CEO announced their plans to offer 50 new models in the next 5 years
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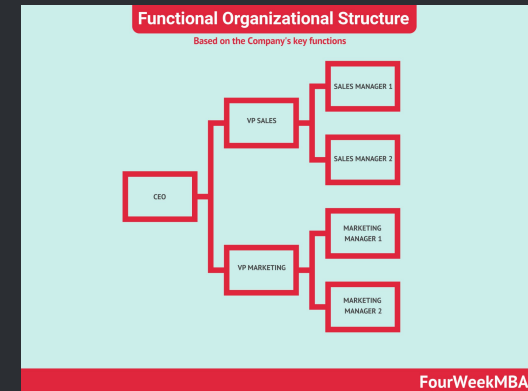
Harley-Davidson Value Chain

- **Inbound Logistics:** Sourcing of raw materials, components, and parts for motorcycle production
- **Operations:** Design, development, and manufacturing of motorcycles along with quality control and testing
- **Outbound Logistics:** Storage and distribution of finished motorcycles to dealerships and customers.
- **Marketing & Sales:** Promoting and selling Harley-Davidson motorcycles through various channels.
- **After-Sales Services:** Provides ongoing support and maintenance to customers.



Harley-Davidson VRIO

- Value: Brand, reputation, and design.
- Rarity: Brand and Design
- Inimitability: Culture and design
- Organization: Organizational Culture





Model 17 F/J



WLA "The Liberator"



1957 Sportster

Rewinding History: Their Original Business Strategy

- **Brand differentiation:**

- Innovation - Quality and Performance - Heritage and brand image - Community and Lifestyle

- **Product innovation and customization:**

- Offering wide range of accessories
- 1999 - Creation of Custom Vehicle Operations (CVO)

- **Customer engagement:**

- 1914 - Won the Federation of American Motorcyclists (FAM) race
- 1953 - "The Wild One" is released
- 1969 - "Easy Rider" is released
- 1981 - Harley Owners Group (HOG)

- **Global expansion:**

- 1904 - first dealer - Carl H. Lang - Chicago
- 1925 - first international dealership 1924 - Toronto
- Today: 1400 dealerships in 100+ countries

- **Diversification:**

- 1929 - 45" solo is introduced.
- 1957 - The Sportster is introduced



1,250cc water-cooled performance cruiser



E-Bike concept



small-capacity cruiser

H-D Today: **The Hardwire Initiative**

- **5 year Plan**

- **2021-2025**

- Build on the loyalties of existing Harley riders and new buyers who are attracted to the firm's attributes.

- **70-20-10 Initiative**

- **70% Core Business**

- **20% Expansion**

- Pan America adventure bike

- **10% Testing**

- Qianjiang

- Hero MotoCorp



Pan American Adventure Bike



5 Forces Analysis

Competition:

- Harley Davidson's market share fluctuated through the years
- Low number of competitors but high amount of competition
- Currently the biggest competitor is Honda who appeals to a wider market of people with motorcycles ranging from 50cc (cheapest and lightest) to 250cc (most expensive and heaviest).



HONDA



5 Forces Analysis

Threat of new entrants:

- Harley Davidson's market share has fluctuated with the entrance and success of Honda.
- Threat remains relatively low as it is not a highly saturated market

Threat of substitutes:

- Honda created a wider variety of options (different price points and weight classes of motorcycles)
- Japanese made motorcycles (Honda) are more efficient to produce and more reliable





5 Forces Analysis

Power of Suppliers:

- Low bargaining power due to wide availability of suppliers
- Harley Davidson also produces and manufactures a lot of their own parts

Power of Customers:

- Heavy presence of competition
- High switching costs
- Major brand loyalty





PESTLE Analysis

Political:

- Tariff policies and trade agreements can impact Harley-Davidson's sales and profitability, especially with its reliance on international markets.
- Emissions regulations and safety standards can impact production costs and product design.

Economic:

- Fluctuations in consumer disposable income can affect demand for luxury goods such as motorcycles.
 - Interest rate changes can impact consumer purchasing power and therefore demand for Harley-Davidson's products.
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PESTLE Analysis

Sociocultural:

- Changing consumer attitudes and preferences towards transportation, such as increased interest in electric vehicles, can impact demand for traditional gas-powered motorcycles.
- Shifting demographics, such as an aging population, can also impact demand.

Technological:

- Rapid advancements in electric vehicle technology and the increasing popularity of electric motorcycles can pose a threat to Harley-Davidson's traditional business model.
 - Investment in research and development to integrate new technology and improve existing products is important to remain competitive.
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PESTLE Analysis

Legal:

- Harley Davidson has faced numerous product liability lawsuits over the years, ranging from claims of defective design and manufacturing to inadequate warnings and instructions.
- Harley Davidson has a strong brand image and reputation, and it must protect its intellectual property, including trademarks, copyrights, and patents.

Environmental:

- Climate change is affecting the motorcycle industry in many ways, from changing consumer preferences for sustainable transportation options to increasing costs of production due to environmental regulations
 - Harley Davidson must navigate complex and rapidly changing legal and environmental factors in order to remain competitive and sustainable in the long term
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MARKETING

Image:

- Focus on rebranding with a more ‘friendly’ image
 - Ex. Honda’s ‘you meet the nicest people on a Honda’
- Change the dialog around Harley Davidson to a more positive conversation

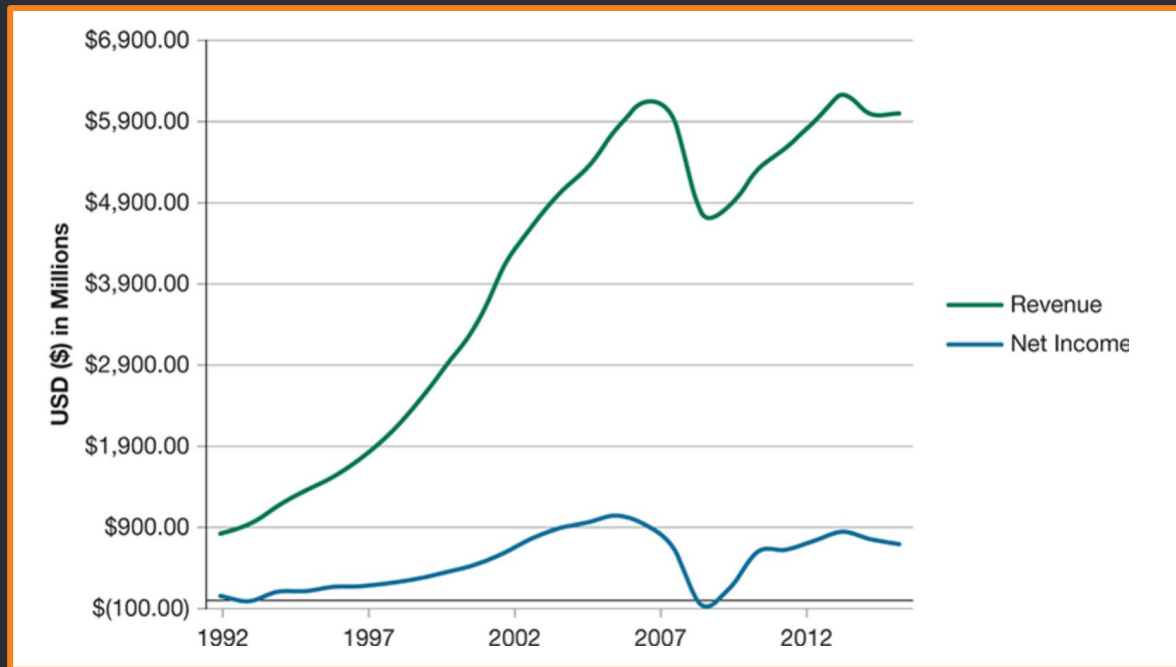
Advertisement:

- More inclusive advertisements
- Reach a younger audience through social media advertisements (instagram, twitter, tiktok etc)

Expand the typical age group of riders



Financials





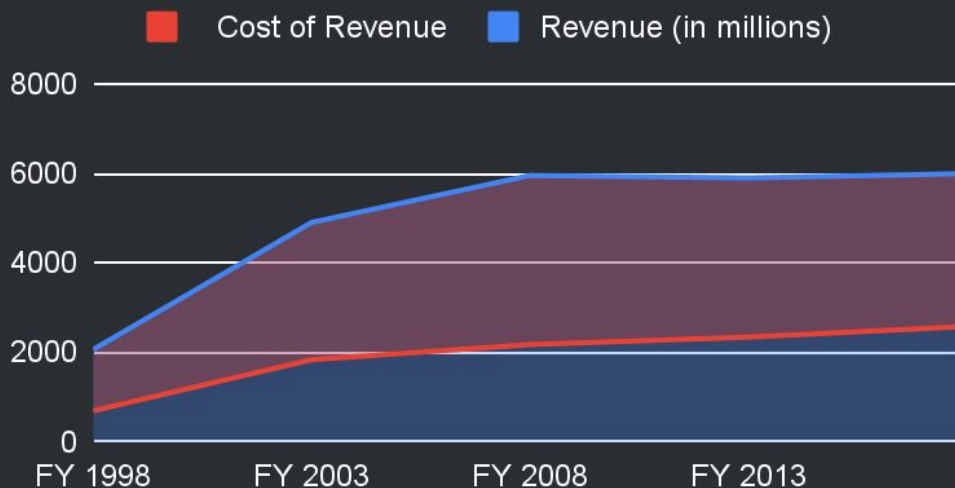
Gross Profit

EXHIBIT 2A

Harley-Davidson Selected Financial Information

| | FY 2016 | FY 2013 | FY 2008 | FY 2003 | FY 1998 |
|-----------------------|------------|------------|------------|------------|------------|
| Revenue (in millions) | 5,996 | 5,900 | 5,955 | 4,904 | 2,064 |
| Cost of Revenue | 3,419 | 3,561 | 3,784 | 3,070 | 1,373 |
| Gross Profit | 2,577 | 2,338 | 2,171 | 1,833 | 691 |
| Operating Expenses | 1,415 | 1,185 | 1,100 | 684 | 377 |
| Operating Income | 1,049 | 1,029 | 1,154 | 1,149 | 313 |
| Return on Equity | 32.4% | 26.67% | 29.2% | 29.3% | 23.0% |
| Return on Assets | 6.84% | 8.14% | 9.7% | 17.3% | 12.1% |
| Gross Profit | 43.0% | 39.8% | 36.5% | 37.4% | 33.5% |
| Operating Expense | 23.6% | 20.01% | 18.5% | 13.9% | 18.3% |
| Operating Income | 17.5% | 17.4% | 18.0% | 23.4% | 15.2% |
| COGS | 57.02% | 60.36% | 63.5% | 62.6% | 66.5% |

Harley Davidson Gross Profit





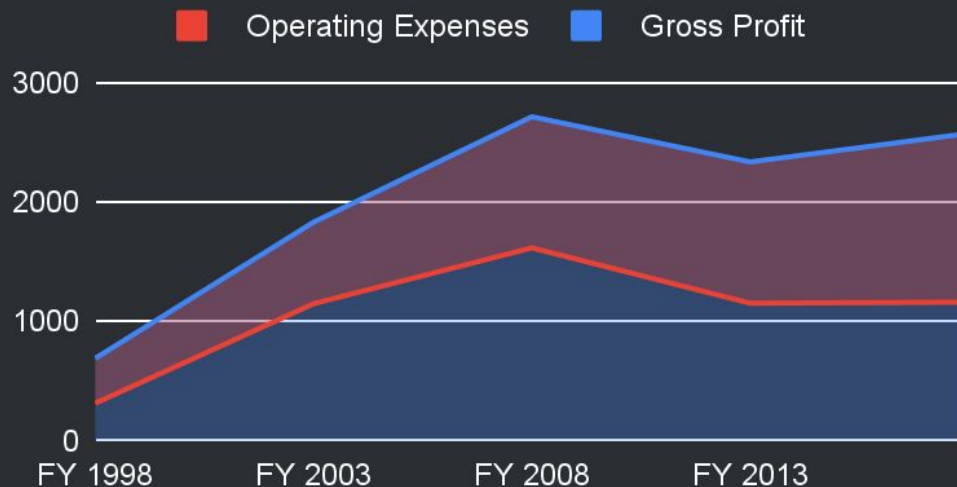
Operating Income

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Harley Davidson Operating Income





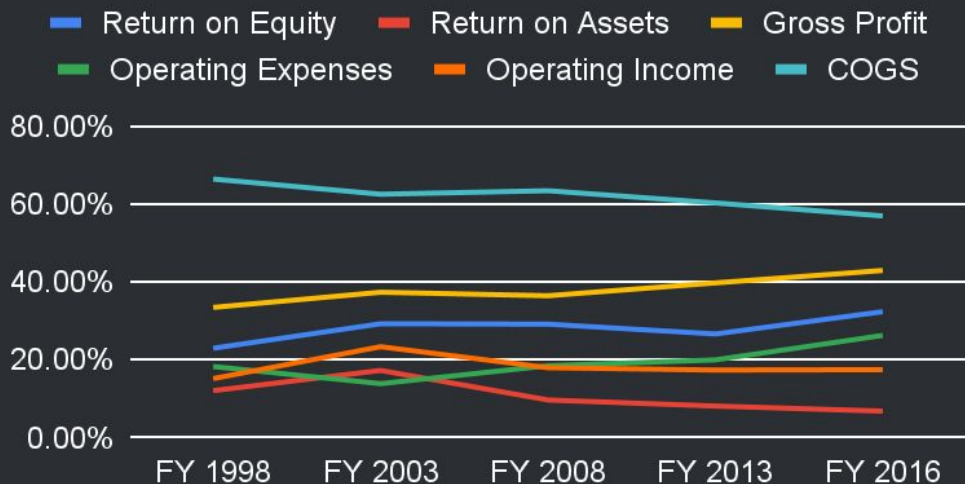
Ratio Analysis

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Harley Davidson Ratio Analysis





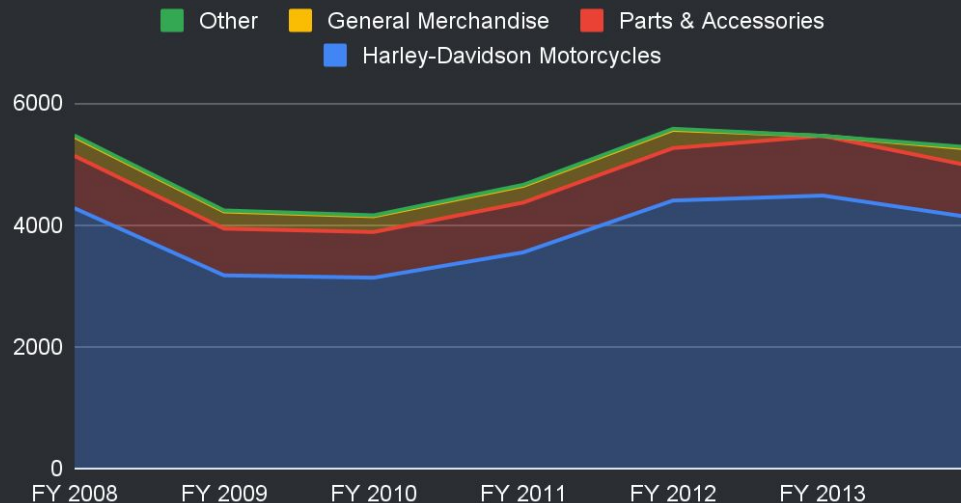
Sales by Activity

EXHIBIT 2B

Harley-Davidson in Segments

| | FY 2016 | FY 2013 | FY 2012 | FY 2011 | FY 2010 | FY 2009 | FY 2008 |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue (in millions) | 5,271 | 5,900 | 5,581 | 5,312 | 4,859 | 4,782 | 5,955 |
| Harley-Davidson Motorcycles | 4,122 | 4,484 | 4,403 | 3,553 | 3,137 | 3,175 | 4,278 |
| Parts & Accessories | 842.6 | 979.4 | 860 | 817 | 749 | 767 | 859 |
| General Merchandise | 285 | | 299 | 274 | 259 | 282 | 314 |
| Other | 22 | | 18 | 17 | 15 | 16 | 20 |
| Motorcycles Sold | 262,221 | 260,471 | 247,625 | 233,391 | 213,108 | 232,595 | 316,598 |
| Touring Motorcycle Units | 107,410 | 107,213 | 99,496 | 92,002 | 81,927 | 84,104 | 101,887 |
| Custom Motorcycle Units | 93,422 | 102,950 | 96,425 | 91,459 | 87,158 | 91,650 | 140,908 |
| Sportster Motorcycle Units | 61,389 | 50,308 | 51,704 | 49,656 | 41,409 | 47,269 | 60,684 |
| Other Motorcycles | 0 | 0 | 0 | 274 | 2,614 | 9,572 | 13,119 |

Harley Davidson Sales by Activity (2008-16)





Sales by Motorcycle Type

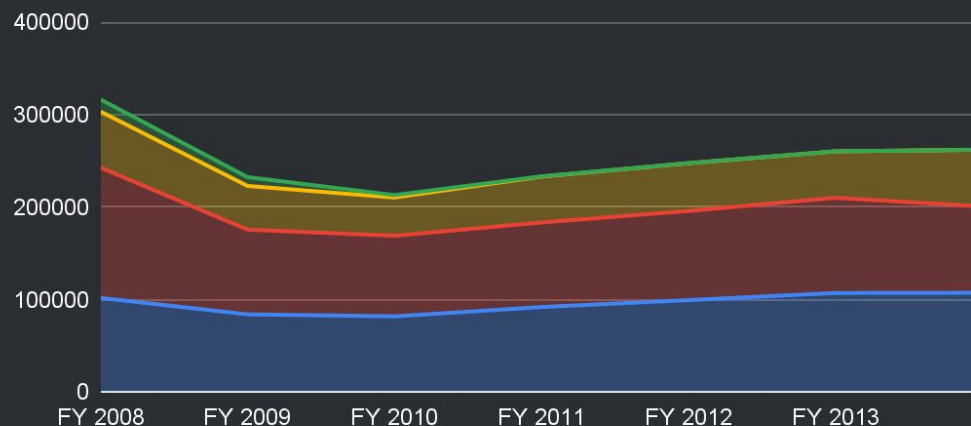
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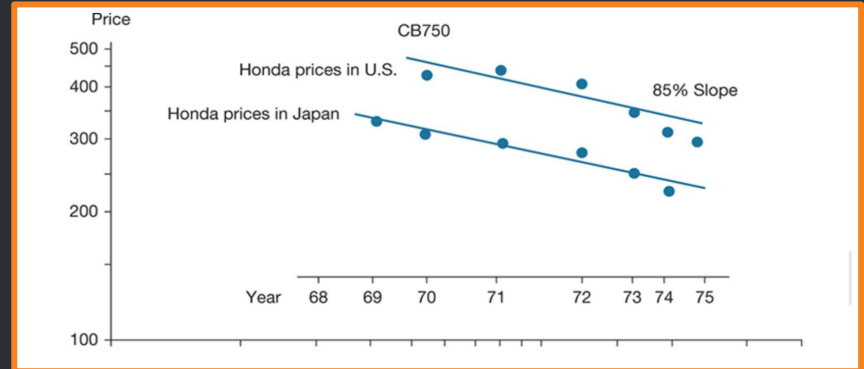
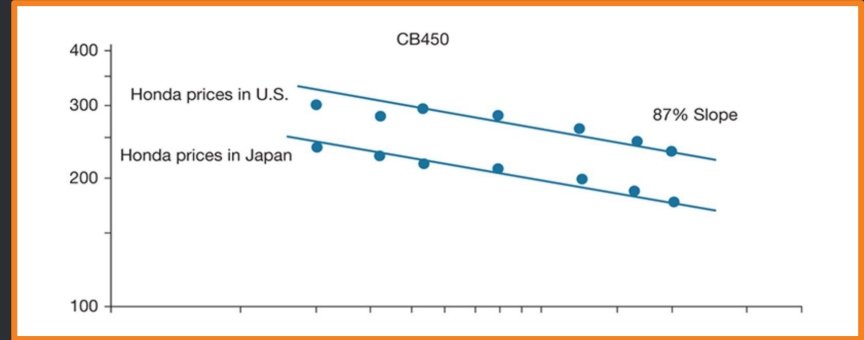
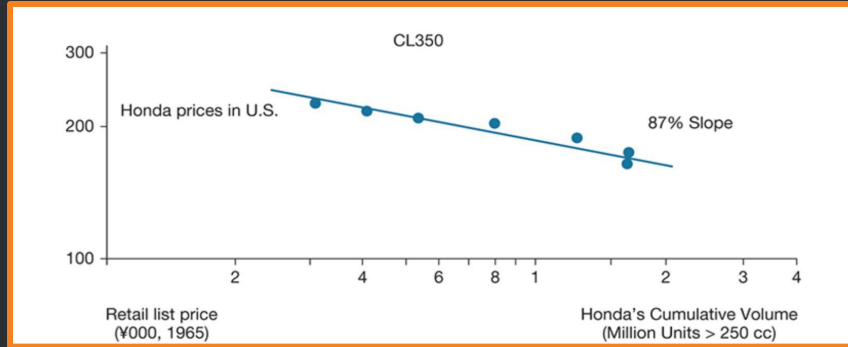
Harley Davidson Sales by Motorcycle Type (2008-16)

■ Other Motorcycles
 ■ Sportster Motorcycle Units
 ■ Custom Motorcycle Units
 ■ Touring Motorcycles Units





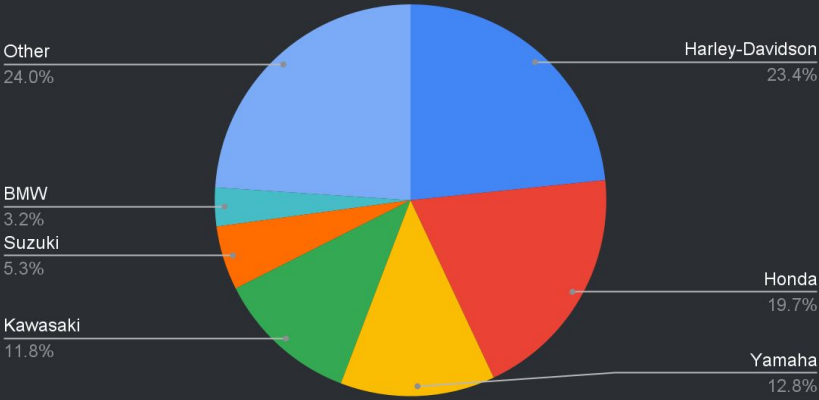
Honda Price Experience Curves



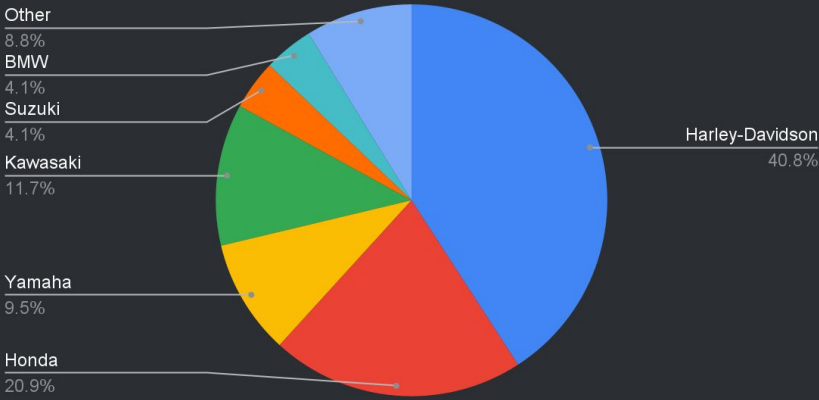


Motorcycle Markets in the U.S. 2022

Motorcycle Market Unit Sales by Make in the United States 2022



Motorcycle Market Unit Revenue by Make in the United States 2022



References



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