Harley-Davidson

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Strategic Management

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Arpan Gupta

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Agenda

1. Executive Summary & Introduction
2. Business Case
3. Competitive Advantage
4. Strategic Management Process
5. Vision & Mission
6. Culture & Ethics
7. SWOT Analysis
8. Financial Analysis
9. Matrices
10. Goals & Objectives
11. Strategic Analysis & Strategy Selection
12. Key Success Measures
13. Governance & Leadership
14. Implementation & Evaluation
15. Conclusions & Recommendations

Executive Summary

COMPANY DETAILS

GOALS

SWOT ANALYSIS

FINANCIAL ANALYSIS

MATRICES

STRATEGY ANALYSIS

CONCLUSION

Introduction

- One of the world’s largest motorcycle manufacturers
- Incorporated in 1903
- Headquarters: Milwaukee, Wisconsin
- New and big engine, the loop-framed design
- 116 Established Years
- Different phases: World Wars, Recession & Depression

BUSINESS CASE

1. Biggest Competition
2. Being the Market Leader requires focus around maintaining position
3. Increase the International Business to 50% of annual volume
4. Trade War
5. Launch 100 New High Impact H-D Motorcycles

Competitive Advantage

- Differentiation: Harley Davidson is in the business of selling lifestyle not transportation. One of the example is the chopper motorcycle style and customization of the products.

  Increase in investment on R&D of the company

- Customers loyalty: Harley Davidson is in this market since more than 100 years and this has created an increasing brand awareness and fame to the company.

  Owners joining clubs, rallies

- Pricing power: There are a very few manufacturers who can balance their cost of product and their investment in differentiation and Harley Davidson is one of them.

  The company's return on investment ranges from 20-30% which is way above the peers and other motorcycle manufacturing companies

Strategic Management Process

Formulation

- Adventure Touring, Streetfighter, and more unique new models from 500cc to 1250cc
- Add a new generation of riders
- Increase global footprint

Implementation

- Redesigned and expanded retail channels
- Focus on individual dealer influence
- Cost reduction/re-allocation

Evaluation

- Return on invested capital
- Change in income
- Success of forecasting trends

Vision Statement

- **Vision Statement:**

  “Harley-Davidson, Inc. is an action-oriented, international company, a leader in its commitment to continuously improve our mutually beneficial relationships with stakeholders (customers, suppliers, employees, shareholders, government, and society). Harley-Davidson believes the key to success is to balance stakeholders’ interests through the empowerment of all employees to focus on value-added activities (Panmore Institute, 2017).”

Vision & Mission Statements

- ## Mission Statement:

  Previously: "We fulfill dreams through the experiences of motorcycling (6), by providing to motorcyclists and to the general public (1) an expanding line of motorcycles and branded products (2)and services in selected market segments(3) (Panmore Institute, 2017)."

  Enhanced: "We fulfill dreams of enjoying the roads through the experiences of motorcycling(6), these experiences are extended to our current stakeholders and invitational to all dreamers globally(1,3) with the offering of our futuristic advanced (4), world-class branded motorcycles(2,7) offered in a variety of market segments to increase return on invested capital (5) while ensuring Harley recognizes the market conditions for both our valued customers and employees (8,9)."

  Elements: Specificity & Inspiration

Culture & Ethics

Organizational Culture

- Chopper Biker Culture
- Customer-centrism
- Business Values
- Employee Leadership Development

Ethical Codes of Behavior

Business Code focuses on five principles:

- Tell the truth
- Be fair
- Keep your promises
- Respect the individual
- Intellectual curiosity

Corporate Social Responsibility Practices

- Harley-Davidson Foundation
- Focus on increasing partnerships with Charitable organizations

SWOT Analysis

Strengths:

- Brand Awareness
- Loyal customers
- Reliable dealer networks
- High-quality motorcycles
- Customization experts

Weaknesses:

- Expensive
- Narrow product portfolio
- Reliance on US market
- Narrow target market
- Weak international presence

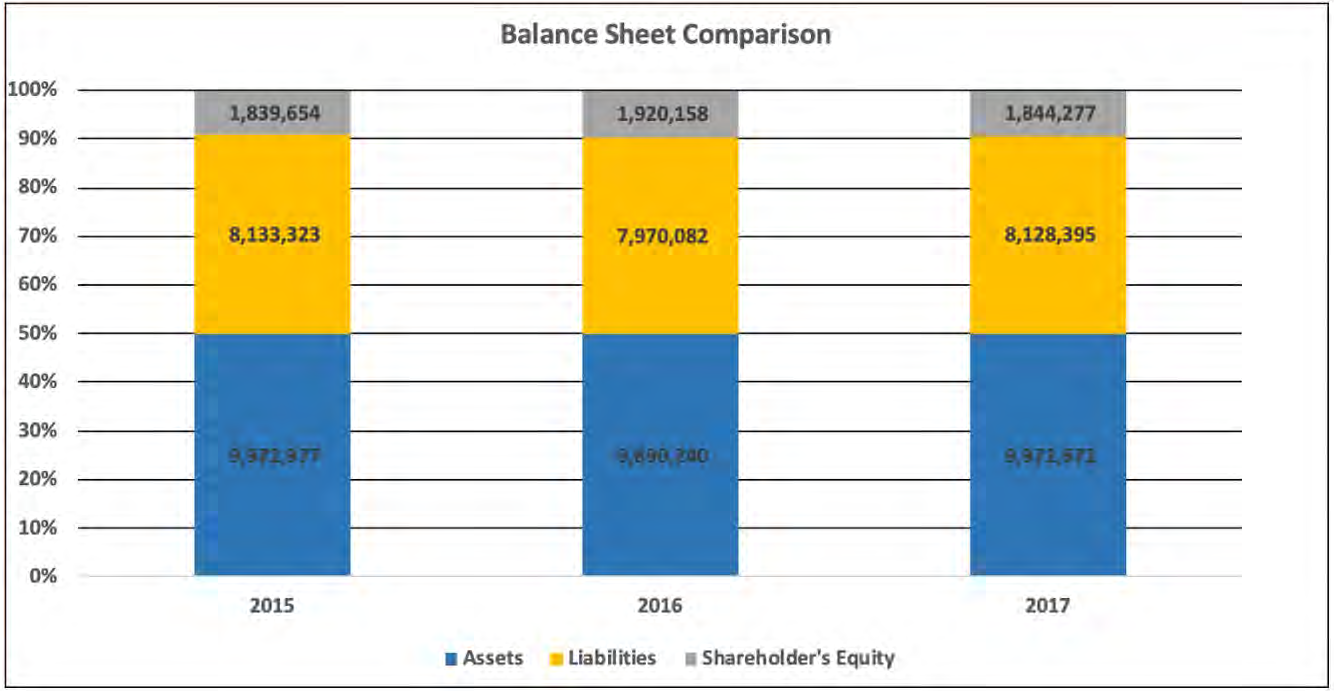
Opportunities:

- Lighter & environment friendly vehicles
- International expansion
- Shifting production
- Attracting younger consumers

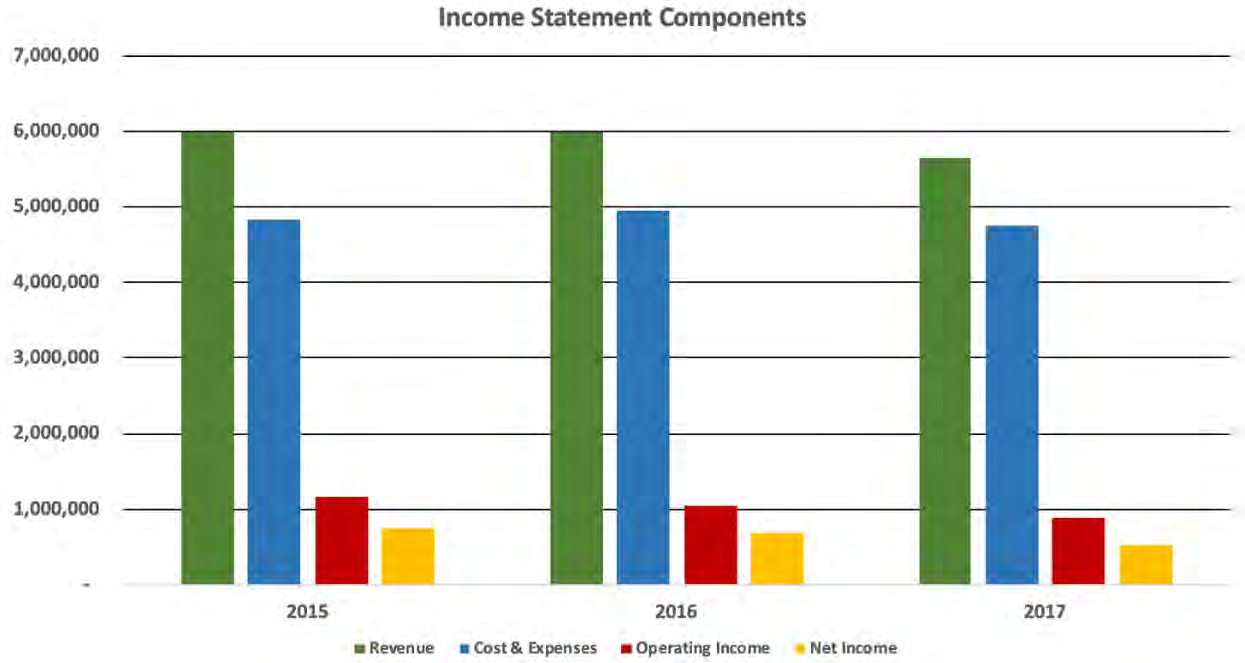
Threats:

- Tariffs
- Decline in sales year-over-year
- Evolving market
- No longer seen as a need
- Avg customer is 50yr+

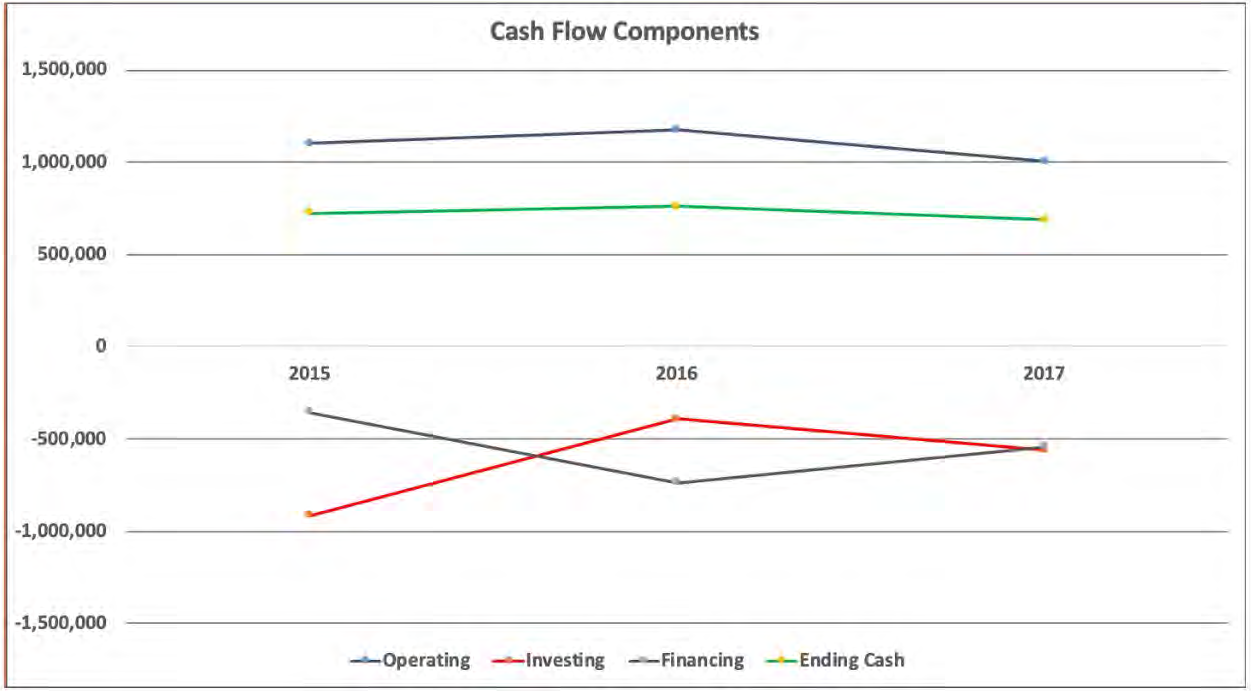
Balance Sheet Comparison



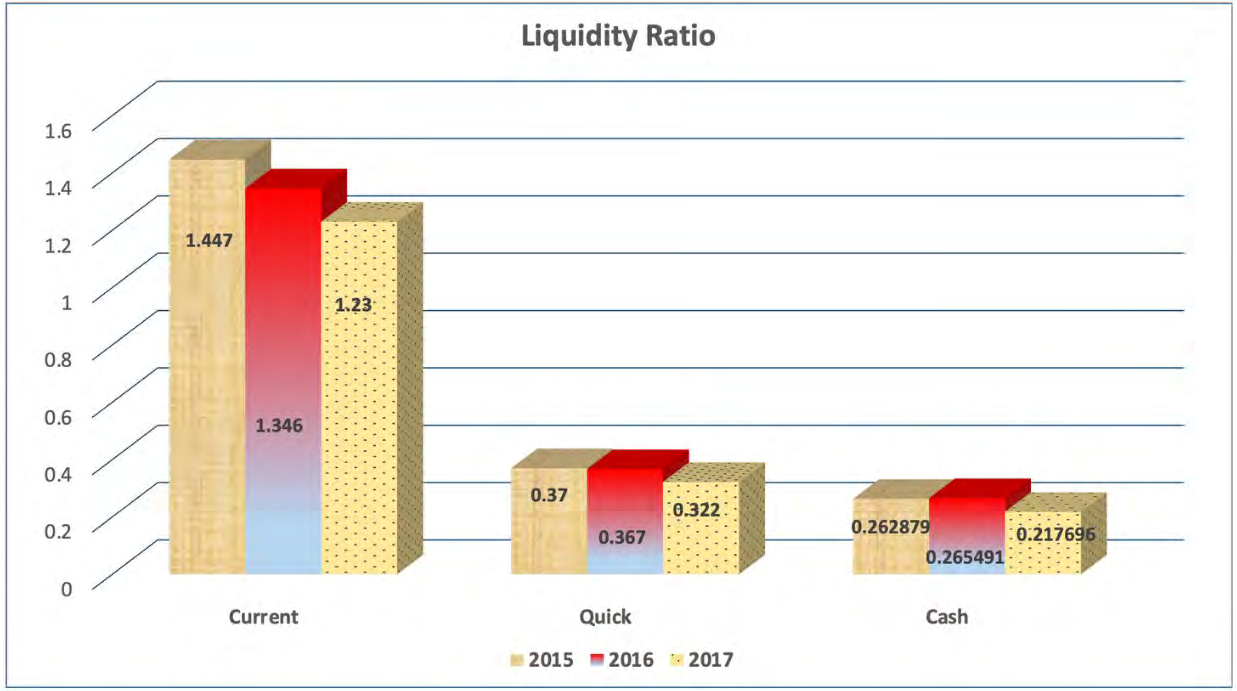
Income Statement Components



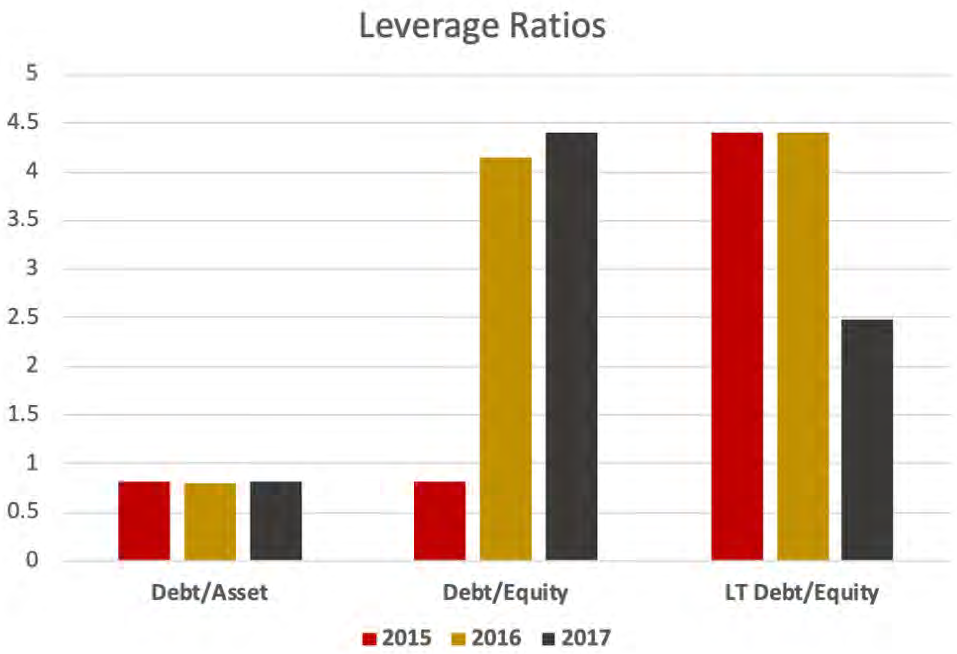
Cash Flow Components

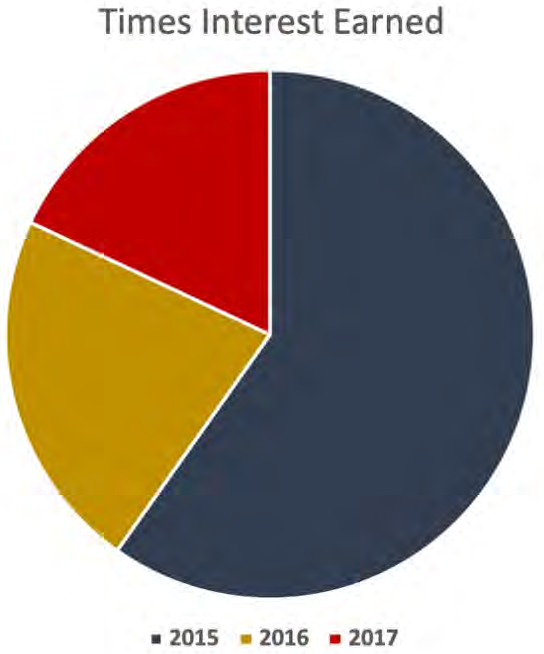


Liquidity Ratio

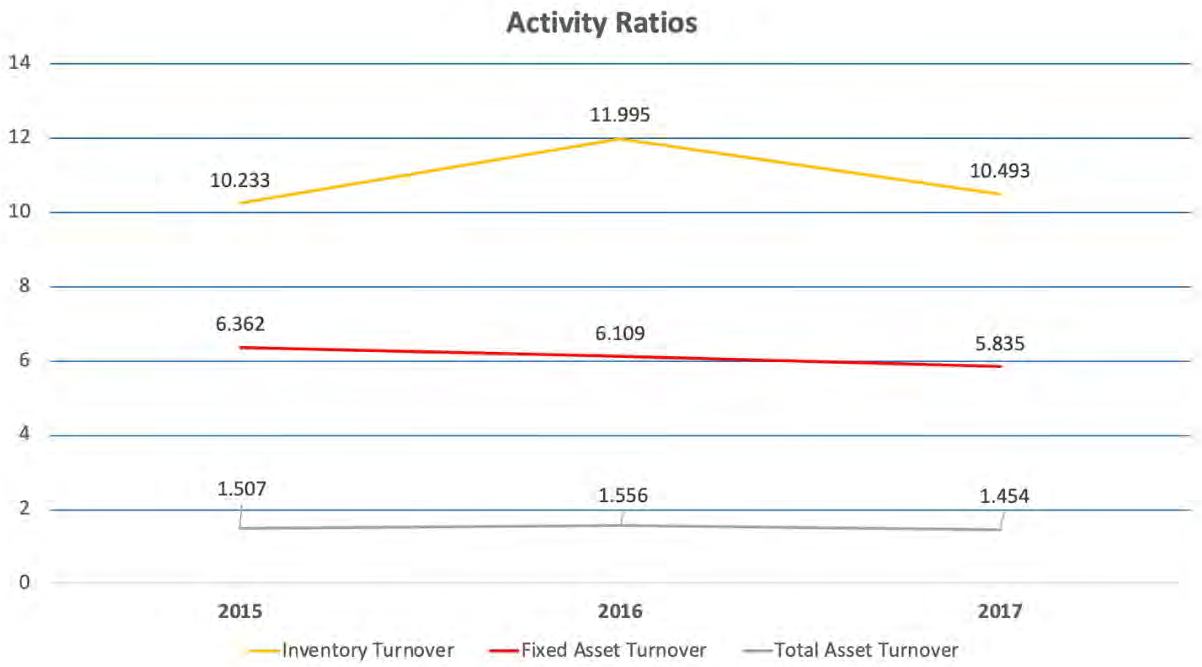


Leverage Ratios and Times Interest Earned

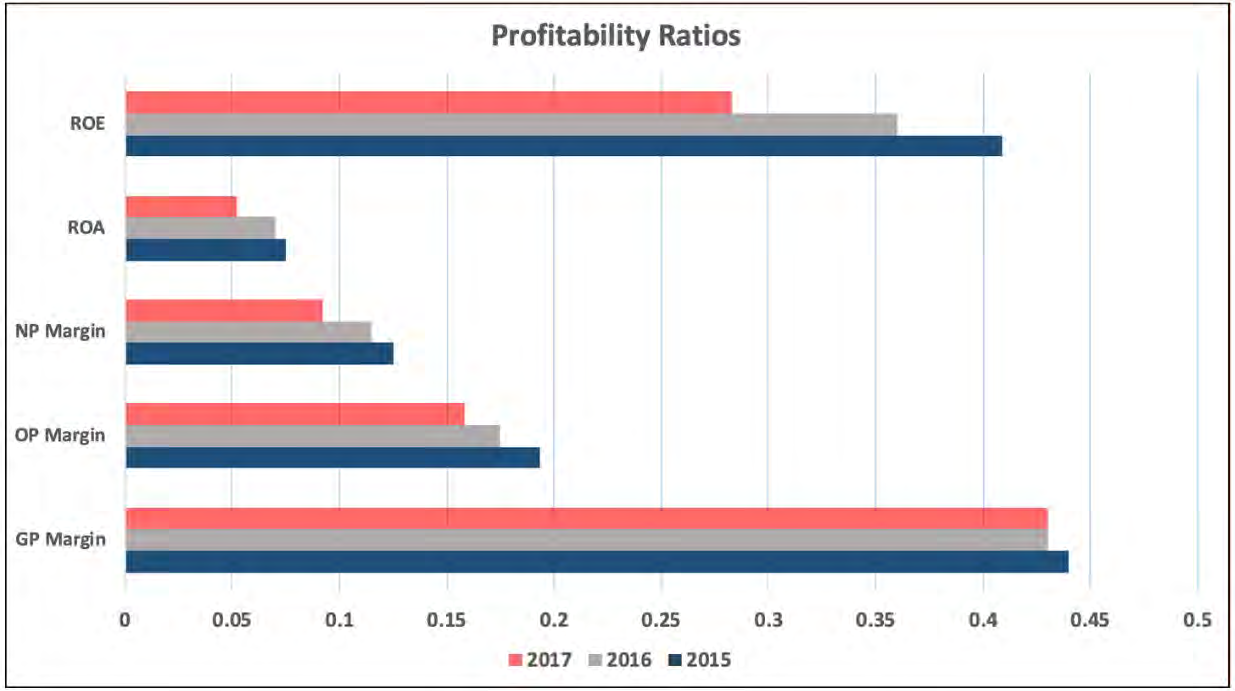




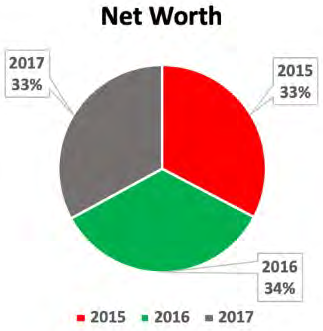
Activity Ratios

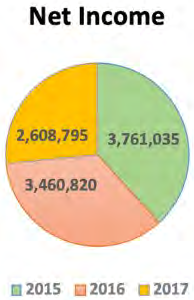


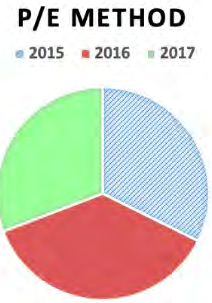
Profitability Ratios

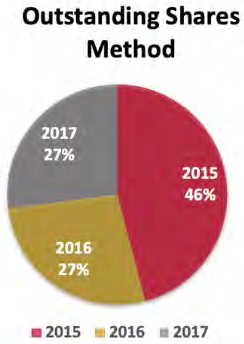


Corporate Valuation Methods









External Factor Matrix

Key External Factors	Weight	Rating	Weighted Score
Opportunities			
Preference for smaller and environment friendly motorcycles	0.07	3	0.21
Diversifying product portfolio to attract new customers	0.08	4	0.32
Growing demand in international markets like Asia and Europe	0.05	3	0.15
Targeting women and millennials to expand customer base	0.05	3	0.15
Demand for an online sales channel	0.04	2	0.08
Using data analytics to better know the customers	0.03	3	0.09
Setting up local production facilities to avoid tariffs	0.08	4	0.32
Growing international motorcycle market outside of the U.S.	0.05	4	0.2
Large segment of first-time motorcycle riders	0.06	3	0.18
Expanding international apparel distribution	0.02	3	0.06
Threats			
Aging customers	0.08	2	0.16
Perception of motorcycles as being a luxury item	0.02	2	0.04
Higher tariffs as a result of trade wars	0.10	4	0.4
Upcoming stringent environmental regulations	0.03	3	0.09
Decline in Harley Davidson sales in the U.S. market	0.04	3	0.12
Impact of currency fluctuations due to global operation	0.03	3	0.09
Aggressive competition	0.08	4	0.32
Supply chain shortages	0.01	3	0.03
Product imitation	0.02	4	0.08
Rising concern for environmental impact	0.06	3	0.18
Total	**1.00**		**3.27**

Internal Factor Matrix

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
Enormous reputation and brand awareness	0.07	4	0.28
Quality of motorcycles	0.07	4	0.28
Strong dealer network	0.05	4	0.2
Expertise in manufacturing motorcycles	0.05	4	0.2
Immense brand loyalty	0.06	4	0.24
Numerous customization options	0.04	4	0.16
Ability to develop innovative products	0.05	3	0.15
Effective marketing strategy	0.04	4	0.16
Strong presence in the U.S. market	0.04	4	0.16
Excellent supplier relationships	0.04	3	0.12
Weaknesses			
Very expensive motorcycles	0.06	1	0.06
Limited growth due to heavy reliance on the U.S. market	0.05	2	0.1
Narrow product portfolio	0.07	2	0.14
Consistent focus on a single target demographic	0.06	1	0.06
Low market share in international markets	0.05	2	0.1
Difficult to attract first time riders due to the size of motorcycles	0.04	2	0.08
Association of luxury instead of necessity with Harley motorcycles	0.03	2	0.06
No online platform for product customization	0.03	2	0.06
Limited international production facilities	0.04	1	0.04
No environment friendly product in the portfolio	0.06	1	0.06
Total	**1.00**		**2.71**

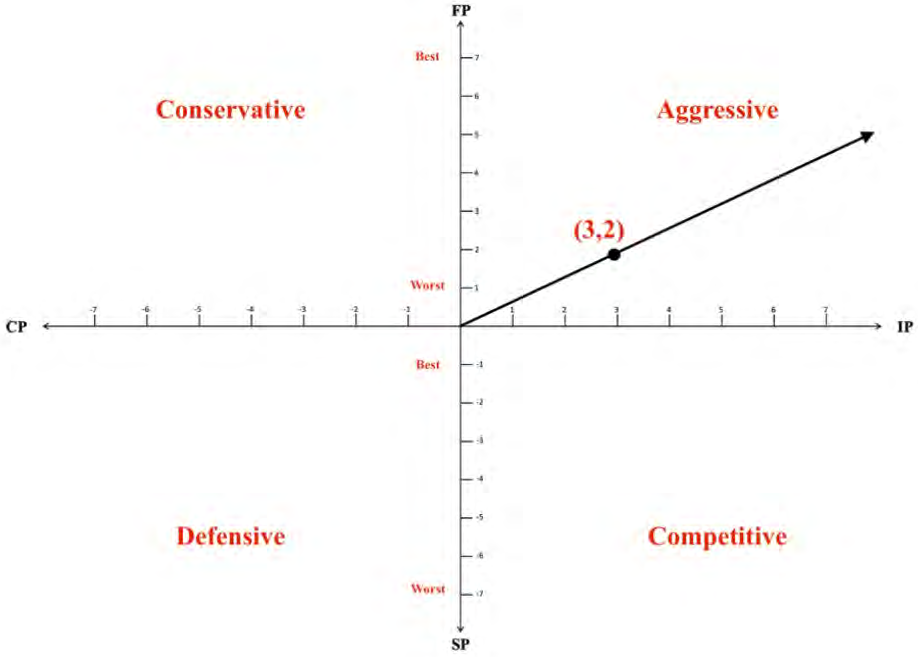
Competitive Profile Matrix

Critical success factors		Harley		Indian		Triumph	
	Weight	Rating	Score	Rating	Score	Rating	Score
Brand reputation	0.09	4	0.36	3	0.27	3	0.27
Product variety	0.08	2	0.16	2	0.16	3	0.24
Price Competitiveness	0.09	2	0.18	2	0.18	3	0.27
Distribution network	0.07	4	0.28	2	0.14	3	0.21
Product quality	0.10	4	0.40	4	0.40	3	0.30
After sales services	0.06	4	0.24	3	0.18	3	0.18
Market share	0.06	4	0.24	3	0.18	3	0.18
Customer loyalty	0.09	4	0.36	3	0.27	2	0.18
Online presence	0.06	4	0.24	2	0.12	2	0.12
Research and development	0.05	3	0.15	3	0.15	3	0.15
Marketing strategy	0.06	4	0.24	3	0.18	2	0.12
Product innovation	0.07	3	0.21	3	0.21	3	0.21
Global reach	0.07	4	0.28	2	0.14	2	0.14
Product design	0.05	4	0.20	4	0.20	3	0.15
Total	**1.00**		**3.54**		**2.78**		**2.72**

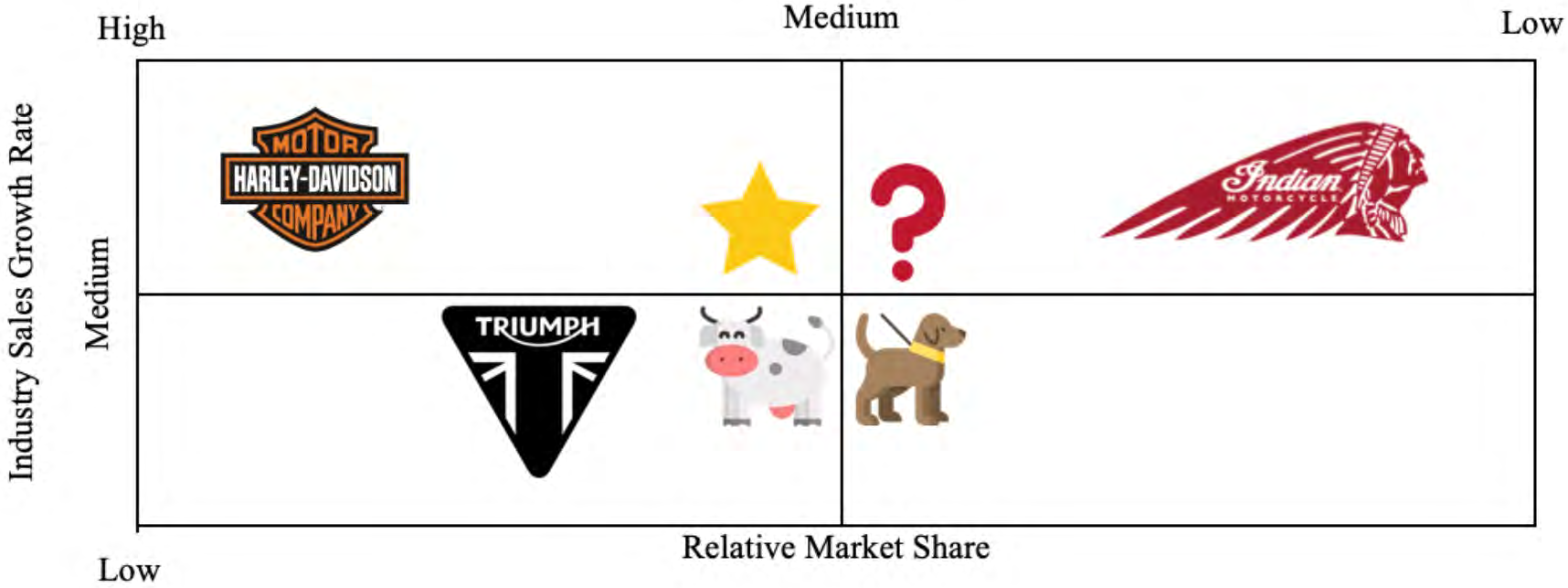
SWOT Matrix

SWOT Matrix For Harley Davidson	Strengths	Weaknesses
	1. Enormous brand reputation 2. Quality of motorcycles 3. Brand loyalty 4. Expertise in making motorcycles 5. Ability to innovate	1. Very expensive products 2. Narrow product portfolio 3. Focus on a single demographic 4. Limited international facilities 5. Low market shares overseas
Opportunities	**S-O Strategies**	**W-O Strategies**
1. Demand for lighter motorcycles 2. Local production facilities 3. Growing international markets 4. Variety to attract new customers 5. Leveraging data analytics	1. Develop lighter and more practical motorcycles (S4, O1) 2. Aggressively expand to international market (S1, O2)	1. Increase the variety of products offered (W2, O1) 2. Setup international production facilities (W4, W5, O2, O3)
Threats	**S-T Strategies**	**W-T Strategies**
1. Aging customers 2. Higher tariffs due to trade wars 3. Aggressive competition 4. Strict environmental regulations 5. Product imitation	1. Replenish market positioning (S1, T1) 2. Develop new products (S2, S4, S5, T1, T3, T5)	1. Develop practical and environmentally friendly products (W2, W3, T1, T3, T5) 2. Setup local production facilities to avoid tariffs (W4, W5, T2)

SPACE Matrix



BCG Matrix


High
Medium
Low
Industry Sales Growth Rate
Medium
HARLEY-DAVIDSON
TRIUMPH
Indian
MOTORCYCLE
Low
Relative Market Share

Internal External Matrix

Internal factor evaluation total weighted scores

External factor evaluation total weighted scores	**Strong** (3.0 to 4.0)	**Average** (2.0 to 2.99)	**Weak** (1.0 to 1.99)	
High (3.0 to 4.0)	Winner -grow and build	Winner -grow and build	Question Mark -hold and maintain	**4.0**
Medium (2.0 to 2.99)	Winner -grow and build	Average -hold and maintain	Loser -harvest or divest	**3.0**
Low (1.0 to 1.99)	Profit Producer -hold and maintain	Loser -harvest or divest	Loser -harvest or divest	**2.0**
	4.0	**3.0**	**2.0**	**1.0**

Grand Strategy Matrix

QSPM

		Launch 100 lighter and environment friendly motorcycles by 2027 to gain new customers and expand globally			Setup new production facilities in international markets to avoid tariffs	
Key Factors	**Weight**	**AS**	**TAS**		**AS**	**TAS**
Strengths						
Enormous reputation and brand awareness	0.07	4	0.28		4	0.28
Quality of motorcycles	0.07	4	0.28		3	0.21
Immense brand loyalty	0.05	-			-	
Strong dealer network	0.05	3	0.15		3	0.15
Expertise in manufacturing motorcycles	0.06	4	0.24		2	0.12
Numerous customization options	0.04	-			-	
Ability to develop innovative products	0.05	4	0.2		1	0.05
Effective marketing strategy	0.04	3	0.12		2	0.08
Strong presence in the U.S. market	0.04	3	0.12		1	0.04
Excellent supplier relationships	0.04	3	0.12		3	0.12
Weaknesses						
Very expensive motorcycles	0.06	1	0.06		3	0.18
Limited growth due to heavy reliance on the U.S. market	0.05	4	0.2		2	0.1
Narrow product portfolio	0.07	4	0.28		1	0.07
Consistent focus on a single target demographic	0.06	4	0.24		1	0.06
Low market share in international markets	0.05	4	0.2		4	0.2
Difficult to attract first time riders due to the size of motorcycl	0.04	4	0.16		1	0.04
Association of luxury instead of necessity with Harley motorc	0.03	-			-	
No online platform for product customization	0.03	-			-	
Limited international production facilities	0.04	2	0.08		4	0.16
No environment friendly product in the portfolio	0.06	3	0.18		1	0.06

QSPM continued

Opportunities						
Preference for smaller and environment friendly motorcycles	0.07	4	0.28		1	0.07
Diversifying product portfolio to attract new customers	0.08	4	0.32		1	0.08
Growing demand in international markets like Asia and Europ	0.05	4	0.2		4	0.2
Targeting women and millennials to expand customer base	0.05	4	0.2		1	0.05
Demand for an online sales channel	0.04	-			-	
Using data analytics to better know the customers	0.03	3	0.09		1	0.03
Setting up local production facilities to avoid tariffs	0.08	1	0.08		4	0.32
Growing international motorcycle market outside of the U.S.	0.05	3	0.15		4	0.2
Potential to attract first time motorcycle riders	0.06	3	0.18		1	0.06
Expanding international apparel distribution	0.02	-			-	
Threats						
Aging customers	0.08	4	0.32		1	0.08
Perception of motorcycles as being a luxury item	0.02	-			-	
Higher tariffs as a result of tradewars	0.10	1	0.1		4	0.4
Upcoming stringent environmental regulations	0.03	3	0.09		1	0.03
Decline in Harley Davidson sales in the U.S. market	0.04	4	0.16		4	0.16
Impact of currency fluctuations due to global operation	0.03	1	0.03		1	0.03
Aggressive competition from lower priced products	0.08	3	0.24		3	0.24
Supply chain shortages	0.01	1	0.01		4	0.04
Product imitation	0.02	4	0.08		1	0.02
Rising concern for environmental impact	0.06	3	0.18		1	0.06
Total			**5.62**			**3.99**

Porter's 5 forces

Rivalry among competing firms **(strong)**

Potential of new entrants **(weak)**

Potential substitute products **(moderate)**

Bargaining power of consumer **(moderate)**

Bargaining power of supplier **(weak)**

Goals & Objectives

100 Motorcycles

Attraction more consumers

Return-On-Investment

Strategic Analysis & Strategy Selection

1 Current Position

- 23% decrease in operating income between 2015, 2016 & 2017
- Lack of demand from Generation Y

2 Strategic Move

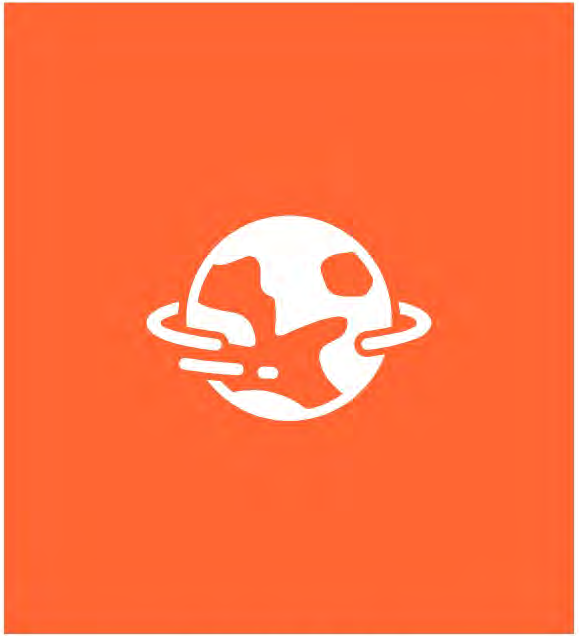
- Expansion of current product line up
- Shift production outside of impacted tariffs

3 Reason

- Sales are dropping because there is no control over Generation Y's spending
- Lack of international sales
- Increased costs due to increased import costs

Key Success Measures

New products

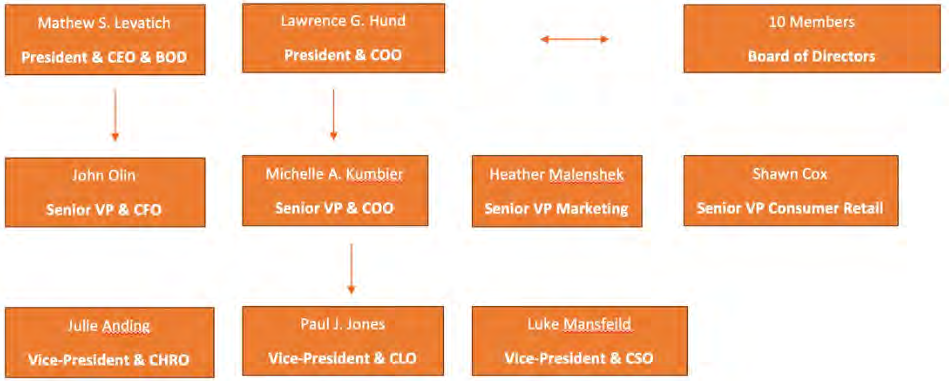


Broader access

Dealers

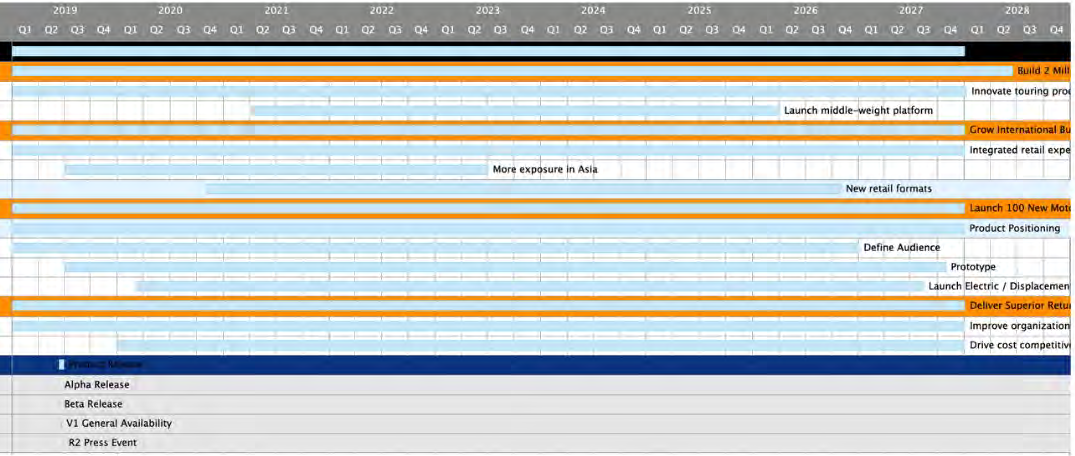
Governance & Leadership

- Board acts as the adviser and monitors management's performance
- Various industry backgrounds
- Powerful teams that can execute company vision
- Foundation of trust



Implementation and evaluation

	Harley Implementation	Start Date	End Date	Assigned To
1	**Implementation of New Strategies**	**07/02/18**	**07/02/27**	
2	**Build 2 Million New Riders**	**07/02/18**	**12/14/27**	**Engineers**
3	Innovate touring products	07/02/18	07/08/27	
4	Launch middle-weight platform	10/01/20	10/02/25	
5	**Grow International Business by 50%**	**07/02/18**	**07/02/27**	**Finance**
6	Integrated retail experience	07/02/18	07/02/27	Sales Team
7	More exposure in Asia	01/01/19	01/01/23	Marketing
8	New retail formats	05/01/20	05/01/26	
9	**Launch 100 New Motorcycles (19-27)**	**07/02/18**	**07/02/27**	**Engineers**
10	Product Positioning	07/01/18	07/01/27	
11	Define Audience	07/01/18	07/01/26	Marketing
12	Prototype	01/01/19	05/01/27	
13	Launch Electric / Displacement Motorcycles	09/05/19	02/12/27	
14	**Deliver Superior Return On Investment**	**07/02/18**	**07/02/27**	
15	Improve organizational effectiveness	07/02/18	07/02/27	Production
16	Drive cost competitiveness	07/02/19	07/02/27	
17	**Product Release**	**12/13/18**	**12/28/18**	
18	Alpha Release	12/13/18	12/13/18	
19	Beta Release	12/13/18	12/13/18	
20	V1 General Availability	12/20/18	12/20/18	
21	R2 Press Event	12/28/18	12/28/18	



Conclusion & Recommendation

1. Strong industry presence
2. New products
3. Growth prospects in foreign markets
4. Cost reduction

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Thank You! :)

Questions