

Harley davidson, inc.

[Business](#), [Entrepreneurship](#)



Harley-Davidson, Inc. - 2009 Case Notes Prepared by: Dr. Mernoush Banton
Case Authors: Carol Pope and Joanne Mack A. Case Abstract Harley-Davidson, Inc. (www.harley-davidson.com) is a comprehensive strategic management case that includes the company's calendar December 31, 2008 financial statements, competitor information and more. The case time setting is the year 2009. Sufficient internal and external data are provided to enable students to evaluate current strategies and recommend a three-year strategic plan for the company. Headquartered in Milwaukee, WI, Harley-Davidson, Inc. is traded on the New York Stock Exchange under ticker symbol HOG. B. Vision Statement (Actual) Harley-Davidson is an action-oriented, international company, a leader in its commitment to continuously improve its 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. Vision Statement (Proposed) We want to make your motorcycle ride a safe and a lifetime experience. C.

Mission Statement (Actual) We fulfill dreams through the experiences of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles, branded products and services in selected market segments. Mission Statement (Proposed) Harley-Davidson is committed to providing the highest quality products and financial services to men and women worldwide (1, 3). The Harley name stands for customer satisfaction (7) and we would like all Harley customers to relay their

satisfaction to all motorcycle dreamers. Harley-Davidson uses advanced technology to produce the superior motorcycles (4).

Our philosophy is to conduct business with utmost integrity while serving our customers, employees, and shareholders (6). We appreciate the hard work of our employees (9). We push excellence through our Harley-Davidson bar and shield logo and the Harley Owners Group (HOG) (7). We continue to do our part in supporting all environmental laws in every country we do business (8). Harley-Davidson intends to stay committed and determined. 1. Customer 2. Products or services 3. Markets 4. Technology 5. Concern for survival, profitability, growth 6. Philosophy 7. Self-concept 8.

Concern for public image 9. Concern for employees D. External Audit CPM – Competitive Profile Matrix | | Harley-Davidson | Honda | Yamaha | | Critical Success Factors | Weight | Rating | Weighted Score | Rating | Weighted Score | Rating | Weighted Score | | Advertising | 0.08 | 4 | 0.32 | 2 | 0.16 | 3 | 0.24 | | Top Management | 0.05 | 2 | 0.0 | 2 | 0.10 | 3 | 0.15 | | Customer Service | 0.10 | 4 | 0.40 | 3 | 0.30 | 2 | 0.20 | | Technological Advances | 0.09 | 3 | 0.27 | 1 | 0.09 | 2 | 0.18 | | International Market Sales | 0.07 | 3 | 0.21 | 4 | 0.28 | 2 | 0.14 | | Global Expansion | 0.06 | 2 | 0.12 | 4 | 0.4 | 3 | 0.18 | | Financial Position | 0.07 | 2 | 0.14 | 4 | 0.28 | 3 | 0.21 | | Customer Loyalty | 0.11 | 4 | 0.44 | 3 | 0.33 | 2 | 0.22 | | Market Share | 0.09 | 2 | 0.18 | 4 | 0.36 | 3 | 0.27 | | Product Quality | 0.10 | 4 | 0.40 | 3 | 0.30 | 2 | 0.0 | | Marketing | 0.10 | 2 | 0.20 | 3 | 0.30 | 1 | 0.10 | | Price Competitiveness | 0.08 | 1 | 0.08 | 3 | 0.24 | 2 | 0.16 | | Total | 1.00 | | 2.86 | | 2.98 | | 2.25 |

Opportunities 1. Economy in Europe and other regions is growing at a better rate than United States 2. Gasoline price has been stabilized in 2009 3.

Competition has reduced their production of motorcycle in 2009 4. Currently, Yamaha has seen decreasing motorcycle sales in Japan, the United States, and Europe, but is doing better in Southeast Asia and Latin America 5. Honda, Yamaha and Suzuki are more diversified than Harley in terms of product offerings 6. Female riders are on the rise 7. Honda, Yamaha and Suzuki focus on ATVs, scooters, and marine and watercraft in addition to various motorcycle product lines 8. Motorcycles typically are considered a good replacement for automobiles when gas prices are on the rise

Threats 1. Unemployment is on the rise in the United States among middle class who could afford to buy a motorcycle 2. Competitors are reducing their prices so they can improve sales 3. Disposable income is falling among professionals between the age of 35 and 54 4. Competition is strong in markets outside the United States 5. Increase in fuel price could impact the industry sales 6. Rise in interest rate could impact the buyers from purchasing and financing high ticket items 7. Environmental protection laws could impact product design and cost 8.

Shifts in buyers' needs and tastes External Factor Evaluation (EFE) Matrix |
 Key External Factors | Weight | Rating | Weighted Score | | Opportunities | |
 | | | Economy in Europe and other regions is growing at a better rate than
 United States| 0. 08 | 4 | 0. 32 | | Gasoline price has been stabilized in 2009 |
 0. 6 | 3 | 0. 18 | | Competition has reduced their production of motorcycle in
 2009 | 0. 09 | 3 | 0. 27 | | Currently, Yamaha has seen decreasing motorcycle
 sales in Japan, the United | 0. 05 | 4 | 0. 2 | | States, and Europe, but is doing
 better in Southeast Asia and Latin America | | | | Honda, Yamaha and Suzuki
 are more diversified than Harley in terms of product | 0. 5 | 2 | 0. 1 | |

offerings | | | | Female riders are on the rise | 0. 04 | 3 | 0. 12 | | Honda, Yamaha and Suzuki focus on ATVs, scooters, and marine and watercraft in | 0. 07 | 3 | 0. 1 | | addition to various motorcycle product lines | | | | Motorcycles typically are considered a good replacement for automobiles when gas | 0. 06 | 4 | 0. 24 | | prices are on the rise | | | | Threats | | | | Unemployment is on the rise in the United States among middle class who could | 0. 9 | 2 | 0. 18 | | afford to buy a motorcycle | | | | Competitors are reducing their prices so they can improve sales | 0. 07 | 3 | 0. 21 | | Disposable income is falling among professionals between the age of 35 and 54 | 0. 07 | 2 | 0. 14 | | Competition is strong in markets outside the United States | 0. 06 | 2 | 0. 2 | | Increase in fuel price could impact the industry sales | 0. 07 | 1 | 0. 07 | | Rise in interest rate could impact the buyers from purchasing and financing high | 0. 05 | 2 | 0. 1 | | ticket items | | | | Environmental protection laws could impact product design and cost | 0. 05 | 1 | 0. 5 | | Shifts in buyers' needs and tastes | 0. 04 | 1 | 0. 04 | | Total | 1. 00 | | 2. 55 | Positioning Map [pic] E. Internal Audit Strengths 1. Additional job cuts has helped the company to improve its profit margin 2. Harley-Davidson motorcycles have led the industry in the United States for retail unit registrations of new heavyweight motorcycles 3.

Harley-Davidson operates in two segments: (1) financial services and (2) motorcycles and related products. 4. Harley-Davidson has 5 divisions: (1) Parts & Accessories (P); (2) General Merchandise; (3) Licensing; and (4) Motorcycles 5. The Company offers a wide range of families of motorcycles: (1) Touring, (2) Dyna, (3) Softail, (4) Sportster, and (5) VRSC 6. In terms of non-U. S. distribution, Harley-Davidson has 71 full service dealerships in

Canada, 383 in Europe, 201 in Asia Pacific, and 32 in Latin America 7. Strong brand recognition and customer loyalty . International retail sales were up 10. 3 percent as compared to 2007 9. Total current asset increased by \$1. 9 billion dollars from 2007 to 2008 10. Harley offers financing of its bikes through HDFFS Weaknesses 1. The Harley-Davidson motorcycle share of the heavyweight market was 45. 5 percent and 48. 7 percent in 2008 and 2007, respectively 2. Only 12 percent of U. S. retail motorcycle sales of new Harley-Davidson motorcycles are to female buyers 3. A typical buyer of Harley bike has an average of median household income of approximately \$87, 000 4.

For the full year 2009, Harley-Davidson plans to ship between 264, 000 and 273, 000 new Harley-Davidson motorcycles, a 10 to 13 percent reduction from 2008 5. Total worldwide retail sales dropped by 7. 15 in 2008 from previous year 6. International retail sales growth slowed to 0. 7 percent during the fourth quarter of 2008 as a result of deteriorating economic conditions outside the United States 7. In the United States, retail sales of Harley-Davidson motorcycles in 2008 were down 13. 0 percent 8. Total operating income dropped by about \$400 million from 2007 to 2008

Financial Ratio Analysis (December 2009) | Growth Rates % | Harley-Davidson | Industry | S 500 | | Sales (Qtr vs year ago qtr) |-18. 00 |-13. 00 |-4. 80 | | Net Income (YTD vs YTD) |-71. 60 | 15. 80 |-6. 00 | | Net Income (Qtr vs year ago qtr) |-84. 10 | 6. 40 | 26. 80 | | Sales (5-Year Annual Avg.) | 4. 2 | 0. 78 | 12. 99 | | Net Income (5-Year Annual Avg.) |-2. 96 |-7. 50 | 12. 69 | | Dividends (5-Year Annual Avg.) | 45. 92 | 34. 93 | 11. 83 | | | Price Ratios | Harley-Davidson | Industry | S 500 | | Current P/E Ratio | 24. 3 | 25. 6 | 26. | | P/E Ratio 5-Year High | 21. 9 | 4. 3 | 68. 0 | | P/E Ratio 5-Year Low | 3. 0 | 0. 8 |

9.9 | | Price/Sales Ratio | 1.12 | 1.12 | 2.25 | | Price/Book Value | 2.58 | 3.36 | 3.48 | | Price/Cash Flow Ratio | 11.90 | 15.0 | 13.70 | | | Profit Margins % | Harley-Davidson | Industry | S 500 | | Gross Margin | 29.1 | 23.1 | 38.9 | | Pre-Tax Margin | 9.2 | 6.0 | 10.3 | | Net Profit Margin | 4. | 2.4 | 7.1 | | 5Yr Gross Margin (5-Year Avg.) | 37.9 | 29.4 | 38.6 | | 5Yr PreTax Margin (5-Year Avg.) | 23.8 | 17.4 | 16.6 | | 5Yr Net Profit Margin (5-Year Avg.) | 15.3 | 11.2 | 11.5 | | | Financial Condition | Harley-Davidson | Industry | S 500 | Debt/Equity Ratio | 2.26 | 1.53 | 1.09 | | Current Ratio | 1.4 | 1.8 | 1.5 | | Quick Ratio | 1.3 | 1.4 | 1.3 | | Interest Coverage | 46.2 | 27.4 | 23.7 | | Leverage Ratio | 4.1 | 3.5 | 3. | | Book Value/Share | 9.77 | 9.22 | 21.63 | Adapted from www. moneycentral. msn. com | | Avg P/E | Price/ Sales | Price/ Book | Net Profit Margin (%) | | 12/08 | 12.20 | 0.67 | 1.87 | 11.0 | | 12/07 | 15.50 | 1.90 | 4.69 | 15.2 | | 12/06 | 14.0 | 3.02 | 6.60 | 16.9 | | 12/05 | 15.50 | 2.55 | 4.58 | 16.9 | | 12/04 | 19.00 | 3.39 | 5.56 | 16.7 | | 12/03 | 17.80 | 2.95 | 4.85 | 15.5 | | 12/02 | 26.80 | 3.28 | 6.6 | 13.5 | | 12/01 | 32.10 | 4.64 | 9.36 | 12.2 | | 12/00 | 36.40 | 3.96 | 8.54 | 11.3 | | 12/08 | 12.20 | 0.67 | 1.87 | 11.0 | | | Book Value/ Share | Debt/ Equity | Return on Equity (%) | Return on Assets (%) | Interest Coverage | | 12/08 | \$9.9 | 1.86 | 30.9 | 8.4 | 226.6 | | 12/07 | \$9.96 | 0.90 | 39.3 | 16.5 | NA | | 12/06 | \$10.68 | 0.62 | 37.8 | 18.9 | NA | | 12/05 | \$11.25 | 0.39 | 31.1 | 18.3 | NA | | 12/04 | \$10.94 | 0.40 | 27.6 | 16. | NA | | 12/03 | \$9.81 | 0.34 | 25.7 | 15.5 | NA | | 12/02 | \$7.38 | 0.34 | 26.0 | 15.0 | NA | | 12/01 | \$5.80 | 0.34 | 24.9 | 14.0 | NA | | 12/00 | \$4.65 | 0.32 | 24.7 | 14.3 | NA | | 12/08 | \$9.9 | 1.86 | 30.9 | 8.4 | 226.6 | Adapted from www. moneycentral. msn. com

Internal Factor Evaluation (IFE) Matrix | Key Internal Factors | Weight | Rating

| Weighted Score | | Strengths | | | | Additional job cuts has helped the company to improve its profit margin | 0.05 | 3 | 0.5 | | Harley-Davidson motorcycles have led the industry in the United States for retail | 0.08 | 4 | 0.32 | | unit registrations of new heavyweight motorcycles | | | | Harley-Davidson operates in two segments: (1) financial services and (2) | 0.05 | 3 | 0.15 | | motorcycles and related products. | | | | Harley-Davidson has 5 divisions: (1) Parts & Accessories (P); (2) General | 0.3 | 4 | 0.12 | | Merchandise; (3) Licensing; and (4) Motorcycles | | | | The Company offers a wide range of families of motorcycles: (1) Touring, (2) Dyna, | 0.06 | 3 | 0.18 | | (3) Softail, (4) Sportster, and (5) VRSC | | | | In terms of non-U. S. distribution, Harley-Davidson has 71 full service dealerships | 0.5 | 3 | 0.15 | | in Canada, 383 in Europe, 201 in Asia Pacific, and 32 in Latin America | | | | Strong brand recognition and customer loyalty | 0.07 | 4 | 0.28 | | International retail sales were up 10.3 percent as compared to 2007 | 0.07 | 3 | 0.21 | | Total current asset increased by \$1. billion dollars from 2007 to 2008 | 0.06 | 3 | 0.18 | | Harley offers financing of its bikes through HDFS | 0.06 | 3 | 0.18 | | Weaknesses | | | | The Harley-Davidson motorcycle share of the heavyweight market was 45.5 percent | 0.07 | 1 | 0.07 | | and 48. percent in 2008 and 2007, respectively | | | | Only 12 percent of U. S. retail motorcycle sales of new Harley-Davidson motorcycles | 0.05 | 1 | 0.05 | | are to female buyers | | | | A typical buyer of Harley bike has an average of median household income of | 0.05 | 1 | 0.5 | | approximately \$87,000 | | | | For the full year 2009, Harley-Davidson plans to ship between 264,000 and 273,000 | 0.05 | 1 | 0.05 | | new Harley-Davidson motorcycles, a 10 to 13 percent reduction from 2008 | | | | Total worldwide retail sales dropped by

7. 15 in 2008 from previous year | 0. 06 | 2 | 0. 12 | | International retail sales growth slowed to 0. percent during the fourth quarter | 0. 03 | 2 | 0. 06 | | of 2008 as a result of deteriorating economic conditions outside the United States| | | | In the United States, retail sales of Harley-Davidson motorcycles in 2008 were | 0. 05 | 1 | 0. 05 | | down 13. 0 percent | | | | Total operating income dropped by about \$400 million from 2007 to 2008 | 0. 06 | 1 | 0. 6 | | Total | 1. 00 | | 2. 43 |

F. SWOT Strategies | | Strengths | Weaknesses | | | Additional job cuts has helped the company to | The Harley-Davidson motorcycle share of the | | | improve its profit margin | heavyweight market was 45. percent and 48. 7 | | | Harley-Davidson motorcycles have led the | percent in 2008 and 2007, respectively | | | industry in the United States for retail unit | Only 12 percent of U. S. etail motorcycle sales| | | registrations of new heavyweight motorcycles | of new Harley-Davidson motorcycles are to | | | Harley-Davidson operates in two segments: (1) | female buyers | | | financial services and (2) motorcycles and | A typical buyer of Harley bike has an average | | | related products. | of median household income of approximately | | Harley-Davidson has 5 divisions: (1) Parts & |\$87, 000 | | | Accessories (P); (2) General Merchandise; (3)| For the full year 2009, Harley-Davidson plans | | | Licensing; and (4) Motorcycles | to ship between 264, 000 and 273, 000 new | | | The Company offers a wide range of families of Harley-Davidson motorcycles, a 10 to 13 percent| | | motorcycles: (1) Touring, (2) Dyna, (3) | reduction from 2008 | | | Softail, (4) Sportster, and (5) VRSC | Total worldwide retail sales dropped by 7. 15 in| | | In terms of non-U. S. distribution, | 2008 from previous year | | | Harley-Davidson has 71 full service dealerships| International retail sales growth slowed to 0. | | | in

Canada, 383 in Europe, 201 in Asia Pacific, | percent during the fourth quarter of 2008 as a | | | and 32 in Latin America | result of deteriorating economic conditions | | | Strong brand recognition and customer loyalty | outside the United States | | | International retail sales were up 10.3 percent| In the United States, retail sales of | | | as compared to 2007 | Harley-Davidson motorcycles in 2008 were down | | | Total current asset increased by \$1.9 billion | 13. percent | | | dollars from 2007 to 2008 | Total operating income dropped by about \$400 | | | Harley offers financing of its bikes through | million from 2007 to 2008 | | | HDFFS | | | Opportunities | S-O Strategies | W-O Strategies | | Economy in Europe and other regions is growing | Develop a lower price / light weight bike, | 1. Offer a better discount for retailers to | | | at a better rate than United States | efficient in fuel consumption for individuals | sell / promote Harley merchandise such as | | Gasoline price has been stabilized in 2009 | who are interested in riding a bike but can't | clothes, mugs, etc. (W5, W6, O) | | Competition has reduced their production of | afford or ride the current models (S3, S4, S5, | 2.

Offer better financing rate to new / first | | motorcycle in 2009 | S6, S7, S8, S8, S9, S10, O1, O2, O5, O6, O8) | time buyers (W1, W3, W5, W7, O3, O4) | | Currently, Yamaha has seen decreasing | Create a new line for female riders to be | | | motorcycle sales in Japan, the United States, | promoted in US and foreign markets (S5, S7, O8, | | | and Europe, but is doing better in Southeast | S9, S10, O1, O4, O6) | | | Asia and Latin America | | | | Honda, Yamaha and Suzuki are more diversified | | | | than Harley in terms of product offerings | | | | Female riders are on the rise | | | | Honda, Yamaha and Suzuki focus on ATVs, | | | | scooters, and marine and watercraft in addition| | | | to various

motorcycle product lines | | | | Motorcycles typically are considered a good | |
 | | replacement for automobiles when gas prices are | | | | on the rise | | | |
 Threats | S-T Strategies | W-T Strategies | | Unemployment is on the rise in
 the United | Increase current promotional campaign (product | Introduce a
 new product line - Harley2 suitable| | States among middle class who could
 afford to | placement, advertising, Online newsgroup / | for female riders,
 light weight and priced | | buy a motorcycle | press releases, media ads,
 etc.) both in the | lower to be marketed to a new segment (W2, W3, | |
 Competitors are reducing their prices so they | U. S. nd abroad (S1, S2, SS7,
 S9, S10, T3, T8) | W4, W5, T1, T2, T3, T5, T6, T7) | | can improve sales | | | |
 Disposable income is falling among | | | | professionals between the age of 35
 and 54 | | | | Competition is strong in markets outside the | | | | United States
 | | | | Increase in fuel price could impact the | | | | industry sales | | | | Rise in
 interest rate could impact the buyers | | | | from purchasing and financing
 high ticket items| | | | | | Environmental protection laws could impact | | | |
 product design and cost | | | | Shifts in buyers' needs and tastes | | | G. SPACE
 Matrix [pic] Financial Stability (FS) | | Environmental Stability (ES) | | | Return
 on Investment | 6 | Unemployment |-5 | | Leverage | 5 | Technological
 Changes |-2 | | Liquidity | 4 | Price Elasticity of Demand |-1 | | Working Capital
 | 4 | Competitive Pressure |-4 | | Cash Flow | 4 | Barriers to Entry |-5 | | | | | |
 Financial Stability (FS) Average | 4. 6 | Environmental Stability (ES) Average
 |-3. | | | | | | Competitive Stability (CS) | | Industry Stability (IS) | | | Market
 Share |-2 | Growth Potential | 5 | | Product Quality |-1 | Financial Stability | 1 |
 | Customer Loyalty |-1 | Ease of Market Entry | 5 | | Competition's Capacity
 Utilization |-3 | Resource Utilization | 4 | | Technological Know-How |-2 | Profit

Motorcycles typically are considered a good replacement for automobiles | 0.06 | 4 | 0.24 | 2 | 0.12 | | when gas prices are on the rise | | | | | Threats | | | | Unemployment is on the rise in the United States among middle class who | 0.09 | 2 | 0.18 | 4 | 0.6 | | could afford to buy a motorcycle | | | | | Competitors are reducing their prices so they can improve sales | 0.07 | 3 | 0.21 | 1 | 0.07 | | Disposable income is falling among professionals between the age of 35 and | 0.07 | 3 | 0.21 | 1 | 0.07 | | 54 | | | | | Competition is strong in markets outside the United States | 0.06 | 3 | 0.18 | 2 | 0.12 | | Increase in fuel price could impact the industry sales | 0.07 | 4 | 0.28 | 2 | 0.4 | | Rise in interest rate could impact the buyers from purchasing and | 0.05 | 4 | 0.20 | 3 | 0.15 | | financing high ticket items | | | | | Environmental protection laws could impact product design and cost | 0.05 | --- | --- | --- | --- | | Shifts in buyers' needs and tastes | 0.04 | --- | --- | --- | --- | | TOTAL | 1.00 | | 2.54 | | 1.6 | | Strengths | | | | | Additional job cuts has helped the company to improve its profit margin | 0.05 | --- | --- | --- | --- | | Harley-Davidson motorcycles have led the industry in the United States for | 0.08 | 3 | 0.24 | 1 | 0.08 | | retail unit registrations of new heavyweight motorcycles | | | | | Harley-Davidson operates in two segments: (1) financial services and (2) | 0.05 | --- | --- | --- | --- | | motorcycles and related products. | | | | | Harley-Davidson has 5 divisions: (1) Parts & Accessories (P&A); (2) | 0.03 | --- | --- | --- | --- | | General Merchandise; (3) Licensing; and (4) Motorcycles | | | | | The Company offers a wide range of families of motorcycles: (1) Touring, | 0.06 | --- | --- | --- | --- | | (2) Dyna, (3) Softail, (4) Sportster, and (5) VRSC | | | | | In terms of non-U. S. distribution, Harley-Davidson has 71 full service | 0.05 | 2 | 0.1 | 3 | 0.5 | | dealerships in Canada, 383 in Europe, 201 in Asia Pacific,

and 32 in Latin| | | | | America | | | | | Strong brand recognition and customer loyalty | 0. 07 | 3 | 0. 21 | 2 | 0. 14 | | International retail sales were up 10. 3 percent as compared to 2007 | 0. 07 | 3 | 0. 21 | 2 | 0. 14 | | Total current asset increased by \$1. 9 billion dollars from 2007 to 2008 | 0. 06 | --- | --- | --- | | Harley offers financing of its bikes through HDF5 | 0. 06 | 1 | 0. 06 | 4 | 0. 4 | | Weaknesses | | | | | The Harley-Davidson motorcycle share of the heavyweight market was 45. 5 | 0. 07 | --- | --- | --- | | percent and 48. 7 percent in 2008 and 2007, respectively | | | | | Only 12 percent of U. S. retail motorcycle sales of new Harley-Davidson | 0. 05 | 3 | 0. 15 | 1 | 0. 05 | | motorcycles are to female buyers | | | | | A typical buyer of Harley bike has an average of median household income | 0. 05 | 1 | 0. 05 | 3 | 0. 5 | | of approximately \$87, 000 | | | | | For the full year 2009, Harley-Davidson plans to ship between 264, 000 and | 0. 05 | --- | --- | --- | | 273, 000 new Harley-Davidson motorcycles, a 10 to 13 percent reduction from| | | | | 2008 | | | | | Total worldwide retail sales dropped by 7. 15 in 2008 from previous year | 0. 06 | 1 | 0. 06 | 3 | 0. 18 | | International retail sales growth slowed to 0. 7 percent during the fourth | 0. 3 | --- | --- | --- | | quarter of 2008 as a result of deteriorating economic conditions outside | | | | | the United States | | | | | In the United States, retail sales of Harley-Davidson motorcycles in 2008 | 0. 05 | 1 | 0. 05 | 4 | 0. 2 | | were down 13. 0 percent | | | | | Total operating income dropped by about \$400 million from 2007 to 2008 | 0. 06 | 1 | 0. 06 | 3 | 0. 8 | | SUBTOTAL | 1. 00 | | 1. 19 | | 1. 51 | | SUM TOTAL ATTRACTIVENESS SCORE | | | 3. 73 | | 3. 07 |

K. Recommendations
Develop a product line with 3 to 5 bikes that are light weight, fuel efficient, lower than average Harley motorcycles, compliance with EPA and other

regulatory agencies to be marketed to 25 to 45 age group with income level of \$65, 000 or higher. The brand should be promoted for substitute to automobile for short distances. L. EPS/EBIT Analysis Amount Needed: \$150 million Stock Price: \$25. 20 Tax Rate: 36. 7% Interest Rate: 6. 97% # Shares Outstanding: 234. 4 Million | | Common Stock Financing | Debt Financing | | | Recession | Normal | Boom | Recession | Normal | Boom | | 70 Percent Stock - 30 Percent Debt | | | 70 Percent Debt - 30 Percent Stock | | | | Recession | Normal | Boom | Recession | Normal | Boom | | EBIT |\$1, 000, 000, 000 |\$1, 500, 000, 000 |\$1, 800, 000, 000 |\$1, 000, 000, 000 \$1, 500, 000, 000 |\$1, 800, 000, 000 | | Interest | 8, 364, 000 | 8, 364, 000 | 8, 364, 000 | 2, 091, 000 | 2, 091, 000 | 2, 091, 000 | | EBT | 991, 636, 000 | 1, 491, 636, 000 | 1, 791, 636, 000 | 997, 909, 000 | 1, 497, 909, 000 | 1, 797, 909, 000 | | Taxes | 36, 393, 041, 200 | 54, 743, 041, 200 | 65, 753, 041, 200 | 36, 623, 260, 300 | 54, 973, 260, 300 | 65, 983, 260, 300 | | EAT | 35, 401, 405, 200 | 53, 251, 405, 200 | 63, 961, 405, 200 | 35, 625, 351, 300 | 53, 475, 351, 300 | 64, 185, 351, 300 | |# Shares | 238, 566, 667 | 238, 566, 667 | 238, 566, 667 | 236, 185, 714 | 236, 185, 714 | 236, 185, 714 | | EPS | 148. 39 | 223. 21 | 268. 11 | 150. 84 | 226. 41 | 271. 76 | | M. Epilogue Harley-Davidson is extending the deadline for some its competitive bike exchange trade-in program so customers would have more time to take advantage of the promotion. The company has been trying to stimulate its sales and financing program due to weak economy and low sales results. They also announced that the Board of Directors approved a cash dividend of \$0. 10 per share for the first quarter of 2010. This decision will reduce their cash flow by

approximately \$23.7 million. Harley-Davidson still is suffering from borrowing of \$600 million three years ago at a rate of 15%.

The interest of this loan is approximately \$90 million a year which is impacting the company's bottom line. For 2009, the company announced 27% down from 2008 and ended up with a \$55 million loss – its first loss since 1993.

----- Brand Loyalty (High) Brand Loyalty (Low) Price (High) Price (Low) Harley-Davidson, Inc. Honda BMW -1 -2 -3 -4 -5 -6 -7 7 -6 -1 -7 -5 -4 -3 -2 7 6 5 4 3 2 1 Defensive Competitive Aggressive Conservative 1 2 3 4 5 6 IS Weak Competitive Position Quadrant II Quadrant I Quadrant IV Quadrant III Strong Competitive Position Rapid Market Growth Slow Market Growth The EFE Total Weighted Score ES CS FS Yamaha