CASE 14

Harley-Davidson: Strategic Competitiveness that Spans Decades

Guriqbal Cheema, Joel Cunningham, Pallavi Daliparthi, John Klostermann, Brian Rabe

Texas A&M University

"It's more than a brand. It's a culture."[1]

Kent Grayson
Professor of Marketing, Northwestern University

Introduction

Harley-Davidson is an American cultural and business icon on the level of Levi Strauss and Coca-Cola. Often imitated, but never duplicated, Harley-Davidson has managed to survive, and has, at times, thrived for many decades. Through depression, recessions, world wars, high technology developments, Japanese competition, and increasing government regulation, Harley-Davidson has maintained operations where over a dozen other U.S. motorcycle firms have failed. Harley-Davidson has even survived over a decade as a subsidiary of a bowling alley service firm. It has achieved this by essentially relying on designing, manufacturing, selling, and servicing a relatively static product: two wheels, a 45° V-Twin engine, and a set of handlebars.

How has Harley-Davidson managed to survive through these and other hardships in a motorcycle market that is dominated by leisure riders? How has it kept the doors open while its historic U.S. rival, Indian Motorcycles, is currently in its fourth incarnation? How has it maintained its attractiveness with outlaw bikers, investment bankers, and those who appear to be experiencing a "mid-life crisis" and who sometimes turn to the firm's products as a result? More importantly, what is this firm selling that keeps it as the industry leader in full-size motorcycles? The answer to these questions is not a 526-pound batch of steel with 250 feet of wiring, but rather the fact that Harley-Davidson is selling the American dream of freedom. How it is able to do this is a fascinating story.

The Challenge

With over 6,000 employees, 1,400 franchises, and nine production facilities, Harley-Davidson has managed to survive the economic downturn that was in full force in late 2007 and for the next few years; but the firm is not out of the woods yet. In fact, Harley-Davidson is struggling with three pivotal issues, the first of which is that the firm's products are viewed as leisure items. The other two issues are similar in nature in that they deal with the fact that managing the firm's target market is challenging, particularly as demand for its products is changing. Individually and collectively these issues pose a real challenge to the company's long-term success. Without addressing these issues, Harley-Davidson may lose its ability to create value for customers and to serve stakeholders' needs as a result.

As noted, the first issue Harley-Davidson must successfully address is the fact that consumers see the firm's products primarily as leisure items. This means that in many consumers' eyes, purchasing motorcycles, performance parts, and high-dollar apparel is a luxury rather than a necessity. Because of this, Harley's products must compete for funds from what at least sometimes can be volatile discretionary budgets for consumers. When economic conditions are challenging, the motorcycle market tends to experience difficulties in terms of generating adequate sales. While Harley-Davidson's revenue streams originate from several sources, very few of them appeal to a cost-sensitive consumer base.

Second, Harley-Davidson is challenged to effectively specify its target market as a first step to appropriately serving that market's needs. Historically, the firm's target market has been males between the ages of 29 and 55. However, in the last decade, Harley-Davidson has pursued younger riders and women as a means of expanding its target customer segments. But expanding the segments the firm serves with its products is not a risk-free decision or choice for the firm to make in that serving others might cause the firm to lose its ability to effectively serve the specific needs of the 29- to 55-year-old male (again, the historical target customer). This matter is considered more fully later in the case.

Third, demands and cost drivers for the motorcycle market are ever changing. Overseas competitors have shifted their focus from being the least expensive to being affordable *and* to providing a wider variety of motorcycles to customers as options to purchase. This competitive shift has put pressure on Harley-Davidson's key markets and has forced the firm to respond. With over 12 percent and 55 percent of the European and U.S. heavyweight motorcycle market respectively, Harley-Davidson has a substantial territory to defend.

History.[2] Harley-Davidson, Inc. has been a publicly traded firm since 1987. It has two primary divisions: Motorcycles and Related Products and Financial Services. The Financial Services Division provides credit to motorcycle buyers and dealerships as well as risk management and insurance services for all parts of the firm. The Motorcycles and Related Products Division currently operates through eight primary segments:

- Parts & Accessories (17.5 percent of net revenue in 2011)
- General Merchandise (5.9 percent of net revenue in 2011)
- Licensing ($43.2 million of net revenue in 2011)
- Harley-Davidson Museum
- International Sales (32 percent of net motorcycle revenue in 2011)
- Patents and Trademarks
- Other Services
- Marketing

In 1903, William S. Harley and Arthur Davidson founded Harley-Davidson Motor Company, known by enthusiasts as "the Motor Company," in order to fund their racing pursuits. Accordingly, their first motorcycles were merely contemporary bicycles with small engines retrofitted to the frame. It was Harley-Davidson's early success in motorcycle racing that fueled the demand for its early models, which were sold in dealerships as early as 1904. Because these turn of the century races were as much about endurance as speed, Harley-Davidson acquired invaluable knowledge pertinent to practicality and robust design. After significant success in road and endurance races, Harley-Davidson broke fresh ground with the introduction of the V-Twin engine design. Superior to large single-cylinder engines, the lighter V-Twin design allowed similar displacement in a lighter package with a shape that fit naturally into the bicycle-inspired frames of the early 1900s. Few suspected that this design would become so integral to modern motorcycles.

Having dedicated over a third of its production to the U.S. Army, Harley-Davidson sales exploded during World War I. With the advent of motorized warfare, the motorcycle proved itself to be far more than just a novel invention. In addition to proving itself to the Army, Harley-Davidson also proved itself to soldiers. After the war, soldiers returned home and became a loyal customer base for the young firm. Through the 1920s, Harley-Davidson continued to focus on design improvement and racing. It spent much of this decade fighting for market share with multiple medium and small competitors. During this time, firms producing automobiles, airplanes, bicycles, and industrial machinery also tried their hand at building motorcycles.

The 1930s were a unique time for the motorcycle industry. In the wake of the Great Depression, the public was looking for inexpensive, simple transportation. At the same time, unemployment and inflation shrank potential customers' purchasing power. It was during this time that many of the smaller motorcycle manufacturers dropped out of the industry. Most of these firms were subsidiaries of companies in related industries. These failed motorcycle firms had many of the capabilities needed to produce motorcycles, but lacked the corporate focus and support to continue production during such a difficult economic time. It was during this time that the U.S. domestic market shrank, with only Indian and Harley-Davidson remaining. With the market divided between only two domestic producers, Harley-Davidson's production held steady.

With the onset of World War II, Harley-Davidson found itself to be a major supplier for the Allied war effort. Again, war vaulted Harley-Davidson into a position of higher volume, improved reputation, and deeper loyalty with owners and soldiers. As the war came to an end, the United States was flooded with a surplus of Army WL45 motorcycles. Suddenly, this country was full of prospective riders who understood Harley-Davidson's product and appreciated how motorcycles could provide inexpensive, dependable transportation. At this point, only Indian Motorcycles was a competitor for Harley-Davidson. But in 1956, at the height of an economic recession, Indian Motorcycles declared bankruptcy and stopped producing motorcycles altogether, leaving only Harley as a major producer and seller of motorcycles.

As the sole U.S.-based motorcycle power, Harley-Davidson enjoyed great success. Nevertheless, the lack of competition nearly became its undoing. This market condition allowed Harley-Davidson to take more risk in the form of acquisitions, causing the firm to lose its tight focus on a single market. It began branching out to other leisure and motorized products such as off-road motorcycles, ski boats, and golf carts. At the same time, the bulk of Harley-Davidson's revenue stream was still coming from the sale of its heavy motorcycles. Many of the acquisitions the firm completed in the latter part of the 1950s and the early 1960s, such as the Tomahawk Boat Manufacturing Company in 1962, were in similar industries, but a poor fit with Harley nonetheless. The acquired companies were often in deep trouble when Harley-Davidson purchased them. In the end, Harley-Davidson was hobbled with losing ventures that diluted its focus and did not fit well with its core competencies. In 1969, the American Machine and Foundry Company (AMF – a longtime producer of leisure products such as tile bowling pins and ball returns) purchased the financially distressed Harley-Davidson.[3]

Most enthusiasts consider the AMF years as the "dark ages" of Harley-Davidson's history. AMF operated Harley-Davidson as a profit center, reducing allocations to the unit's marketing and research and development (R&D) functions as a result. For the next 13 years, Harley's aging product line remained essentially unchanged. In fact, its line was so static over the years that many of the parts from a 1937 model fit on the 1969 design. Harley-Davidson had just two motorcycles with different trim packages: the low-budget sportster, the sport bike of its day, and a full-size motorcycle available in two different models. In light of Honda and Kawasaki's entrance into the U.S. market, Harley-Davidson's stale product line was even more disappointing. Many did not see these imports as a threat given the prestige and heritage of the Harley-Davidson name. However, the Harley-Davidson image was deteriorating. Even with its products in desperate need of a facelift, AMF relied on Harley-Davidson's reputation to defend its competitive position; AMF plastered Harley-Davidson's name on products like snowmobiles and golf carts. While trying to capitalize on the value of Harley-Davidson's brand name, quality became a serious problem; customers would have to return new motorcycles to a dealership multiple times to fix manufacturing problems. It was during this time that owners coined the saying "a Harley always marks its spot," a phrase referring to the machine's nearly universal oil leaks. This turned off many prospective customers, as they believed a Harley-Davidson would require constant owner maintenance. All the while, Japanese motorcycle companies enticed more and more riders looking for inexpensive, dependable transportation.

By 1981, Japanese motorcycles were established in the U.S. market not only as dependable transportation, but also as performance machines. Harley-Davidson's sales were in free-fall as its tired designs appealed to a narrowing market segment. It was selling to customers who liked classic style and dated functionality, and all for a high price. Finally, the employees and management of Harley-Davidson led a managed buyout of the company from AMF.[4] The new owners immediately took stock of the firm's strengths and vulnerabilities and increased its R&D and marketing budgets significantly. Because negative effects of AMF's past business decisions still hampered the new management team, sales remained low. In 1985, Harley-Davidson's top management team struggled to restructure the firm and divested itself of most of its unrelated assets. In 1987, Harley-Davidson became a publicly traded company, and none too soon as Harley-Davidson had revamped its product line into four motorcycle styles that were united by the introduction of a new engine. This was the turning point for Harley-Davidson. From this point forward, the firm's quality control was exponentially more effective. In addition, Harley-Davidson focused more on efforts to operate efficiently and effectively. Following the precepts of just-in-time techniques and enhancement to the logistics function were critical to the firm's attempts to enhance efficiency and effectiveness. At the same time, Harley shifted to three major initiatives:[5]

- Improved manufacturing process, leveraging technology, robotics, and employee involvement
- Restructuring business management to a modern system
- Aggressive management of its brand name through dealership management, patenting activities, and careful licensing of related products

The modern Harley-Davidson fought back from the brink several times, each time seeming to evolve and adapt. What appears to be universal to each evolution of the company is that quality, promotion, and market focus have always been a priority.

How Harley Does It[6]

Harley-Davidson focuses on a subset of the motorcycle market featuring customers who value heritage, style, reputation, durability, and adaptability. Until 2000, Harley-Davidson's motorcycles sold at nearly a 25 percent premium. In the last decade, that premium has dropped to 5 to 10 percent, depending on the class of motorcycle. This is due to Japanese motorcycle manufacturers shifting to marketing and selling somewhat unique motorcycles for a better than average price. In comparison, Harley-Davidson uses the Sportster© line as an introductory product, but most of its motorcycles sell for over $15,000, with the average sale price of just over $16,893.[7] Harley-Davidson motorcycles provide a unique product at a price that its target customers deem acceptable or reasonable. While its competitors may have attempted to cut costs, Harley-Davidson has continued to invest in its products in ways that protect the quality of its brand image. Harley-Davidson's market focus is primarily males between the ages of 29 and 55. However, this has been changing.[8] Recently, it has targeted female customers.

What It Does Best[9]

In its modern incarnation (1987 to present), Harley-Davidson achieved success by doing what it does best. Granted, multiple firms make great motorcycles, and many of these firms have a dedicated following. However, through the actions the firm has taken over the years, Harley-Davidson has developed and maintained what is a unique position in the U.S. motorcycle market. Effectively managing its brand name, production or manufacturing simplicity, and a dedicated product following are the key sources of the firm's competitive strength.

Harley-Davidson's brand name is its most important asset. Cultivated through good times and bad, its brand name is a powerful motivator for current and prospective customers. For many Americans, Harley-Davidson is the American motorcycle. This belief is no accident. After being separated from AMF, Harley-Davidson's top management team decided to significantly increase the amount of resources being allocated to marketing and R&D. This appears to have been a wise decision in that Harley-Davidson now holds 55 percent of the entire U.S. motorcycle market, and an even higher share in the U.S. heavy motorcycle market. Strict protection of its brand name permeates every decision the firm makes. Its motorcycles, while occasionally deviating in style, generally follow traditional themes. Harley-Davidson only makes a design change after witnessing a strong market trend.[10] For example, the custom portion of the motorcycle market has been designing machines with wide rear tires for nearly two decades; in 2007, Harley-Davidson launched a single model with a wide rear tire.

Harley-Davidson is also very selective about its franchise (dealership) opportunities, another method through which the firm protects its brand. Due to free-trade laws, Harley-Davidson is no longer able to insist that its dealerships sell only Harley products. However, it utilizes price incentives to encourage dealerships to stay "Pure-Harley."[11] Harley-Davidson is especially protective of its name and logo when it comes to licensed products, most of which are sold in its dealerships. If it is not the best quality, the product's license is revoked. Retailers can sell ladies' shirts at a 100 percent premium because they are of excellent quality and cannot be found anywhere. This aura of exclusivity is embedded in the very DNA of Harley-Davidson Inc., from the headquarters to the dealerships. This aspect of culture is an asset in that the notion of wanting to be seen as providing products that are somewhat "exclusive" in nature permeates the firm's decision processes as it seeks to serve its target customers' needs.

Harley-Davidson's production process is another important firm-specific asset. The key elements of the process are the melding of a JIT supply chain with team production management and part interchangeability.[12] When combined, the elements of Harley's production process are unique. Japanese manufacturers have used the same JIT concept for years, but have not stressed a limitation of key components. After 1987, Harley-Davidson updated its production facilities and design process. Its production facilities in Kansas City, Missouri and York, Pennsylvania are the best examples of modern robotics combined with team enablement. Interchangeable parts are the most important component of this asset. This concept simplifies all areas of the motorcycle production process; but it is perhaps most evident in the production of Harley's frames and engines. Harley-Davidson produces five unique frames for each motorcycle family: Sportster©, Dyna, Softail©, V-Rod©, and Touring. Even with 28 different models and seemingly limitless options, Harley-Davidson produces only three engines. Internal machining, displacement, and color coating are the only differences across the engines. The Sportster© line comes in two displacements: 883 and 1204 cubic inches. The Dyna, Softail©, and Touring lines all share the same Twincam© engine, available in 96 and 103 cubic inches. The V-Rod's© engine is only produced in one version.[13] This production approach with respect to interchangeable parts appears to be a competitive advantage in that it allows Harley to produce several models, subdividing its target market segments even further, while keeping production costs lower than if it produced 28 different frames and engines.

Loyalty to the brand is another important asset for Harley-Davidson. While its brand name protection applies primarily to prospective customers, its product following centers on existing customers, many of whom are repeat buyers of the firm's products. There are multiple examples of Harley's dedicated following. At the extreme for example, consider the fact that some private riding clubs only grant membership to those willing to tattoo the bar and shield logo on multiple locations of their body. For others, remaining committed to the firm's mantra that owning a Harley "is a journey, not a destination" and participating in company-sponsored events with others sharing this belief accounts for their loyalty. Regardless of the reason for it, customer loyalty to the Harley brand appears to influence these individuals to purchase Harley products other than motorcycles such as clothing and a wide range of product accessories. Historically, loyalty to the brand has resulted in a large percentage of Harley customers choosing to buy another Harley when it is time for a new motorcycle. However, the "graying" of Harley's customer base is potentially a problem as at some point, this group of customers will no longer be purchasing new products.[14]

Keeping It Simple[15]

In 2011, Harley-Davidson generated 88 percent of its revenues from a single business area (Motorcycles and Related Products) and 12 percent from its second primary segment (Financial Services). This composition of sales revenue is consistent with previous years and suggests that Harley may continue business as usual to help the firm reduce its idiosyncratic risk. It will also try to expand its business in other countries with a primary focus on providing quality product and services. Harley-Davidson has been able to earn positive returns while focusing on just two businesses because it has developed strengths that allow it to create value for customers. Moreover, there are fewer challenges in managing only two businesses. This approach allows Harley-Davidson to not only gain economies of scale, but also use its resources efficiently.

Marketing

Historically, males between the ages of 29 and 55 have been Harley-Davidson's target customer. However, this is changing.[16] Recently for example, the firm is also targeting female customers with motorcycle models that have a lower seat height and pink, purple, and light blue color schemes. Its marketing has also reflected an effort to attract more female riders. It has even tailored its riding classes (the Riders Edge Program©) to have all-female sessions and to make new women riders feel more comfortable. A woman could walk into a Harley-Davidson dealership having never sat on a motorcycle and within an hour purchase a motorcycle for as little as $8,000. She could then join a riding class that would grant a motorcycle endorsement on her driver's license.

Thus, Harley-Davidson is beginning to market to a multi-generational and multi-cultural audience. In this regard, the firm is working to attract a more diversified audience in terms of age, gender, and ethnicity.[17] Harley-Davidson is a market leader in the U.S. heavyweight segment. The average median household income of a Harley-Davidson purchaser is $89,000.[18] Harley-Davidson primarily uses advertising and promotional activities via television, print, radio, direct mailings, electronic advertising, and social media to market its product. Moreover, local marketing efforts in conjunction with dealers are highly encouraged. Harley-Davidson uses its customers' experience to continuously develop and introduce innovative products. The market is flooded with high quality, low price Japanese bikes. However, Harley-Davidson does not seek to imitate these bikes. Instead, it uses direct input from its customers to improve its product. Harley-Davidson modifies its product based on input generated through customer surveys, interviews, and focus groups. Thus, some believe that "The real power of Harley-Davidson is the power to market to consumers who love the product."[19]

In 2010, the company introduced "Creative Model" – a Web-based method for marketing its product. In this model, passionate fans are enabled for the purpose of helping Harley develop creative approaches for targeting new customers. Customer experience has traditionally been the main source of Harley-Davidson's marketing strategy. It all started in 1983, when the company introduced Harley Owners Group (H.O.G),[20] which has now grown to more than 1 million members worldwide.[21]

Harley-Davidson distributes its products through an independent dealer network that almost exclusively sells Harley-Davidson motorcycles. These dealerships are licensed dealers and fully authorized to sell and service new motorcycles. They can have secondary locations to provide additional service to the customers. These non-traditional outlets are an extension of the main dealership and consist of Alternate Retail Outlets (ARO) and Seasonal Retail Outlets (SRO). AROs are generally located in high traffic areas such as airports, vacation destinations, tourism spots, and malls and only sell parts, accessories, and general merchandise. SROs are also located in high traffic areas, but operate only on a seasonal basis. AROs and SROs are not allowed to sell new motorcycles. The parts and apparel orders from the dealer are not taken at face value. Harley-Davidson's forward-looking, market-driven allocation system restricts the number of units a particular dealer is able to order. In Canada, the company sells its products to one wholesale dealer, Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd., which in turn sells to independent dealers.[22]

The European, the Middle Eastern and African (EMEA) region is managed from regional headquarters in Oxford, England. Harley-Davidson distributes its products through subsidiaries located in Austria, Dubai, Czech Republic, France, Germany, and Italy. In the EMEA region, Harley-Davidson distributes all products sold to independent dealers through its subsidiaries located in Austria, Czech Republic, United Arab Emirates, France, Germany, Italy, South Africa, Spain, Switzerland, Netherlands, Russia, and United Kingdom. A headquarters in Singapore manages the Asia Pacific regions with the company distributing its product to independent dealers in China, India, Australia, and Japan. The rest of Asia Pacific is managed through the U.S. operations.

Financial Services Segment

Harley believes that its Harley-Davidson Financial Services unit (HDFS) provides sufficient financing to independent distributors, dealers, and retail customers. HDFS provides financing to dealers and retail customers in the U.S. and Canada, but not in the EMEA, Asia-Pacific, and Latin America regions, although these regions do have access to financing through other financial services companies.

Competition

As is the case for many leisure and transportation industries, the U.S. motorcycle market is extremely competitive. Currently, Harley-Davidson competes with four classes of competitors with each group competing in a different market and in different ways. The four competing groups are commonly classified as Metric Cruiser, Metric Sport, U.S. Cruisers, and Custom Cruisers.

Metric Cruiser Competitors. The industry uses the term Metric Cruiser to denote motorcycles made outside the United States with traditional styling. Traditional styling is commonly reflected through an exposed engine and non-integrated body panels. Japanese motorcycle makers such as Honda, Star (Yamaha), Suzuki, and Kawasaki dominate these models. It is important to note that not all metric cruiser competitors are considered to be heavy motorcycles (over 650 cubic centimeter displacement). These competitors compete with Harley-Davidson on price, but also use the individual model's unique features to garner a competitive advantage. Honda introduced the Fury©,[23] a regular production chopper based on the 1300 VTX power plant in 2009. In 2004, Kawasaki introduced the Vulcan© 2000[24] with a 2,053 cubic centimeter engine, the largest mass-produced V-Twin motorcycle ever. Most of these competitor models of similar size are comparable in features to Harley-Davidson models. The presence of smaller competitor models forces Harley-Davidson to keep entry-level models like the 883 cubic centimeter Sportster©. Smaller metric cruisers like the Suzuki Boulevard 40©, retailing at $2,600 less[25] than Harley-Davidson's least expensive model, keep downward pressure on introductory model prices.

Metric Sport Competitors. Metric Sport motorcycles are made outside the United States, mostly in Japan, and are race-inspired, high performance motorcycles with full body panels and excellent aerodynamic characteristics. Motorcycles like the Suzuki Hayabusa© and the Kawasaki Ninja© are examples of this competitor class. While these motorcycles do not directly compete with most Harley-Davidson models, they do appeal to younger prospective customers because of their breathtaking performance and relatively low prices. In general, metric sport customers are not attracted to most Harley-Davidson models.

Harley-Davidson has taken two key actions to attract young, performance-oriented riders from its sport motorcycle competitors. It introduced the V-Rod© line in 2002 with a high performance, liquid-cooled motor. Harley-Davidson also purchased Buell,[26] a sport motorcycle company using Harley-Davidson motors, in 1993. In 2003, Buell sport motorcycles became a full subsidiary with its models being sold through Harley-Davidson dealerships. Neither of these actions has resonated with the younger riders Harley sought to reach by taking them. As a result, Harley-Davidson opted to discontinue Buell in 2009 after slumping sales.[27] The V-Rod© still exists, but with a median price tag of $15,300 it has not done much to lower the age of the average Harley-Davidson rider.

U.S. Cruiser Competitors. Victory Motorcycles and Indian Motorcycle are the only U.S. Cruiser style motorcycle manufacturers. Victory, a subsidiary of Polaris and a relative newcomer to the motorcycle market, started production in 1998.[28] Polaris is best known for its high quality all-terrain vehicles and personal watercraft. In the last five years, Victory models have been selling at prices more closely comparable with Harley-Davidson. At the same time, Victory increased the number of models and styles; it even brought in famous motorcycle customizers Arlen and Corey Ness[29] to add style and street credibility to its entire product line. In 2009, Indian Motorcycle began its fourth incarnation in an effort to leverage its famous name and art-deco styling. After a shaky start, Indian was recently purchased by Polaris. This move is likely part of a strategy to position Victory and Indian in separate parts of the U.S. motorcycle market and to fulfill the needs of different types of customers. This approach is similar to the strategy General Motors used for decades of offering different products to different types of customers. The median price for an Indian motorcycle is $28,000. Its current tag line is, "Your great grandfather would be proud. Jealous, but proud."[30] Indian is targeting high-income earners with a love for classic motorcycle styling.

Custom Cruiser Competitors. This class of competitors is comprised of small and medium firms that build highly customized motorcycles with large displacement motors. Firms such as Big Dog Motorcycles,[31] Big Bear Choppers,[32] and American IronHorse are the dominant competitors in this space.[33] These competitors have become far less of an issue for Harley-Davidson since the economic downturn of 2008. With their high levels of customization, these competitors' models come with a high price tag. As their target market shrunk in the recession, these firms thinned significantly; an estimated 60 percent have gone out of business or changed their core function to components production. Others, such as Darwin Motorcycles, now offer custom motorcycles for as little as $18,600.[34] These competitors will always pose a threat to Harley-Davidson. They force Harley-Davidson to continually innovate and customize its product. It is ironic that most of these motorcycle manufacturers use Harley-Davidson style or actual Harley-Davidson components in their production.

Strategic Leaders

"No one can accurately predict the future. What I can predict with the utmost confidence are the things that won't change at Harley-Davidson – namely, our commitment to providing more great motorcycles; to enhancing the unparalleled Harley lifestyle experience, and to continuing to provide excellent financial performance."

> ***– Jeff Bleustein***
> ***Annual Report 1997***[35]

Although the strategic intent of Harley-Davidson has not changed much since 1997, the way it operates and leads has certainly adapted to reflect new ways of doing business.

Keith Wandell–Chairman and CEO. When Keith Wandell joined Harley-Davidson in 2009, many people were skeptical of his leadership due to his lack of motorcycle experience. However, his fresh perspective has allowed Wandell the opportunities and relationships needed to steer the company toward a sales gain for the first time in nearly five years. Wandell attributes this success to his dear colleague and now CEO at Ford, Alan Mulally. Wandell took some tough measures such as cutting labor contracts, closing plants, and overall "trimming the fat."[36] He has sold old investments and is trying to making Harley-Davidson more attractive to women and the younger generation. And, of course, Wandell is now an avid Harley-Davidson rider.

Executive Suite. Each member of the C-suite is highly qualified for his role. Each leader serves multiple roles within the organization and is an individual contributor as well as a team leader.[37] The CFO and Senior VP, John A. Olin, joined Harley-Davidson in May 2009 with over 25 years of leadership experience in finance. President and COO of Buell Motorcycle Company, Jon R. Flickinger, has grown within Harley-Davidson where he began his leadership role as a Director of Field Operations in January 1995. With over 30 years of experience in the commercial finance industry, it is appropriate that Lawrence G. Hund should serve as the President and COO of the Harley-Davidson Financial Services division. At 46, nearly 10 years younger than the other executive members, President and COO of Harley-Davidson Motor Company, Matthew S. Levatich, has made significant contributions at Harley-Davidson for the past 15 years.

Board of Directors. Each member of Harley-Davidson's board brings different experiences to the boardroom. This eclectic set of experiences facilitates the firm's efforts to position itself in the ever-growing market of the motorcycle business. Information regarding the age, title, and other boards each member serves on is provided in Exhibit 1.

Exhibit 1 Board of Directors

Board Member	Age	Title	Other Boards
Barry K. Allen	62	Senior Advisor to Providence Equity Partners President, Allen Enterprises, LLC	Fiduciary Management BCE Inc.
John Anderson	60	Former President and CEO, Levi Strauss & Co.	
Richard L. Beattie	71	Chairman of Simpson Thacher & Bartlett LLP	Heidrick & Struggles International Inc. Evercore Partners Inc.
Martha F. Brooks	51	Former President and COO, Novelis Inc.	Bombardier Inc.
George H. Conrades	73	Chairman, Akamai Technologies, Inc.	Akamai Technologies, Inc. Oracle Corporation Ironwood Pharmaceuticals, Inc.
Donald A. James	67	Co-founder, equity owner, Chairman and CEO of Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd.	
Sara L. Levinson	60	Former Non-Executive Chairman of ClubMom, Inc.	Macy's Inc.
Thomas Linebarger	48	Chairman and CEO, Cummins Inc.	Cummins Inc.
George L. Miles Jr.	69	Executive Chair, Chester Engineers, Inc.	American International Group Inc. EQT Corporation HFF, Inc. WESCO International Inc.
James A. Norling	69	Chairman of the Board, GlobalFoundries Inc.	
Keith Wandell	60	Chairman, President and CEO, Harley-Davidson, Inc.	Constellation Brands, Inc. Dana Holding Corporation
Jochen Zeitz	48	Chairman of PUMA CEO of PPR Sport & Lifestyle Group and Chief Security Officer of PPR	Puma AG PPR

Source: Harley-Davidson Inc (HOG: New York). Insiders at Harley Davidson Inc. *Bloomberg Businessweek*. http://investing.businessweek.com/research/stocks/people/board.asp?ticker=HOG.

The current size of the Harley-Davidson board is slightly large when compared to the advised board size of six to seven.[38] However, each member brings significant diversity and experience to the board meetings.

Richard Beattie provides Harley-Davidson with several years of legal and military experience. His background helps Harley-Davidson deal with any corporate law or governance issues. Barry Allen serves the role of financial advisor at Harley-Davidson as well as that of a decision-maker at other corporations. Other board members incorporate their knowledge from the financial, retail, and technological boards they serve on to help the company gain strategic competitiveness in the industry.

International Growth

Any discussion of Harley-Davidson's future would not be complete without examining its expansion into India and China, the two BRIC economies with a strong history of motorcycle ownership and enough income growth to ensure viable target markets.[39] After all, moving from Harley-Davidson's current position of 32 percent of revenue from international sales to its stated goal of 40 percent by 2014[40, 41] will be challenging. Doing so will require a delicate balance in order to maintain the ethos of Harley-Davidson while simultaneously adapting to local customs and consumer preferences. Nevertheless, it could be argued that Harley-Davidson is already well on its way in this regard.

For example, just four months after officially entering the Indian market in July 2010, Harley announced it would build an assembly plant in northern India in order to reduce import tariffs by as much as 80 percent.[42] Previously, high tariffs resulted in its models costing twice as much as their U.S. equivalents.[43] By only assembling the motorcycles in India, Harley-Davidson is able to satisfy the desire of its customers in India to purchase an "American" motorcycle by sourcing all the parts from the United States while significantly increasing its competitive position through lower pricing.

Time will be required to see if Harley-Davidson's approach in India will achieve the success the firm seeks. Indeed, Harley-Davidson sold only about 1,000 bikes in India in its first 18 months of operations.[44] This level of sales should be considered though within the context of the fact that Harley's local assembly plant in India has only been operational for the past 12 months.[45] Accordingly, the Indian market has not been exposed to the lower pricing model for very long and may need some time to overcome the stigma associated with previously higher prices. For example a mid-level bike used to cost $27,000, prior to tariff reduction; now, the cost of this product is around $20,000.[46, 47] These prices, while still high by local standards, show that Harley-Davidson is making a concerted effort to cater to the needs of customers located in developing countries. Such a strategy is essential for long-term viability given global growth trends and the inevitable shift of income away from Harley-Davidson's more traditional western markets. In response to such growth, it has even committed to opening dealerships in cities like Jaipur and Kochi – cities outside the larger Indian metropolises.[48] In this manner, Harley-Davidson will be able to appeal to India's rural landowners who would like to ride Harley-Davidsons in the countryside.[49]

Unfortunately, Harley-Davidson's venture into China, the world's largest motorcycle market, has been less smooth and illustrates what can happen when a company enters a foreign market without sufficient background preparation. For example, China currently restricts the use of motorcycles on elevated highways and major thoroughfares in about 100 cities.[50] Import duties can also add as much as 30 percent to the price of a Harley-Davidson, resulting in high-end models costing the equivalent of a luxury sedan such as the Audi A4.[51] Perhaps more troubling is the admission by most in China that motorcycles are associated with utilitarian tasks like transportation to work, not leisure riding as is the case in developed economies such as the United States.[52] These realities increase the difficulty Harley-Davidson faces as the firm seeks to establish the level of success in China that is similar to what the firm has been able to accomplish in India.[53]

Regulation

Safety must always be at the forefront of Harley-Davidson's mind to avoid any unwanted attention. For example, when taking Harley-Davidson's "Rider's Edge" operation courses, all riders are required to wear protective gear, including a helmet, that meets Department of Transportation (DOT) regulations.[54] Skeptics might say that Harley-Davidson is merely trying to minimize its liability. However, most would agree that increased injury rates from not wearing protective gear only serve to vilify motorcycle use. Indeed, Harley-Davidson even periodically issues communications to its customers encouraging riders to check the condition of their helmets.[55] Still, motorcycle riders in general have been affected by the recent loosening of helmet laws throughout the United States. "Two decades ago, 47 states required helmets for all riders. Today, 20 do. Twenty-seven states require helmets only for younger riders. Three — Illinois, Iowa and New Hampshire — don't require helmets at all."[56] Another safety-related concern is the fact that "in 1996, 5.6 motorcyclists were killed for every 10,000 registered motorcycles," according to DOT statistics. However, by 2006, the most recent data available, the rate had risen to 7.3…"[57] To be fair, such a study does not prove causality. Still, such studies can bring unwanted negative attention to the motorcycle industry and reinforce cultural stereotypes that motorcycle riders are risk-seeking freewheelers. To make its motorcycles appealing to a broader target market, Harley-Davidson must continue to espouse a culture of safety,[58] even in the face of decreasing safety regulations.

New EPA emission regulations could also affect Harley-Davidson's growth. Still, the last revision of motorcycle emission standards in 2003 did little to alter Harley-Davidson's growth trajectory and prompted the following promise.

Jim McCaslin, President of Harley-Davidson Motor Company, has stated that Harley-Davidson "plans to meet the requirements of the proposed EPA standards and still make the motorcycles true to the look, sound, and feel that you know and love" and that "the air-cooled V-Twin will continue to be the core of the Harley-Davidson motorcycle lineup for many years to come."[59]

The latter was especially welcome news to Harley-Davidson purists, but nevertheless is indicative of the regulation challenges facing Harley-Davidson's predominately air-cooled (as opposed to cleaner burning water-cooled) engines. If Harley-Davidson wishes to continue to operate in an increasingly environmentally sensitive market, it must continue to hone its ability to meet stricter pollutant regulations.

Financial Analysis

Harley-Davidson is currently climbing its way out of what were likely the worst financial times the company had faced since its inception in 1903. It peaked with nearly $6.2 billion in revenue in 2006, and then witnessed its revenue fall nearly 30 percent between 2007 and 2009.[60, 61] Harley-Davidson is in the recreation vehicles industry, making its products arguably among the most expensive of consumer discretionary items. As noted earlier, individuals find it difficult to justify purchases of these types of products when encountering challenging economic conditions. To compound the financial crisis in the United States between 2007 and 2010, Harley-Davidson's units-sold figures peaked at over 349,000 in 2006. Does the reduced number of units sold since 2006 potentially suggest that the overall demand for Harley-Davidson's products is declining?[62] Right now in its rebound, Harley-Davidson has managed to grow its revenue over 11 percent from its 2009 lows and bring its operating margin back up to 16 percent from a disappointing 4 percent in 2009.[63]

Going forward, work remains for Harley-Davidson to return to a strong financial position. To start, Harley-Davidson is currently highly leveraged as suggested by the firm's debt-to-equity ratio of 1.6. Historically, it has operated with this ratio well below 0.5.[64] Much of this new debt resulted from a decision to create capital for the firm's financing division. More specifically, this capital was to be used as a way of helping customers purchase a Harley-Davidson motorcycle. Because most of this debt is in the form of medium-term notes that do not require repayment until after 2014, and because Harley-Davidson has the necessary current free cash flow to pay its current liabilities, this debt is not a huge immediate concern. Even so, it is something the firm's leaders should monitor to make sure it does not get out of control.[65]

Furthermore, Harley-Davidson will have to make a concerted effort to control costs to get back to the 25+ percent operating margins it experienced during the boom years of 2004-2007. It is the case that part of the difference between Harley's current operating margin of 16 percent and the highly desirable operating margin of 25 or more percent is a factor of its fixed costs being allocated across fewer sales units. Nonetheless, keeping variable costs under control will be crucial to the firm's efforts to strengthen its operating margin until the number of units sold increases. Detailed financial data concerning Harley-Davidson is shown in Exhibits 2 through 6.

The Sum of All Parts

At the end of the day, Harley-Davidson cannot depend on its strong brand name to carry it through the twenty-first century. Between expanding its target consumer base beyond the stereotypical biker with his "old lady" sitting behind him, to successfully breaking free of the red tape and increased costs associated with international expansion, Harley-Davidson is potentially facing a challenging future. However, as one of the few motorcycle manufacturers focused exclusively on building motorcycles and without having to worry about cars, scooters, or snowmobiles, it stands to reason it should be able to lead the pack.

Exhibit 2 HOG Income Statement

Consolidated Statements of Operations (USD $)	12 Months Ended		
In Thousands, except Per Share data, unless otherwise specified	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2009**
Revenue:			
Motorcycles and related products	$4,662,264[ii]	$4,176,627[ii]	$4,287,130[ii]
Financial services	649,449	682,709	494,779
Total revenue	**5,311,713**	**4,859,336**	**4,781,909**
Costs and expenses:			
Motorcycles and related products cost of goods sold	3,106,288	2,749,224	2,900,934
Financial services interest expense	229,492	272,484	283,634
Financial services provision for credit losses	17,031	93,118	169,206
Selling, administrative, and engineering expense	1,060,943	1,020,371	979,384
Restructuring expense and asset impairment	67,992	163,508	224,278
Goodwill impairment			28,387
Total costs and expenses	**4,481,746**	**4,298,705**	**4,585,823**
Operating income	829,967	560,631	196,086
Investment income	7,963	5,442	4,254
Interest expense	45,266	90,357	21,680
Loss on debt extinguishment	9,608	85,247	
Income before provision for income taxes	792,664	390,469	178,660
Provision for income taxes	244,586	130,800	108,019
Income from continuing operations	548,078	259,669	70,641
Income (loss) from discontinued operations, net of tax	51,036	−113,124	−125,757
Net income (loss)	**$599,114**	**$146,545**	**($55,116)**
Earnings per common share from continuing operations:			
Basic	$ 2.35	$1.11	$0.30
Diluted	$2.33	$1.11	$0.30
Earnings (loss) per common share from discontinued operations:			
Basic	$0.22	($0.48)	($0.54)
Diluted	$0.22	($0.48)	($0.54)
Earnings (loss) per common share:			
Basic	$2.57	$0.63	($0.24)
Diluted	$2.55	$0.62	($0.24)
Cash dividends per common share	$0.48	$0.40	$0.40

[ii] Revenue is attributed to geographic regions based on location of customer.

Source: U.S. Securities and Exchange Commission. http://www.sec.gov/Archives/edgar/data/793952/000119312512074944/0001193125-12-074944-index.htm

Exhibit 3 HOG Balance Sheet

Consolidated Balance Sheets (USD $)			
In Thousands, unless otherwise specified	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2009**
Current assets:			
Cash and cash equivalents	$1,526,950	$1,021,933	$1,630,433
Marketable securities	153,380	140,118	39,685
Accounts receivable, net	219,039	262,382	269,371
Finance receivables, net	1,168,603	1,080,432	1,436,114
Variable interest entities' restricted finance receivables, net	591,864	699,026	
Inventories	418,006	326,446	323,029
Restricted cash held by variable interest entities	229,655	288,887	
Deferred income taxes	132,331	146,411	179,685
Other current assets	102,378	100,991	282,421
Total current assets	**4,542,206**	**4,066,626**	**4,341,949**
Finance receivables, net	1,754,441	1,553,781	3,621,048
Variable interest entities' restricted finance receivables, net	2,271,773	2,684,330	
Property, plant and equipment, net	809,459	815,112	906,906
Goodwill	29,081	29,590	31,400
Deferred income taxes	202,439	213,989	177,504
Other long-term assets	64,765	67,312	76,711
TOTAL ASSETS	**9,674,164**	**9,430,740**	**9,155,518**
Current liabilities:			
Accounts payable	255,713	225,346	162,515
Accrued liabilities	564,172	556,671	514,084
Short-term debt	838,486	480,472	189,999
Current portion of long-term debt	399,916		1,332,091
Variable interest entities' current portion of long-term debt	640,331	751,293	
Total current liabilities	**2,698,618**	**2,013,782**	**2,268,224**
Long-term debt	2,396,871	2,516,650	4,114,039
Long-term debt held by variable interest entities	1,447,015	2,003,941	
Pension liability	302,483	282,085	245,332
Postretirement healthcare liability	268,582	254,762	264,472
Other long-term liabilities	140,339	152,654	155,333
TOTAL LIABILITIES			
Shareholders' equity:			
Series A Junior participating preferred stock, none issued			
Common stock, 339,107,230 and 338,260,456 shares issued in 2011 and 2010, respectively	3,391	3,382	3,368
Additional paid-in-capital	968,392	908,055	871,100
Retained earnings	6,824,180	6,336,077	6,324,268
Accumulated other comprehensive loss	(476,733)	(366,222)	(417,898)
Stockholders equity before treasury stock	7,319,230	6,881,292	6,780,838
Less: Treasury stock (108,566,699 and 102,739,587 shares in 2011 and 2010, respectively), at cost	(4,898,974)	(4,674,426)	(4,672,720)
Total shareholders' equity	**2,420,256**	**2,206,866**	**2,108,118**
Total liabilities and shareholders' equity	**$9,674,164**	**$9,430,740**	**$9,155,518**

Source: U.S. Securities and Exchange Commission. http://www.sec.gov/Archives/edgar/data/793952/000119312512074944/0001193125-12-074944-index.htm

Exhibit 4 HOG Statement of Cash Flows

Consolidated Statements of Cash Flows (USD $)	12 Months Ended		
In Thousands, unless otherwise specified	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2009**
Consolidated Statements Of Cash Flows [Abstract]			
Net cash provided by operating activities of continuing operations (Note 2)	$885,291	$1,163,418	$609,010
Cash flows from investing activities of continuing operations:			
Capital expenditures	(189,035)	(170,845)	(116,748)
Origination of finance receivables	(2,622,024)	(2,252,532)	(1,378,226)
Collections on finance receivables	2,760,049	2,668,962	607,168
Collection of retained securitization interests			61,170
Purchases of marketable securities	(142,653)	(184,365)	(39,685)
Sales and redemptions of marketable securities	130,121	84,217	
Other, net			2,834
Net cash provided/used by inv. activities of cont. oper.	(63,542)	145,437	(863,487)
Cash flows from financing activities of continuing operations:			
Proceeds from issuance of medium term notes	447,076		496,514
Repayment of medium term notes	(59,211)	(200,000)	
Proceeds from issuance of senior unsecured notes			595,026
Repayment of senior unsecured notes		(380,757)	
Proceeds from securitization debt	1,082,599	598,187	2,413,192
Repayments of securitization debt	(1,754,568)	(1,896,665)	(263,083)
Net +/– in credit facilities & unsecured commercial paper	237,827	30,575	(1,083,331)
Net repayments in asset-backed commercial paper	(483)	(845)	(513,168)
Net change in restricted cash	59,232	77,654	(167,667)
Dividends	(111,011)	(94,145)	(93,807)
Purchase of common stock for treasury, net of issuances	(224,548)	(1,706)	(1,920)
Excess tax benefits from share-based payments	6,303	3,767	170
Issued common stock under employee stock option plans	7,840	7,845	11
Net cash provided/used by fin. activities of continuing oper.	(308,944)	(1,856,090)	1,381,937
Exchange rate effect on cash/cash equiv. of continuing oper.	(7,788)	4,940	6,789
Net increase/decrease in cash/cash equiv of continuing oper.	505,017	(542,295)	1,134,249
Cash flows from discontinued operations:			
Cash flows from operating activities of disc. oper.		(71,073)	(71,298)
Cash flows from investing activities of disc. oper.			(18,805)
Exchange rate effect on cash/cash equiv. of discont. oper.		(1,195)	(1,208)
Net cash used by discontinued operations, total		(72,268)	(91,311)
Net increase/decrease in cash/cash equivalents	505,017	(614,563)	1,042,938
Cash and cash equivalents:			
Cash and cash equivalents - beginning of period	1,021,933	1,630,433	568,894
Cash and cash equivalents of disc. oper. - period start		6,063	24,664
Net increase (decrease) in cash and cash equivalents	505,017	(614,563)	1,042,938
Less: Cash and cash equivalents of disc. oper. - period end			(6,063)
Cash and cash equivalents - end of period	**$1,526,950**	**$1,021,933**	**$1,630,433**

Source: U.S. Securities and Exchange Commission. http://www.sec.gov/Archives/edgar/data/793952/000119312512074944/0001193125-12-074944-index.htm

Exhibit 5 HOG Statement of Stockholder's Equity

Consolidated Statements Of Shareholders' Equity (USD $) In Thousands, except Share data, unless otherwise specified	Common Stock [Member]	Additional Paid-In Capital [Member]	Retained Earnings [Member]	Accumulated Other Comp. Income (Loss) [Member]	Treasury Balance [Member]	Total
Beginning Balance 12/31/08	$3,357	$846,796	$6,458,778	($522,526)	($4,670,802)	$2,115,603
Beg. Share Bal. 12/31/08	335,653,577					
Comprehensive income:						
Net income (loss)			(55,116)			(55,116)
Other comprehensive income/loss:						
Foreign currency translation adjustment				30,932		30,932
Amortization of net prior service cost, net of taxes				2,679		2,679
Amortization of actuarial loss, net of taxes				11,761		11,761
Pension & post-retirement plan funded status adj., net of taxes				29,111		29,111
Pension & post-retirement plan settlement & curtailment, net of taxes				32,197		32,197
Change in net unrealized gains (losses):						
Investment in retained securitization interests, net of taxes				13,600		13,600
Derivative financial instruments, net of tax benefit				(1,239)		(1,239)
Comprehensive income						63,925
Adj. to apply measurement date provisions of FSP 115–2, net of taxes			14,413	(14,413)		
Dividends			(93,807)			(93,807)
Repurchase of common stock					(1,920)	(1,920)
Share-based comp. & 401(k) match made with Treasury shares		27,363			2	27,365
Issued nonvested stock (in shares)	1,147,393					
Issuance of nonvested stock	11	(11)				
Tax benefit of stock options & nonvested stock		(3,048)				(3,048)
Ending Balance at 12/31/09	3,368	871,100	6,324,268	(417,898)	(4,672,720)	2,108,118
Ending Share Balance 12/31/09	336,800,970					
Comprehensive income:						
Net income (loss)			146,545			146,545

(Continued)

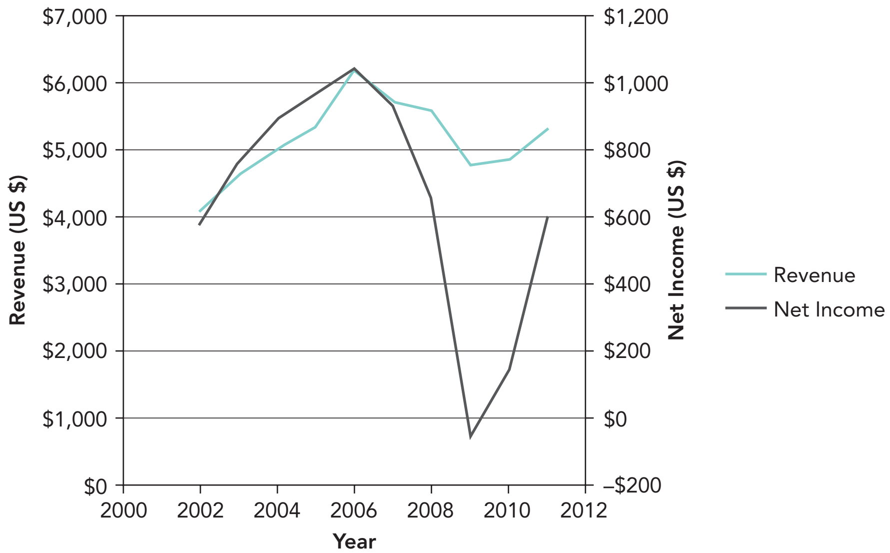
Exhibit 5 Continued HOG Statement of Stockholder's Equity

Consolidated Statements Of Shareholders' Equity (USD $) In Thousands, except Share data, unless otherwise specified	Common Stock [Member]	Additional Paid-In Capital [Member]	Retained Earnings [Member]	Accumulated Other Comp. Income (Loss) [Member]	Treasury Balance [Member]	Total
Other comprehensive income (loss):						
Foreign currency translation adj.				9,449		9,449
Net prior service cost amort, net of taxes				925		925
Actuarial loss amort., net of taxes				20,944		20,944
Pension & post-retirement plan funded status adj., net of taxes				18,431		18,431
Pension & post-retirement plan settlement & curtailment, net taxes				1,549		1,549
Change in net unrealized gains (losses):						
Derivative financial instruments, net of tax benefit				(2,972)		(2,972)
Marketable securities, net of tax benefit				(133)		(133)
Comprehensive income						194,738
Adj. for consolidation of QSPEs under ASC Topics 810 & 860			(40,591)	3,483		(37,108)
Dividends			(94,145)			(94,145)
Repurchase of common stock					(1,706)	(1,706)
Share-based comp. & 401(k) match made with Treasury shares		26,961				26,961
Issued nonvested stock (in shares)	823,594					
Issuance of nonvested stock	8	(8)				
Exercise of stock options	6	7,839				7,845
Exercise of stock options (in shares)	635,892					
Tax benefit of stock options & nonvested stock		2,163				2,163
Ending Balance at 12/31/10	3,382	908,055	6,336,077	(366,222)	(4,674,426)	2,206,866
Ending Balance, shares at 12/31/10	338,260,456					
Comprehensive income:						
Net income (loss)			599,114			599,114

Other comprehensive income (loss):						
Foreign currency translation adj.				(5,616)		(5,616)
Net prior service cost amortization, net of taxes				(564)		(564)
Actuarial loss amort., net of taxes				23,584		23,584
Pension & post-retirement plan funded status adj., net of taxes				(146,768)		(146,768)
Pension & post-retirement plan settlement & curtailment, net taxes				174		174
Change in net unrealized gains (losses):						
Derivative financial instruments, net of tax benefit				18,219		18,219
Marketable securities, net of tax benefit				460		460
Comprehensive income						488,603
Dividends			(111,011)			(111,011)
Repurchase of common stock					(224,551)	(224,551)
Share-based comp. & 401(k) match made with Treasury shares		49,993			3	49,996
Issued nonvested stock (in shares)	473,240					
Issuance of nonvested stock	5	(5)				
Exercise of stock options	4	7,836				7,840
Exercise of stock options (in shares)	373,534					374,000
Tax benefit of stock options & nonvested stock		2,513				2,513
Ending Balance at 12/31/11	$3,391	$968,392	$6,824,180	($476,733)	($4,898,974)	$2,420,256
Ending Balance, shares at 12/31/11	339,107,230					

Source: U.S. Securities and Exchange Commission. http://www.sec.gov/Archives/edgar/data/793952/000119312512074944/0001193125-12-074944-index.htm

Exhibit 6 HOG Revenue and Net Income 2002–2011



Source: Graph created from information from U.S. Securities and Exchange Commission. http://www.sec.gov/Archives/edgar/data/793952/000119312512074944/0001193125-12-074944-index.htm

NOTES

1. Weber, J. Harley Just Keeps On Cruisin'. 5 Nov 2006. *BloombergBusinessweek*. Web. 24 Apr 2012. http://www.businessweek.com/magazine/content/06_45/b4008069.htm
2. Various sources including 1) Barkley, M. K. A Business Plan for a Harley-Davidson Motorcycle. Web. http://ocls.cmich.edu/msa/projects/mbarkley06-05.pdf. 2) Harley-Davidson USA: History. Web. 22 Apr 2012. http://www.harley-davidson.com/en_US/Content/Pages/H-D_History/history.html. 3) P3naz89. History of Harley Davidson -Part 1. 17 Aug 2009. *YouTube*. Web. 22 Apr 2012. http://www.youtube.com/watch?v=79twzhOXlJQ. 4) Harley-Davidson History. *HowStuffWorks*. Web. 22 Apr 2012. http://auto.howstuffworks.com/harley-davidson-history1.htm. 5) Harley Davidson History Time Line. *Harley. Munising.com*. Web. 22 Apr 2012. http://harley.munising.com/.
3. Ibid.
4. Ibid.
5. Bruce, R. The Harley-Davidson Story. http://cobweb2.louisville.edu/faculty/regbruce/bruce/cases/harley/harley.htm.
6. Various sources including *op. cit.*
7. Harley-Davidson USA. *Harley-Davidson USA*. Web. 22 Apr 2012. http://www.harley-davidson.com/en_US/Content/Pages/home.html.
8. Harley Defies Stereotypes. 7 Mar 2012. *Dennis Kirk Powersports Blog*. Web. 22 Apr 2012. http://powersports-blog.denniskirk.com/1842/harley-davidson/harley-defies-stereotypes/.
9. Various sources including *op. cit.*
10. Weber, J. *op. cit.*
11. Harley-Davidson USA. *Harley-Davidson USA. op. cit.*
12. Gardiner, M. Harley-Davidson Motorcycle History. *op. cit.*
13. Harley-Davidson USA. *Harley-Davidson USA. op. cit.*
14. Hamner, S. 2009. Harley, you're not getting any younger. *New York Times* Online, March 22.
15. Various sources II including: 1) Harley-Davidson USA. *Harley-Davidson USA. op. cit.* 2) Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2011). *Strategic Management - Competitiveness & Globalization - 10th Edition.* Mason, OH: South-Western CENGAGE Learning. 3) Bruce, R. *op. cit.* 4) Gamble, J. E., Schäfer, R. Case 21 Harley-Davidson. *Scribd*. Web. 22 Apr 2012. http://www.scribd.com/doc/19943405/Harley-Davidson-Case-Study. 5) Harley-Davidson. *Wikipedia*. Wikimedia Foundation. Web. 22 Apr 2012. http://en.wikipedia.org/wiki/Harley-Davidson. 6) Harley-Davidson 2011: Annual Report. *Harley-Davidson Website.* http://www.harley-davidson.com/en_US/Media/downloads/Annual_Reports/2011/HD_Annual2011.pdf.
16. Harley Defies Stereotypes. 7 Mar 2012. *Dennis Kirk Powersports Blog*. Web. 22 Apr 2012. http://powersports-blog.denniskirk.com/1842/harley-davidson/harley-defies-stereotypes/.
17. Demographic Headwinds Hitting Harley-Davidson. 17 Jul 2009. *Seeking Alpha*. Web. 22 Apr 2012. http://seekingalpha.com/article/149478-demographic-headwinds-hitting-harley-davidson.
18. Harley-Davidson USA. *Harley-Davidson USA. op. cit.*
19. Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. 2011. *op. cit.*
20. Gardiner, M. Harley-Davidson Motorcycle History. *op. cit.*
21. Harley-Davidson USA: Harley Owner's Group. *Harley-Davidson Website*. Web. http://www.harley-davidson.com/en_US/Content/Pages/HOG/HOG.html.
22. Harley-Davidson USA: Who Can be a Dealer. *Harley-Davidson Website.* Web. 22 Apr 2012. http://www.harley-davidson.com/en_US/Content/Pages/Becoming_a_Dealer/Who_Can_Become_A_Dealer.html?locale=en_US
23. Honda: Street: Chopper. *Powersports. Honda.com*. Web. http://powersports.honda.com/street/chopper.aspx.
24. Korfhage, B. 2004 Kawasaki Vulcan 2000. 5 Dec 2003. *MotorcycleUSA.com.* http://www.motorcycle-usa.com/163/949/Motorcycle-Article/2004-Kawasaki-Vulcan-2000.aspx.
25. Suzuki: Motorcycles. *Suzuki Cycles*. Web. 22 Apr 2012. http://www.suzukicycles.com/Product%20Lines/Cycles.aspx?sc_lang=en.
26. Gardiner, M. Harley-Davidson Motorcycle History. *op. cit.*
27. Harley-Davidson to Discontinue Buell Sport Bikes. 15 Oct 2009. *New York Times - Wheels*. Web. 22 Apr 2012. http://wheels.blogs.nytimes.com/2009/10/15/harley-davidson-to-discontinue-buell-sport-bikes/.

28. American Motorcycles. Victory Motorcycles: Touring, Cruiser, Muscle, V-Twin & Wide-Tire. Web. 22 Apr 2012. http://www.polarisindustries.com/en-us/victory-motorcycles/Pages/Home.aspx.
29. Duke, K. 2004 Victory Vegas Comparison. 26 Nov 2003. *MotorcycleUSA.com*. http://www.motorcycle-usa.com/267/1040/Motorcycle-Article/2004-Victory-Vegas-Comparison.aspx.
30. Indian Motorcycles. Web. http://www.indianmotorcycle.com/en-us/pages/home.aspx.
31. Big Dog Motorcycles - Custom Motorcycles & Choppers, Motorcycle Apparel & Accessories - Homepage. *Big Dog Motorcycles*. Web. 22 Apr 2012. http://www.bigdogmotorcycles.com/.
32. Big Bear Choppers | Custom Chopper Motorcycles | Bike Kits | Kit Bikes. *Big Bear Choppers*. Web. 22 Apr 2012. http://www.bigbearchoppers.com/.
33. American IronHorse Motorcycles of Huntsville. *American IronHorse Motorcycles of Huntsville*. Web. 22 Apr 2012. http://www.americanironhorsehuntsville.com/.
34. Darwin Motorcycles. *Darwin Motorcycles*. Web. 22 Apr 2012. http://www.brassballsbobbers.com/.
35. Bleustein, J. L. Letter to Shareholders. *Harley-Davidson USA: Investor Relations*. http://www.harley-davidson.com/company/investor/ar/1997/leadership.htm.
36. Bhasin, K. Harley-Davidson's CEO is Trying to Save His Company by Copying Ford. 21 Nov 2011. *Business Insider – War Room*. http://articles.businessinsider.com/2011-11-21/strategy/30424435_1_harley-davidson-keith-wandell-ford-ceo.
37. Harley-davidson In (HOG: New York). *Bloomberg Businessweek*. http://investing.businessweek.com/research/stocks/people/people.asp?ticker=HOG:US.
38. Pozen, Robert C. The Case of Professional Boards. *Harvard Business Review*. 2010.
39. Lakshmi, R. Harley-Davidson Coming to India to Test a New Market. 31 Aug 2009. *Washington Post*. Web. 22 Apr 2012. http://www.washingtonpost.com/wp-dyn/content/article/2009/08/30/AR2009083002250.html.
40. Harley-Davidson Demographics. Update. 18 Feb 2011. *Cyril Huze Blog: World's Number One Magazine For Custom Motorcycle News*. Web. 22 Apr 2012. http://www.cyrilhuzeblog.com/2011/02/18/harley-davidson-demographics-update/.
41. Harley-Davidson looking beyond Indian metros for growth. 3 Jan 2012. *IBN Live*. Web. 22 Apr 2012. http://ibnlive.in.com/news/harleydavidson-looking-beyond-indian-metros-for-growth/218921-25-162.html.
42. Sidner, S. Harley-Davidson to Build Bikes in India. 4 Nov 2010. *CNN World*. Web. 22 Apr 2012. http://articles.cnn.com/2010-11-04/world/india.bikes_1_india-market-harley-davidsons-haryana?_s=PM:WORLD.
43. Bellman, E. Harley to Ride Indian Growth. 28 Aug 2009. *Wall Street Journal*. http://online.wsj.com/article/SB125135162394762877.html.
44. Harley-Davidson looking beyond Indian metros for growth. *op. cit.*
45. Harley-Davidson Introduces Two Bikes at Lower Price. 5 Jan 2012. *NDTV.com*. Web. 22 Apr 2012. http://www.ndtv.com/article/business/harley-davidson-introduces-two-bikes-at-lower-price-163887.
46. Ibid.
47. Currency Converter Widget. *XE: (—/—) — to — Rate*. Web. 22 Apr 2012. http://www.xe.com/ucc/convert/?Amount=1400000.
48. Harley-Davidson looking beyond Indian metros for growth. *op. cit.*
49. Our Motorcycles. *Harley-Davidson India*. Web. 22 Apr 2012. http://www.harley-davidson.in/harley-davidson-india-our-motorcycles.html
50. Harley-Davidson in China Encounters Barriers of Entry for Two Wheels: Cars. 18 Sep 2011. *Bloomberg*. Web. 22 Apr 2012. http://www.bloomberg.com/news/2011-09-18/harley-davidson-finds-milwaukee-beats-china-as-leisure-motorcycle-market.html.
51. Ibid.
52. Ibid.
53. Ibid.
54. Harley-Davidson USA: New Rider Course. *Harley-Davidson Web Site*. Web. 22 Apr 2012. http://www.harley-davidson.com/en_US/Content/Pages/learn-to-ride/new-rider-course.html?locale=en_US.
55. Harley-Davidson Press Release. Motorcyclists! Harley-Davidson encourages all to check their helmets. 2 Apr 2008. *Cycle Matters*. Web. 22 Apr 2012. http://www.cyclematters.com/motorcycle-blog/safety-training/harley-davidson-proclaims-april-check-your-helmet-month-2008.cfm
56. Yaukey, J., Benincasa, R. Motorcyclist deaths spike as helmet laws loosen. 27 Mar 2008. *USA Today*. Web. 22 Apr 2012. http://www.usatoday.com/news/nation/2008-03-26-bikehelmets_N.htm.
57. Ibid.
58. Johnson, R. When Heaven Is a Harley. 19 Dec 2011. *Wall Street Journal*. Web. http://online.wsj.com/article/SB10001424052970203537304577030113224587198.html
59. Summary and Analysis of Comments: Control of Emissions from Highway Motorcycles. Dec 2003. *U.S. EPA: Office of Transportation and Air Quality*. EPA420-R-03-016. Web. http://www.epa.gov/otaq/regs/roadbike/420r03016.pdf
60. Harley-Davidson Downshifts Profit Forecast. 7 Sep 2007. *Market Watch*. Web. 22 Apr 2012. http://articles.marketwatch.com/2007-09-07/news/30806235_1_harley-davidson-harley-davidson-shares-retail-sales.
61. Morningstar Analyst Report. 27 Feb 2012.
62. Harley-Davidson USA: Harley Owner's Group. *op. cit.*
63. Morningstar Analyst Report. *op. cit*
64. Ibid.
65. Harley-Davidson 2011: Annual Report. *op. cit.*