



HARLEY-DAVIDSON PURCHASING

Harley-Davidson's purchasing activities are guided by the Supply Management Strategy (SMS). The SMS provides a supply management roadmap that enables stakeholders to effectively and efficiently meet the long-term goals of the Harley-Davidson organization. The major objectives of the SMS are:

- Position purchasing employees as value-added experts driving growth and improvement.
- Establish mutually beneficial relationships with suppliers that leverage the growth opportunities to meet Harley-Davidson's strategic revenue and pricing targets.
- Meet smart capacity objectives; strong supplier relationships will ensure access to technology and components to differentiate Harley-Davidson's products.
- Contribute to Harley-Davidson's financial success by optimizing the stakeholder concept, thus providing Harley-Davidson with a model for collaborative interaction with all stakeholders.

In implementing the SMS, Harley-Davidson Purchasing follows several guiding principles. Some of those guiding principles that apply directly to suppliers are:

- Harley-Davidson will not progress without a high degree of confidence in their supply base.
- Strategic suppliers will have comfortable access to Harley-Davidson leadership.
- Harley-Davidson will provide information and communicate expectations to suppliers enabling them to meet the goals of the SMS.
- The SMS is clearly connected to Harley-Davidson's values, objectives, and primary business strategies.

All of the policies and guidelines contained in the "Doing Business With Harley-Davidson" manual support the SMS objectives and its guiding principles. It is critical that suppliers understand their role to support the objectives of the SMS that will allow Harley-Davidson to meet its long-term goals and objectives. This manual will assist suppliers in understanding the objectives that Harley-Davidson has of them.

Harley-Davidson Purchasing Organization

Harley-Davidson Purchasing is organized into four major areas:

- General Merchandise (GM)
- Maintenance, Repair, and Operating (MRO)
- Original Equipment (OE)
- Parts and Accessories (P&A)

The interaction between Harley-Davidson and their suppliers is largely dependent upon the area of purchasing involved. The rest of this section of the manual will briefly discuss the interaction that suppliers can expect to encounter within each of the areas of Harley-Davidson Purchasing.



General Merchandise

A supplier's initial involvement with Harley-Davidson's General Merchandise (GM) organization is generally with one of the Product Category Managers. GM's Product Category Managers work closely with purchasing to ensure the continual supply of products to Harley-Davidson customers. General Merchandise Purchasing supports the efforts of the Product Category Managers and assists in the development and performance of the supply base. Their role also includes communication of product requirements as well as communication of expectations that Harley-Davidson has of all its suppliers.

It is important to understand that involvement within this area of purchasing differs significantly from other areas of Harley-Davidson purchasing community such as Original Equipment due to the relatively short life cycle of products supplied. For this reason much of the focus and energy of General Merchandise is spent in the area of new product development. Suppliers must recognize that due to the shorter product life cycle, much emphasis is placed upon a shorter product development cycle. Failure to address this requirement can lead to a missed opportunity in the market.

Maintenance, Repair, and Operating

Suppliers who provide products and services to Harley-Davidson's MRO organization are likely to interact with many different functional areas (i.e. manufacturing assembly, maintenance, and office applications) within Harley-Davidson. It is the responsibility of Harley-Davidson MRO Purchasing to facilitate that interaction while ensuring compliance with the Supply Management Strategy. The role of MRO Purchasing also includes communication of product requirements as well as communicating the expectations that Harley-Davidson has of all its suppliers. MRO suppliers are critical to the success of Harley-Davidson in that the products and services they provide ensure continual production and acquisition of quality products throughout the Harley-Davidson organization.

Although involvement in the daily operations of Harley-Davidson tend to be the focus of MRO suppliers, it is also important that Harley-Davidson's key MRO suppliers remain involved with future product and process development. As Harley-Davidson changes to meet the needs of its customers through new products and processes, MRO suppliers must understand the importance of their role in the successful launch of these new products and processes. MRO suppliers are encouraged and expected to play an active role in the development of new products and processes.

Original Equipment

Harley-Davidson has organized its OE purchasing organization into Development Purchasing and Operations Purchasing. Development Purchasing resides in Harley-Davidson's Product Development Center (PDC) in Milwaukee. Operations Purchasing resides in each of Harley-Davidson's manufacturing facilities.

A supplier's initial involvement with Harley-Davidson OE organization is likely to be with a Purchasing Engineer from the PDC. Development Purchasing leads a cross-functional group of stakeholders in the supplier selection process. Once selected, suppliers will work concurrently



with Harley-Davidson's engineering, manufacturing, and purchasing organizations during the product development process. During the development process for production parts, consideration must be given to the needs of Harley-Davidson's P&A organization regarding service components. Suppliers are encouraged to raise this issue with Development Purchasing during the product development process.

As the development process unfolds, Operations Purchasing becomes the primary purchasing contact. They will further facilitate the launch of the new products into Harley-Davidson's manufacturing facility. Operations Purchasing is responsible for communicating the requirements of each of the facilities to suppliers. They will be the primary purchasing contact for suppliers once a product has been launched into production. It is also the responsibility of Operations Purchasing to ensure suppliers are meeting Harley-Davidson's requirements in regards to quality and delivery.

Parts and Accessories

Suppliers to Harley-Davidson's P&A organization are likely to have initial contact with a P&A buyer/planner in conjunction with a P&A Product Category Manager. P&A Purchasing supports the development and performance of the supply base. Their role also includes communication of product requirements as well as communication of expectations that Harley-Davidson has of all its suppliers.

Harley-Davidson's P&A organization is similar to the General Merchandise organization in that many of its products have a relatively short life cycle for accessories. However, service parts usually have longer life cycles. Because of their shorter life cycles, much of the focus and energy of P&A accessories is spent in the area of new product development. Suppliers must recognize that due to this shorter product life cycle, much emphasis is placed upon a shorter product development cycle. Failure to address this requirement can lead to a missed opportunity in the market.

As stated above, service parts usually have longer life cycles than accessories. For more information regarding Harley-Davidson's expectations of service parts suppliers, please reference the "Customer Service and Service Parts Module" of the Master Supply Agreement.