

Hog Heaven: Fixed Seats, No Volunteers: Who Should Be ‘Refreshed?’

Hog Heaven is a small public company, a motorcycle aftermarket specialist. Its customers are mostly new and used motorcycle buyers of Harley (H-D) and Indian models, who spend an average of \$3,000 on the first month after purchase customizing their machines, and individuals who, often under-the-table, customize motorcycles (bikes) for riders. The median age of a Harley rider is 50. Having a highly personalized, one-off bike is a growing trend.

Motorcycle sales were flat, but boomed during the pandemic, as consumers looked for outdoor activities where they could socially distance and feel “free.” Hog Heaven was bringing in the bacon. Now sales have plummeted. New riders hardly rode their 700 lb. vehicles and, with the new cost of a Harley at \$14,000, the big loan payments are worrying during a tenuous economic environment. There’s a glut of clean, low mileage, second-hand bikes on the market. Hog Heaven is smoked.

Hog Heaven’s board of directors has 5 members. Its board policy limits the size of the board to 5, with no term limits. No one wants to add more board members. They’re all passionate motorcyclists and their annual retreat always includes group rides. Axel Iris founded Hog Heaven 28 years ago and is CEO and Board Chair. He lives, eats, breathes his company. Freddie “Fat Boyne” Boyne and two other board members have served more than 8 years, with an average age of 61.

In 2021, the fifth board member resigned due to illness, so the board added a 35-year-old Latina, Dyna Gliden, who works at their largest supplier of exhaust systems.

Fat Boyne meets Axle at the local biker bar. Over ribs and beers, Fat Boyne says, “I can’t see bike sales or customizations growing for a long time. We’ve got too much inventory and overhead, and we’re unable to refinance or consolidate our commercial loans. We need someone on the board who has experience with this situation.” Axle remarks, “No one will leave the board. It’d look really bad if Dyna left, and the other two board members both have the goal of getting other board gigs so they can retire. Plus, everyone loves having a motorcycle industry board on their resume.”

The next morning, Axle opens his email. Hot Rods and Pistons is interested in having a discussion about a potential acquisition or merger. Their online aftermarket business is interested in shifting toward motorcycle customization, and their board chair is a powerful private equity kingpin. Axle meets with the Hot Rods’ board chair. He says a condition of the M&A would be that Hot Rod’s CEO and board chair both keep their roles.

1. Should the Hog Heaven board vote in favor of an M&A proposal?
2. If not, what should Hog Heaven do about their financial problems and forecast related to the board?

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The roles in this case are disguised. Babs was CMO at Kawasaki UK, and in 2021, was advisor to the Motorcycle Industry Council.

