

Core competencies of wal mart and honda instruments for their growth

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Strategic Management Term Paper Core competencies of Wal mart and Honda Instruments for their Growth By: Hari Kiran Babu. G (0711) Naga Mounica. G (0723) Sai Krishna Chaitanya (0736) Surabhi Rajan (0749) Sobhan Pavan Tej . K (0641) Core Competencies Core competencies lead to the development of core products. Core products are not directly sold to end users; rather, they are used to build a larger number of end-user products. For example, motors are a core product that can be used in wide array of end products.

The business units of the corporation each tap into the relatively few core products to develop a larger number of end user products based on the core product technology. The intersection of market opportunities with core competencies forms the basis for launching new businesses. By combining a set of core competencies in different ways and matching them to market opportunities, a corporation can launch a vast array of businesses. Without core competencies, a large corporation is just a collection of discrete businesses. Core competencies serve as the glue that bonds the business units together into a coherent portfolio. Core competencies arise from the integration of multiple technologies and the coordination of diverse production skills.

Some examples include Wal Mart's Logistics and Honda's engines. There are three tests useful for identifying a core competence. A core competence should: •Provide access to a wide variety of markets, and •Contribute significantly to the end-product benefits, and •Be difficult for competitors to imitate. To better understand how to develop core competencies, it is worthwhile to understand what they do not entail. •Outspending rivals on <https://assignbuster.com/core-competencies-of-wal-mart-and-honda-instruments-for-their-growth/>

R&D •Sharing costs among business units Integrating vertically Core competencies manifest themselves in core products that serve as a link between the competencies and end products. Core products enable value creation in the end products.

Examples of firms and some of their core products include: •3M - substrates, coatings, and adhesives •Canon - laser printer subsystems •Honda - gasoline powered engines Wal Mart Core Competencies Core competencies

play a major role in the success of the company. As far as Wal Mart is considered the following are the core competencies. They are as follows:

•Operational Ability •Low Prices •Quality Proximity •Supply Chain The above

core competencies can be explained as follows: •Operational Ability: Wal-Marts core competencies are its operational ability to streamline the supply chain through cross-docking inventory systems and efficient means of communication through technology. •Low Prices: This is the one of the important core competency of Wal Mart. It has its stores all around the globe. In all the stores the prices of the products are low when compared to the market prices.

•Quality: Though the prices are low also it maintains the quality of the products it sells to the customers. This is one of the key core competencies that the Wal Mart is having. •Proximity: In US Wal Mart store is located at every 5 miles. This shows how it is deeply rooted in the US market. Not only in US but in the other countries also it is more over same. •Supply Chain: Wal Mart is not having any warehouses.

The stock in the stores is maintained in Just in Time (JIT). If the racks are empty in the stores means the goods will replace the empty racks with time.

Strengths, Weakness, Opportunities, Threats of Wal Mart Strengths:

- Customer oriented
- SAM'S Club customers able to buy in bulk
- Super centers offer one stop shopping Satisfaction guaranteed programs promoting customer goodwill
- Buy from local merchants when possible
- Stock ownership and profit-sharing with employees
- Leads industry in information technology
- Ongoing development of its employees
- Strong community involvement

Weaknesses:

- No formal mission statement
- Membership only for SAM'S Club
- Keep poor performing employees on hand
- Old fashioned store policies
- Few women and minorities in top management
- The company is global, but has a presence in relatively few countries worldwide.

Opportunities:

- Consumers want ease of shopping
- Internet shopping growing
- Dollar value increasing Similar shopping patterns worldwide
- Retail sales expected to increase
- Environment conscious consumers
- Elderly population growing
- Asian market virtually untapped by retail
- European Market untapped by retail
- Wal Mart can continue with its current strategy of large, super centres.

Threats:

- Regulation of Wal-Mart pharmacies
- Small towns do not want entry of Wal-Mart
- Variety of competition nationally, regionally and locally
- Substitute products more easily because of intense competition
- Being global retailer means that you are exposed to political problems in the countries that you operate in.

The cost of producing many consumer products tends to have fallen because of lower manufacturing costs. Manufacturing cost have fallen due to outsourcing to low costs regions of the world. This has lead to price

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competition, resulting in price deflation in some ranges. Intense price competition is a threat. Growth Strategies: In the next five years, Retail Forward expects Wal-Mart to focus on five key growth strategies: 1. Food.

Wal-Mart's growth in the past decade was largely the result of its enormous foray into the food market. Although Wal-Mart is now the market leader, it still has a long way to go. Retail Forward predicts that, by 2006, there will be over 2,000 Wal-Mart Supercenters in the US and food sales at Wal-Mart Supercenters will account for approximately one-third of the national increase in spending on food. 2. Foreign. "While further foreign acquisitions are expected, Wal-Mart will not be successful as a global retailer if its only advantage is price," Kalish comments.

"It must also provide a superior shopping experience, strong localized merchandising, and a clear differentiation from competitors," he adds. However, it is unlikely that Wal-Mart's overseas expansion will move swiftly enough to fuel the company's growth engine. The company's most probable courses of action will be 1) to grow its existing businesses in the US, extending customer reach, and 2) to move into other businesses in the US with the same velocity it moved into food. 3.

Fashion and Family. To get more out of existing stores, and to attract a more affluent consumer, Wal-Mart must ramp up efforts in apparel and home goods. Wal-Mart is already a major apparel force in certain categories, Retail Forward's annual shopper survey indicates. If Wal-Mart succeeds in convincing shoppers to view the retailer as a destination for fashion needs, it will have a huge impact on the market. Wal-Mart will need to focus on

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expanding its range of merchandise, improving the quality and variety of its non-food assortment, and developing strong private and exclusive labels," Kalish states.

4. Format. To reach more markets and more consumers, Wal-Mart will drive growth through multi-channel delivery of its core businesses. By opening smaller food stores, developing formats for urban shoppers, and potentially leveraging its strengths by developing drug, dollar, and convenience stores, Wal-Mart could overcome the limitations created by its Supercenter focus. 5. Fringe.

Wal-Mart will seek to test the outer boundaries of what consumers are willing to allow Wal-Mart to be," Kalish comments. The company will seek to expand at the fringe of its core business by developing sales in highly new and unusual categories. Wal-Mart's aggressive rollout of fueling stations could be followed closely with the company selling used cars, financial services, home improvement, and foodservice. IFE for Wal Mart: EFE For Wal Mart: TOWS for Wal Mart Strengths 1. Customer oriented 2. SAM's Club consumers able to buy in bulk 3.

Supercenters offer one stop shopping 4. Satisfaction guaranteed programs promoting customer goodwill 5. Buy from local merchants when possible 6. Stock ownership and profit-sharing with employees 7. Leads industry in information technology 8. Ongoing development of its employees 9.

Strong community involvement Weaknesses 1. No formal mission statement
2. Membership only for SAM'S Club 3. Keep poor performing employees on hand 4. Old fashioned store policies 5.

Few women and minorities in top management Opportunities 1. Consumers want ease of shopping 2. Internet shopping growing 3. Dollar value increasing
4. Similar shopping patterns worldwide 5. Retail sales expected to increase
6.

Environment conscious consumers 7. Elderly population growing . Asian Market virtually untapped by retail 9. European Market untapped by retail S-O Strategies 1.

Advertise more for shopping on-line (S8, O2) 2. Expand internationally because of similar shopping patterns (S3, O4, O8) W-O Strategies 1. Improve employment techniques to hire and keep the best performing employees (W3, W5, O6) Threats 1. Regulation of Wal-Mart pharmacies 2.

Small towns do not want entry of Wal-Mart 3. Variety of competition nationally, regionally and locally 4. Substitute products more easily because of intense competition S-T Strategies 1. Buy from local merchants to promote unity in the community (S5, T4) . Build more Supercenters for the increased demand for one stop shopping (S3, T4) W-T Strategies 1. Allow consumers to buy in smaller bulk without having membership to SAM'S Club (W2, T5)

Honda Core Competencies: Honda's core competencies are as follows:

- Expertise in Engines
- Manufacturing Capabilities
- Culture of innovation.

Growth strategies of Honda 1) Integration of Honda channels to maximize customer joy and satisfaction. Honda established the current three-channel structure by creating Verno in 1978, Clio in 1984, and Primo in 1985, offering Honda products for customers with different lifestyles. Supported by growing automobile demand at that time, Honda continued to enhance its product line-up and increased sales and the number of dealers. At the same time, Honda began conducting the CSI (Customer Satisfaction Index) survey in 1984, and strengthened initiatives which always put customer satisfaction at the core. Through these efforts, Honda steadily increased the number of Honda customers and made significant progress in achieving the autonomy of its dealers.

The Japanese automobile market has now entered a stage of increasing maturity, and the surrounding society and marketplace are in a transition stage as well. In this increasingly competitive environment, the most important factor is to always continue improving the lifetime satisfaction level for the customers who have already chosen the Honda brand. Based on this concept, Honda decided to integrate its existing channels into one Honda channel where customers will be able to purchase and service any Honda brand automobile and to continue receiving high quality sales and service from the same dealer for future needs whether that be replacing their current vehicle or adding another one. Honda also aims to build a dealer network that places the Honda brand at the forefront by maximizing use of existing facilities and manpower and by optimizing the location of sales facilities. 2) Introducing Acura to create new value for the customer

and to continue to achieve further growth and to take a big step forward in Japan.

Introducing Acura to create new value for the customer and to continue to achieve further growth and to take a big step forward in Japan Recently, the values desired by the customer have become even more diverse and customer needs are becoming increasingly sophisticated in the automobile market. Honda will proactively respond to these changes by creating new value for the customer with the introduction of Acura, a luxury brand that will offer a distinctive driving experience and other unique characteristics. The Acura brand will start in fall 2008, with approximately 100 dealers in Japan. This also will enable Honda to achieve further growth and take a big step forward in its home market of Japan.

With this new sales channel strategy, Honda will accelerate its effort to maximize customer joy and satisfaction, and by challenging in this new area Honda will pursue the goal of consistently achieving annual sales of more than 800, 000 units. 3) American Manufacturing Capacity Expansion Honda announces plans to build a automobile plant in Decatur County, Indiana, southeast of Indianapolis. The plant will begin production of fuel efficient 4-cylinder vehicles by the fall of 2008 and will leverage its flexible manufacturing system. ...

. In 2005, American Honda achieved record U. S. sales of 1, 462, 472 new Honda and Acura cars and light trucks, the ninth straight year of record annual sales. In order to meet growing demand, Honda plans to build the new Indiana plant in approximately 24 months, with construction expected

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to begin in fall 2006. Honda will announce additional details of its vehicle production plans at a later date.

The new plant will have the same type of flexible New Manufacturing System that is found in Honda's other auto plants in the U. S. and Canada, with advanced technologies that provide the flexibility to produce different models more quickly and efficiently. Major processes performed at the Indiana plant will include stamping, welding, painting, plastic injection molding and assembly operations.

Internal factor matrix Strengthsweightratingweighted score strong brand and reputation for producing high quality products from cars to motorcycle 0. 1540. 6 Automobiles are reliable and generally fuel effecient0. 0530.

15 wide range of products0. 1240. 48 good distribution network0. 1340.

52 Advertizing was given the key role in the invasion0. 0530. 15 Penetration pricing0. 130. 3 Weakness Honda products are fairly mild and inoffensive in terms of styling0.

310. 13 The sales of motor cycles are very low at the beginning0. 0510. 05 Their prices are high for non luxury vehicles than comparable modes by other manufacturers0. 120.

2 it is still just a niche market0. 1210. 12 Total12. 4 Interpretation: Company is trying to overcome its weaknesses and maintain its strengths. External factor matrix opportunities The image of motor cyclist is changed0. 0520.

1 To continue progressive low emission vehicles and alternative power sources0. 230. 6 An offering in a pick up type truck would be profitable0. 1530. 5 They can develop in india and china 0.

230. 6 Threats Highly competitive market0. 1520. 3 A non american product- Americans prefer the american products to foreign ones0.

0510. 05 Banks were reluctant to finance purchases for draft age buyers0. 220. 4 Total12.

5 Interpretation: Company is capable to respond to its external opportunities and threats. TOWS for Honda Strengths 1. Strong brand and reputation for producing high quality products from cars to motorcycle. 2. Automobiles are reliable and generally fuel efficient 3. Good distribution network 4.

Advertising was given the key role in the invasionWeakness 1. Honda products are fairly mild and inoffensive in terms of styling. 2. The sales of motor cycles are very low at the beginning 3.

Their prices are high for non luxury vehicles than comparable modes by other manufacturers 4. It is still just a niche market Opportunities 1. The image of motor cyclist is changed 2. To continue progressive low emission vehicles and alternative power sources 3. An offering in a pick up type truck would be profitable 4.

They can develop in India and chinaSO Strategies . The company can enter into new variety of product i. e. trucks to make it profitable(s3, 03) 2. Due to its good distribution network it can go to different nations like India and

china where labour was cheap and transportation cost is low(s4, 04) 3. As Honda vehicles are fuel efficient it can also go for low emission vehicles (s2, 02)WO Strategies 1.

It is just a niche market but when it enters into truck it can go for profitability(w4, o3) 2. In order to go for low emission vehicles it can go for solar vehicles and stylish vehicles also. (w1, 02) Threats 1. Highly competitive market 2. A non American product-Americans prefer the American products to foreign ones ST Strategies 1. It can go for other countries rather than America or go for innovative products(s1, t2) WT strategies 1.

It can enter into new markets(w4, t1) Conclusion: Wal Mart is expanding into many countries. India is one of them. It has succeeded in many countries, but it also failed in some countries like Germany with the same core competencies and strengths. It is mostly concentrated in North America only. Now it is entering in to new markets.

The company's core competencies and the growth strategies will play a key role in the success of the company in the new markets. As Honda is into automobile industry the threats form the competitors will be high. The innovations of Honda in respect to two wheelers and four wheelers can be duplicated by the other companies easily. But one of its core competencies is with the power generators and gasoline engines.

As the competitors are investing more in the R, even Honda also have to invest more in its R to get an edge over the competitors. " Asimo" is the best example for its innovations.