

# Introduction of nissan motor company marketing essay



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Business environment is the combination of internal and external factors that influence a company's operating situation. It includes competitors, customers, stakeholders, suppliers, industry trends, regulations, social and economic factors, other government activities, and technological developments. The assignment question of Business Environment subject T1 2013 consists of three tasks. A situation of choosing a new car with proper planning and analysis was given. Students are required to choose an organization and present critical internal and external environmental analysis based on the tasks.

I have chosen NISSAN MOTOR CO., LTD. for my assignment. Nissan's business strategy, external environment, Porter's 5-Force analysis, PEST analysis, internal environment using value chain analysis and SWOT analysis should be given in the assignment. Besides, a better strategy for this company should be proposed based on available options as well. Below are my answers for the assignment's question according to the tasks given with complete format and information required about Nissan Motor Company and its business strategies.

## 2. 0 Task 1

### 2. 1 Introduction of Nissan Motor Company

Nissan is one of the largest companies in the automotive industry. The company was founded in December 1933 which was cited as Jidosha-Seizo Co., Ltd. In June 1934, it was renamed as Nissan Motor Company after merging with another Japanese manufacturer. The company's new name was an acronym for Nippon Sangyo, a holding company which belongs to <https://assignbuster.com/introduction-of-nissan-motor-company-marketing-essay/>

Yohisuke Aikawa. The company manufactures and sells over 3.7 million cars in more than 180 countries across the world. It was among the three biggest companies in Japan and in the five largest in the global market.

Datsun was designed by Japanese automotive pioneer Masujiro Hashimoto that was first produced in 1914.

Nissan produced its first Datsun which was a descendant of the Dat Car, a small, boxy passenger vehicle at its Yokohama plant in April 1935. Its headquarters is situated in Tokyo, Japan. The Company is involved in manufacturing and sales of passenger automobiles, as well as the supply of automobile parts, heavier vehicles and equipment such as trucks, vans, aerospace, buses, components, industrial machinery and marine equipment. It operates across Japan, Canada, United States, Mexico, South Africa, Australia, New Zealand, Middle East, and Asia. Nissan by developing a unique strategic plan aims to develop and enhance their market share in order to be more successful in the future not only in the domestic market but in the global market too.

## 2.2 Definition of the Contexts of Business Strategy

What the organization wants to achieve and how it will accomplish it is defined as strategy in the contexts of business strategy. In other words, it is a comprehensive long term plans for running the organization, strengthening the organization's competitive position, satisfying customers and achieving performance target. Business strategy includes the purpose of the organization, goals and objectives and also plans and methods to achieve these goals and objectives. A good business strategy needs to be regularly

reviewed against prevailing external and internal environment such as SWOT analysis. With a good business strategy, an organization can be more successful and more profitable than its competitors.

## 2.3 Porter's 5- Forces Analysis of Nissan Motor Company

Porter's 5-forces analysis represents the competitive external environment of the firm. It helps in accessing where the power lies in a business situation. Porter's Model is actually a business strategy tool that helps in analyzing the attractiveness in an industry structure for industry analysis. It let you access current strength of your competitive position and the strength of the position that you are planning to attain. Named after Michael E. Porter, this model identifies and analyzes 5 competitive forces that shape every industry. These five competitive forces identified are intensity of rivalry within the industry, threat of new entrants, threat of substitute products, bargaining power of suppliers and bargaining power of buyers.

Industry rivalry means the intensity of competition among the existing competitors in the market. Intensity of rivalry depends on the number of competitors and their capabilities. Each company is struggling to maintain their power through competitions. Industry rivalry for Nissan is high where customers have plenty of choices of cars in the market such as luxury cars, sports cars and many more. There are number of equal or small competitors for Nissan such as Honda, Toyota and many more. The customer's switching costs are also low where the industry is growing. In the automobile industry, the exit barriers are high so rivals stay and compete.

These situations are the reasons for price wars, advertising wars and product differentiation.

Threat of new entry relies on the entry and exit barriers. It is in a company's interest to create barriers to prevent its competitors to enter to market. They are either new companies, or companies which wish to diversify. The arrival of new entrants also depends on the size of the market. Nissan is having a low threat of new entry where automobile industry has high entry barriers and low exit barriers. For any Nissan competitor, there are significant barriers to entry such as high capital requirements to start the business, difficulties in finding and sourcing suppliers to build various components, high customer's switching cost and various differentiated products.

Threat of substitute products means how easily the customers can switch to the competitors product. The substitute products can be considered as an alternative compared to supply on the market. So substitutes are a threat to your company. The threat of substitute products of Nissan is moderate. Nissan certainly works to build brand and there are Nissan loyalists, but there are many substitutes in the market for customers like Toyota, Honda, Hyundai and more as well as other modes of transportation. Customers of Nissan can easily find the product or services at the same or less price but with different technologies, branding and qualities. Different technologies, branding and quality of Nissan's products keep the threat of substitute to be moderate.

Bargaining Power of supplier means how strong is the position of a seller and how much the supplier has control over increasing the price of supplies.

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Nissan has limited bargaining power of supplier. Like all car companies, Nissan has some switching costs and transaction costs to switch suppliers, so the suppliers probably have some negotiating power, but it's probably limited where Nissan has very small number of suppliers around the world. For example, Nissan is an important customer to SynQuest where contract with SynQuest has made to plan solutions with Penske Logistics providing the logistics design services and IBM, hardware infrastructure which offer integrated software and services for optimizing logistics chain.

Bargaining Power of Buyers means how much control the buyers have to drive down the products price. Nissan's customers have low buyer power. This is because the shopping cost for the product is high and. Besides, buyers are pretty fragmented around the world, and new cars can only be sold through authorized dealers, so buyers have relatively little power. Buyer's bargaining power is low when offer differentiated product. Nissan will not face a big crisis because the buyer power is low. Porter's 5-forces analysis defines the external environment and forces of Nissan. This will help Nissan in controlling their power and the external power to gain more profits and to stabilize their position in the market place.

## 2. 4 PEST Analysis of Nissan Motor Company

PEST analysis is concerned by the external environmental influences on a business which the firm operates. The acronym of PEST stands for the Political, Economic, Social and Technological issues that could affect the strategic development of a business. In addition, it is also essential to be aware of the actions of the competitors. Businesses need to take a pro-active

approach and lead these changes to fulfill any restrictions. Political factors include government regulations and legal issues and define both formal and informal rules under which the firms must operate. Examples are such as tax policy, trade restrictions and tariffs, environmental regulations and others.

The political factors of Nissan Motor Company are Nissan vehicles have to meet certain standards to be able to enter certain countries to be sold. This is due to the fact that certain states do not allow high performance vehicle such as Nissan Skyline models to enter the state because driver might misuse the vehicle for illegal street racing. Besides high performance automobile, Nissan also needs to meet the Emission Standards whereby it is a requirement that set a specific limit of the pollution produce by an automobile that are released to the environment. Emissions that are being tested include carbon monoxide, hydrocarbon, sulfur oxide and others. There is also safety standards that should be tested before the Nissan vehicle is legally produce to the market.

In other words, the vehicle should be safe enough for the driver in meeting the safety standards such as Crash Avoidance Control. This test will determine the airbag responsiveness, impacts, safety belts and others. Besides, government also provides subsidies for Nissan's efficient vehicles. Economic factors affect the purchasing power of potential customers and the firm's cost of capital. Examples are such as economic growth, inflation rate, exchange rates and others. The alliance of Nissan with Renault established as the Renault-Nissan Purchasing Organization (RNPO) in the year 2001. This was key ways to reduce cost by combining both their resources to be more efficient in the organization.

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Renault and Nissan currently hold 60% shares some part and raw materials suppliers (Agrawal, 2007). In a period of economic growth, consumer demand in the automotive industry will rise as jobs are created and disposable incomes rise. As employment booms and the demand for labour increases, wages will rise. In addition, other input factors like capital and raw materials needed for automobile production, will also see higher demand and thus higher prices. The increased cost of input factors will cause higher per unit costs and require Nissan's prices to rise, which may cause supply-push inflation. Ultimately, the strong economic expansion may bring about higher prices and in an attempt to control inflation, relatively tight monetary policy through higher interest rates which will reduce customer's purchasing power.

Social factors include the demographic and cultural aspects. These factors affect the customer needs and the size of potential markets. Examples are health consciousness, age distribution, and emphasis on safety, career attitudes and others. Nissan is building and manufacturing cars to meet all types of people's demand. Different people would prefer different types of cars depending on the consumer itself. Assume that if a person prefer vehicle that can go off-road, he could have preferred Nissan Xterra or Nissan Frontier whereas people who are rich and like fast cars would go for cars like Nissan Silvia, Nissan Skyline or Nissan Fairlady 350z. Besides, Nissan has work hard to progressively design a safer vehicle to the customer based on real world accident analysis.

Nissan carried out various crash test from normal driving accident to serious and fatal accidents to be analyzed and to provide continuous improvements onto Nissan's vehicle. Last but not least, technological factors can lower <https://assignbuster.com/introduction-of-nissan-motor-company-marketing-essay/>



barriers of entry, reduce minimum efficient production levels and influence outsourcing decisions. Nissan has four areas of technological goals which include the environment, safety, dynamic performance and life on board. Nissan create these values in order to provide their customers with ' trusted driving pleasure'. Nissan has a long term goal to reducing CO2 help the environmental crisis such as global warming.

Besides, Nissan carried out various crash test from normal driving accident to serious and fatal accidents to be analyzed and to provide continuous improvements onto Nissan's vehicle. Nissan also focuses on qualities such as quietness of the vehicle and the power response. The vehicle handling such as steering stability, steering responsiveness and vehicle behavior are given importance. PEST analysis helps Nissan to overcome and shine better than its competitors. This PEST analysis will also help customers in choosing and deciding to buy Nissan which provides a chance to do better planning of the products.

### 3. 0 Task 2

#### 3. 1 Value Chain Analysis of Nissan Motor Company

Value chain is the sequential set of primary and support activities that organizations performs to turn inputs into value-added outputs for its external customers. Primary activities are those that associated with production which are inbound logistics, operations, outbound logistics, marketing and sales and after sales service. Meanwhile, support activities are those that provide the background necessary for the competencies and effectiveness of the firm which are infrastructure, Human Resource

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Management, technology development and procurement. It is a linked series of resources, organizations and knowledge streams involved in the creation and delivery of value to end customers. The objective of system is to position organizations in the supply chain to attain the highest levels of customer satisfaction and value while generating a better profit margin. Below is a figure of the value chain.

(Porter, 1985) <http://www.coursework4you.co.uk/essays-and-dissertations/images/value-chain-fig1.jpg>

Figure 3. 1. 1

The value chain analysis for Nissan Motor Company comprises support activities and also primary activities. As for support activities, firm infrastructure of Nissan was bureaucratic at first. However, after the alliance, it becomes competitive and efficient because its being running by the combined administration. The alliance also brought intensive changes in the Human Resources Management of Nissan have also brought and these changes considered being highly beneficial for the success of Nissan. In terms of technology, Nissan is developing products together with Renault and is achieving economies of scale by using similar platforms. In terms of procurement, the supplier of Nissan has been reduced from 15 to 2 and it improved Nissans supply chain cost.

Cost of production is also reduced by using same manufacturing plant with Renault but is aiming different markets which are boosting their business in their respective markets. The primary activity of the value chain comes with inbound logistics. Companies need a way to receive and store the raw <https://assignbuster.com/introduction-of-nissan-motor-company-marketing-essay/>

materials needed to circulate the materials. Almost all of Nissan's domestically sourced parts move to the plants by ground as it uses air for only one percent or less. Nissan ships its domestically sourced parts in three methods. Firstly, direct truckload accounts which is full truckloads that dedicated transportation to and from the plants for about 70% of inbound transportation spending and consolidation which involves long run routes to a consolidation centre for 20%.

Lastly, less than truckload (LTL), the shipments that move either to the vehicle assembly plants or to the consolidation centre for 10%. Nissan expects to reduce costs throughout its inbound supplier logistics network using SynQuest's supply chain planning solutions with Penske Logistics providing the logistics design services and IBM, hardware infrastructure which offer integrated software and services for optimizing logistics chain. The key benefits of SynQuest will be in assisting the firm to continuously determine the best way to reduce logistics costs " from product design through vehicle delivery" (Tim Harvey, 2008). Besides, the alliance with Renault has witnessed sufficient reductions in the supply chain expenditure where Nissan has saved €71. 5 million per year for inbound logistics (Frost and Sullivan, 2008).

The next stage of the value chain is operations. Operations take the raw materials seen from the inbound logistics and create the product. Nissan's operation management includes Operation Management Controllers for scheduling in-house production, Material Handling Engineer/ Team whom provide world class operational engineering support and responsible for inbound logistics such as parts supply to local and other overseas suppliers, <https://assignbuster.com/introduction-of-nissan-motor-company-marketing-essay/>

Supply Chain Management (SCM) Logistics Engineers who package design and procurement in automotive logistics, SCM Controllers for scheduling in-house production and admin officers. Supply Chain Management (SCM) of Nissan makes sure all parts arrive at the right time. It supports delivery of a diverse product range to car dealers in the rest of the world in pristine condition.

After the product is completed, the next function of the value chain is the outbound logistics where the product leaves the production center and is shipped to the various distributors, wholesalers or the end- users. About 70% of Nissan's completed vehicles in Japan are transported by sea. At sites outside Japan, transport methods are chosen to best match the local geographical conditions such as shifting from truck to rail and ship.

Currently, Nissan's largest logistics service provider is Wallenius Wilhelmsen Logistics (WWL). The company has been responsible for the overall distribution of completed vehicles for Nissan in the US, Mexico, Canada and India. The scope of services starts from the end of the assembly line all the way to dealer delivery.

Marketing and sales is the fourth function of the value chain. This is how consumers learn about the product. Nissan's marketing includes developing and implementing media plans which deliver against Nissan's brand launch which creates brand awareness. Pop-up coupons are also provided to encourage customers. Besides, Nissan also promote their new 100% electric car, the Nissan LEAF, by creating their very own electric taxi rank in the center of London enabling people to enjoy highly cheap taxi rides. The sales function ensures that Nissan have all conditions in the field to maximize

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sales growth and revenue generation and is responsible for the Nissan Market Share. Those marketing ways increased Nissan's sales where global sales in January increased 7.0% year-on-year to 406,081 units.

Including mini-vehicles, Nissan sold 56,407 units in Japan, up 6.5% year-on-year. Sales outside of Japan increased 7.1% year-on-year to 349,674 units (Nissan North America Inc., 2013). The final function of the value chain is after sales service. Various services from any actual installation are necessary to customer service for handling after the sale of the product. Nissan offer complete backup service for all vehicles. Service team has up-to-date information on vehicles to ensure on proper advising to customers. Besides, after-sales service centers ensure that vehicle is well-maintained and cared for the distance travel. NISCARE is an exclusive membership for all private registered Nissan owners that offer towing, 24-hour road assistance and minor on-the-spot repair service.

e-Booking is also a after sales service of 24-hour real-time e-booking of service appointment online to choose multiple time slots to send in vehicle for a service. All the activities in value chain generate profits for Nissan Motor Company where it will be useful for the company in succeeding better than their competitors and also customers to do a good analysis for choosing the best car or services. Value chain represents a company's support and primary activities which involves directly and also indirectly in a company's operations to generate more profits.

### 3. 2 SWOT Analysis of Nissan Motor Company

The SWOT analysis intends to point out the most important external and internal factors that are essential for the organization to accomplish their objectives (Grant, M., 2002). SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. Strengths (S) and Weaknesses (W) are considered to be internal factors over which an organization has some measure of control whereby, Opportunities (O) and Threats (T) are considered to be external factors over which an organization has basically no control. The aims of SWOT Analysis used by organizations are to take advantage of strengths and opportunities, minimize weaknesses and also eliminate threats. Below is a figure of basic SWOT Analysis matrix.

(Jackson, Aparna & Erhardt, 2003)

<http://i200.photobucket.com/albums/aa269/gkorm/SWOTANALYSIS.png>

Figure 3. 2. 1

Strengths are factors that make an organization more competitive than its competitors and are the core competencies that the organization holds to reach its performance objectives. The strengths of Nissan Motor Company are that it has strategic alliance with Renault. Nissan signed a strategic alliance with Renault in 1999 to be recognized by the customers as one of the top three automotive groups in the world in terms of quality and value. With the alliance, both companies can move into new markets faster with lower costs because they don't have to build new plants where Renault builds cars in Nissan's Mexico plants and Nissan uses Renault's Brazil plant and distribution networks.

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They also collaborate on building common platforms, components and engines, where each company leads engine design in their field of expertise such as Renault in diesel and Nissan in gasoline. The purchasing power has also improved where components are purchased for more cars because of the alliance. Besides, Nissan has global operation where it has wide geographic basis. Nissan has geographical complementarities and can cover major markets in all continents. The group now has historical region in Japan, Europe, North America, China, Mexico and Middle East. In 2005, Nissan and Renault have also been entering new region such as India to develop its global trail. Strong research and development is also one of strengths of Nissan Motor Company.

Nissan is known for its engineering, research and development directed towards improvement, safety, greater customer satisfaction and development of new and innovative products. The company allocates essential resources to its R&D operating in 65 engineering and R&D centers around the world. Weakness is a limitation, fault, or defect within the organization that will keep it from achieving its objectives or what an organization does poorly. Weaknesses of Nissan Motor Company is declining reputation due to product recalls. Nissan recalled a number of cars recently due to safety problems. In November 2010, it recalled 604, 500 vehicles due to faulty steering shaft and battery defects. In October 2010, 830, 000 units of nine models were recalled due to problems in engine control switches.

Essential product recalls negatively effects on the consumer confidence in Nissan's brand image and products (Datamonitor, 2011). Lack of Diesel

Technology is also a weakness. Diesel technology has improved significantly  
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over the past decade reducing emissions, fuel consumption and cost. As Nissan's home country has a low demand for diesel engines, Nissan is lack of experience and technology to produce diesel engines of quality comparison. Opportunities are certain steps which will help a company to perform better, generate more profits. Opportunities of Nissan Motor Company is the growing new car market in Asia Pacific. New cars market in the Asia Pacific has experienced strong growth in recent and future years such as Chinese and Indian markets which projected to have dramatic improvement.

Dramatic increase in the demand for automotives in China and India implies opportunity for Nissan-Renault to benefit and expand revenue and profit in these markets. Another opportunity is Renault-Nissan Purchasing Organization (RNPO). The RNPO, which was formed in 2001 in the early stages of the alliance, was one of the key ways in which Renault-Nissan would merge their resources to create a more efficient organization. This has led Nissan to achieve greater purchasing power and has served to cut costs while providing opportunity to provide increase competitive advantage.

Threats are the potential causes which might harm a company and might threaten the current status of an organization. Threats of Nissan Motor Company is cross culture disharmony. The risk of cross-cultural disharmony increases as Nissan and Renault become further integrated with one another.

When disharmony occurs, overall company performance may be minimized and the current strengths that the alliance provides may become instabilities. Rising Commodity Prices is another threat. Due to the economic expansion of China, changes in commodity prices could affect the costs <https://assignbuster.com/introduction-of-nissan-motor-company-marketing-essay/>



incurred by Nissan. Over the past 12 months, the price of steel used in automobile production has increased by nearly 30% (London Metal Exchange, 2006). As such increase in cost has been passed on to the consumer, demand for new vehicles has reduced. This threatens Nissan's viability in the region. With this SWOT analysis of Nissan Motor Company, it has the potential to improve its weaknesses and eliminate threats.

Advantages on the opportunities should be taken. These steps will help the consumers to do strategy analysis about Nissan Motor Company and take good decision making on choosing a suitable car.

#### 4. 0 Task 3

Michael Porter has argued that a firm's strengths ultimately fall into one of two heading which are cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies which are cost leadership, differentiation and focus become the result. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. The table below illustrates Porter's Generic Competitive Strategies.

(Porter, 1998)

[http://host.uniroma3.](http://host.uniroma3.it/facolta/economia/db/materiali/insegnamenti/510_6128.png)

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#### Figure 4. 1

In cost leadership, a firm sets out to become the low cost producer in its

industry. The sources of cost advantage are varied and depend on the <https://assignbuster.com/introduction-of-nissan-motor-company-marketing-essay/>

structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. In cost leadership, Nissan seeks to become the lowest cost producer in the industry it has invested. The company has offered affordable cars and reliable cars to customers in different market segments like Japan, United States and North America. The company has focused on minimizing prices for the last few years. Nissan also implemented the Nissan Revival Plan and have been successful in reducing costs in activities involving supplier base.

The cost leadership strategy in the company has been effective. Nissan has also improved their skill in designing products for efficient manufacturing. For instance, Nissan's diesel engines are a good example of the strong role product designs plays. The diesel engine has allowed the company to achieve not only to remain as cost leader but also to gain market share.

Product differentiation fulfills a unique customer need by tailoring the product or the service, allowing organizations to charge a premium price to capture market share. In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers.

It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions them to meet those needs. It is rewarded for its uniqueness with a premium price. Nissan showed their product differentiation in producing cars with a better feature than their competitors.

The Hi-Cross has a 109.4 inch wheelbase and 183.5 in overall length, which makes it a slightly smaller. Even with the smaller size, the concept offers seating for seven passengers. The concept's hybrid drive train is based on a

new Nissan system for front- and all-wheel-drive models. Nissan claims the 2.  
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0-liter engine has the power of a larger 2. 5-liter engine, yet with better efficiency and emissions.

It can run on pure electricity, or with gasoline assist, as needed. Its battery technology is shared with the Nissan Leaf and the Hi-Cross uses the new CVT. Inside, the second and third rows can fold down to a large flat floor for carrying large items. The instrument panel has a large display central to both driver and passenger for connectivity. Besides, Renault-Nissan has decided to get exclusivity in their products for going forward in India. The Duster's huge response made Renault realizes that product differentiators hold the key to the future. This move will mark a departure from the present business model where the Nissan Micra and Renault Pulse as well as the Sunny and Scala are near clones of each other.

Synergies at the back-end are absolutely critical and this is the crux of the Renault-Nissan alliance. The front-end, though, will now have to be completely exclusive. At the retail level, partners have their own networks to ensure separate brand identities. Not only that, it is quite confirmed that Nissan version of the Duster is on its way, the Nissan Duster would be pretty much different from the original car. The product differentiation of Nissan gives better results for customer's attraction, sales and Nissan to be more competitive than their competitor. The focus strategy concentrates on a narrow segment and within the segment attempts to achieve either a cost advantage or differentiation.

A firm using a focus strategy often enjoys a high degree of customer loyalty. Nissan has a narrow focus that serves a particular customer niche with either

a unique product or with a low cost advantage over competitors. However, Nissan's narrow focus on cost management came at a cost which is weak and undifferentiated brand. European customers, in particular, had trouble identifying what Nissan stood for. They also developed an approach to brand engagement that focused on long-term change, turning Nissan Europe into a brand-driven organization. Nissan sharpened their positioning and honed in on their communications to achieve new levels of clarity, inspiration, and emotional impact for their target customers.

Other than that, Nissan Motor Company is concentrating and focusing towards its entry and expansion globally. In addition, Nissan also aims to take the lead in the electric car market with the Leaf hatchback EV. They also aim to concentrate and focus on the existing strategy of the company for better profit. Even though Nissan's existing strategic has been effective, there are still better strategies to propose for the growth of company. For example, the company should continue to venture into other emerging markets in the world while focusing less on the Japanese market which is saturated. The aggressive growth strategy will enabled the company to expand its market share by expanding into other countries.

This will increase sales in the company and profits. It will also help the company diversify its operations to prevent losses resulting from economic crisis and disasters. The company has a large share in Japan and this might affect the company profits if the country is hit by another earthquake or nuclear explosion. Besides, the company should develop its alliance with Renault so as to become more competitive. The two companies should develop a shared distribution network so as to increase Nissan company

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presence and also reduce costs linked with distribution. The company should increase its expenditure on development of technology so as to prevent defective product.