

Socio cultural factors affecting the bike industry



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The bike industry is focused to bring changes in consumer shifts and trend. The events like the Tour de-France and triathlons played and will play a key role. Both initiating and spotting trends early is very essential to Shimano.

The society is now more aware and concerned about the Green issues. The factors like recycling, regeneration, reducing the carbon footprints and using renewable energy sources are included in The Going Green issue. So there is a possibility that people more concern about the nature may want to buy bikes. This group of people may look ahead to buy bike made out of renewable or recycled material and bikes that can be recycled. Shimano may have an advantage as they produce the bikes from the materials like aluminum and titanium, which can be easily recycled, compared to the material like carbon fiber. There might be increase in sales for Shimano products if they promote about their involvement in using recyclable material, which shows their concern for the nature in their communication plan.

Compared to the earlier decade of the last century, lesser people have children and hence there is more of ageing population. As and when the current generation gets older, they would look more for comfortable bikes and this should be the area to consider and Shimano should develop more products for this market.

There is a growing market for hybrid bikes as there will be people who would want to use the same bike for both recreational and work purpose. The suitable material for such bikes is carbon fiber and Shimano uses aluminum and titanium. If Shimano could pressurize more on the technical research

and come up with lighter aluminum and titanium components with developed shock-absorbing capability can make these bikes more durable.

There is a growing concern about health and obesity is a major problem. Cycling is a good form of exercise and better than running and swimming. Shimano can use this factor of ' Health' and capitalize on it. They can also try looking into how they can make components for heavy riders.

Shimano can also see the issue about growing traffic and could encourage people to use cycles to commute, especially in Europe, which is Shimano's biggest market.

Legal

In the current environmental situation there has been numerous legislative changes concerning the carbon emissions on the environment. This might have an impact of the usage of cars and there will be a concentration on traveling more with the greener modes. This will extensively give a chance to Shimano to grow its markets.

There is a visibility of ceasing in-group pricing but it is not very clear if it is for any legal or regulatory reason. Whatever the reason may be, it would not be possible for Shimano to use exclusive pricing policy to increase sales on their grouped components. The only option that Shimano can use is offering bulk sales discounts.

Economic

There is always fluctuation in the prices of raw material like alloy, carbon, titanium, rubber, aluminum and steel and hence Shimano can try purchasing these materials from recycled sources, as they their prices are more reliable compared to the prices of the raw materials. This would be good for the environment and also help in Shimano's corporate social responsibility.

The variation in the prices of the gas and petroleum products affects the bike industry. As also visible in the case study, in 1980, the sales of bikes were shot up. Such variation could help Shimano in increasing their markets if they have advertising or promotional campaigns when the gas prices rise up.

Shimano can also have a close eye on the financial trends. During the times of financial crises as people might reduce usage of their cars and this is the time Shimano can bank on.

The major threat to Shimano could be China, with its improvement in the quality and its developing economy.

Political

Shimano has to keep on maintaining its quality and increase its production levels, as China will be a major threat in future with its quality production and emerging economy.

The worldwide agreement and laws on reducing harmful emission, in meeting of G8 summit, might boost the greener modes of transport.

Technological

As visible in the case study, the major aspect of competition is the technical advancement. A rising submarket could be electronic bikes. If they are properly introduced, then the companies might have to go through changes in assembly and production.

As a part of innovation, they can also look in to penetrating in the remote markets for the under developed and developed countries where people still use hands and rope to draw water from the wells. Making a bundled component where people might rotate the pedals which will pull the vessel filled with water from the well. There is no reason why this is not possible; the only thing they require is a single bundled component and the only mechanism used by legs will be replaced by hands.

Micro

Competitor

The activity of product proliferation by Shimano has kept their competitors below them. SRAM is a major threat to Shimano as it is coming up with its own road bike component and can supply to the manufactures quicker. As the lead time is more for Shimano and this is their weakness and SRAM can possess a great deal of competition due to its speed. SRAM being the main competitor, other component manufactures may possess threat to Shimano as their factories are set up in China. China being in BRIC is booming economy wise and also product quality wise.

Shimano can also look at Campy's slow market following trend and see this as an opportunity to bank on the only advantage of Scampi, that is the carbon component.

The slow lead-time can also be seen as an opportunity and the customers could be offered with JIT component ordering.

Customers

The buying behavior of the frame manufactures and the end users affects the component manufactures and keeps them in a difficult position. There is a visible threat to Shimano's income as the retailers are keen on lowering the cost of goods. This problem should be given a high priority as this has implications with regards to Shimano's investment in R&D, which is very expensive. An opportunity here could be, by developing a relation with both the parties.

Marketing strategy

The most powerful element that Shimano has was its technical ability and it competed on it until 2006 without any marketing strategy. As the staff at Shimano read that was stated by Porter (1996), that Japanese companies usually do not have any marketing strategies and Shimano could be one of them. This made Shimano spend time with the retailers and understand the trends and behavior in the market. Further Shimano also learned that, they do not deliver any value to the customer, which is really important, apart from the quality. With the rising Threat from SRAM, Shimano should

concentrate more on creating a brand loyalty and its brand name amongst its both direct and indirect customers.

Amongst its current customers, Shimano is known as quality product rather than a quality brand. So this should make them focus more on the customers. This is where they can apply marketing orientation. If this trend continues, then Shimano might loose on its customers soon as Thomas and Brain (2008) say that a brand should clinch a crowd. Shimano might just loose out on its market-share and will have a threat about its survival if they don't really get involved in marketing orientation.

Production

Shimano is inward looking where it should be outward looking and maybe this ability makes them less creative and more production focused and also the fact that they have not really come up with an innovation recently. Shimano could be spending more than what is required as it is more products orientated and does not really look more into customer satisfaction. The lead-time of the company is more i. e. 120 days is maybe because of too many products. This might be an issue; Shimano would like to look at, as they must be spending on unwanted products. As the lead-time is their weakness, they can simplify their product range that could give them more time to produce, cutting down on the lead times.

Priorities for Shimano

Looking at Shimano and their business trait through BCG matrix it is visible that Shimano generates its revenue only through the matured market so this makes their product life cycle shorter.

Having such a good research and development team and looking at the maturity of the bicycle industry, Shimano can expand outside this industry to enhance alternate revenue sources.

Selected Strategic option

After setting the priorities for Shimano and carefully looking at them, through Ansoff's Growth matrix there are quite a few strategic options available for Shimano. As mentioned above in the macro socio-cultural issues, Shimano should try making lighter aluminum and titanium components or it should get into making carbon-based components. This step would give them an opportunity to take over Campy's customers, as the only medium for Campy over Shimano is the carbon-based component. Shimano can also try to concentrate more on the hybrid bicycles, which will help them balance their product profile. With time, Shimano should try getting into the electronic bike industry, as this could be the only improvement in the bikes sector and also in making bundled components for drawing water from the well, as mentioned in the macro issues. Acting before time and forecasting will give an upper hand to Shimano. If they fail to see such new opportunities, they will lose their new customers as well as their position if their competitors act before them.

In order to increase the speed of their lead-time of their components, the main priority for Shimano is reorganization its product range. The factories of <https://assignbuster.com/socio-cultural-factors-affecting-the-bike-industry/>

SRAM are based in Taiwan and China and their quality of the products are as good as Shimano or maybe very close to that of Shimano. There is a good possibility that SRAM can have an edge over Shimano sooner or later, if Shimano does not compete only on the basis of its quality of the products. De Wit and Meyer (2005) state that, " competitive advantage is more at risk when based on only a restricted number of diverse elements." Reorganizing the product range will not only increase the speed of their lead-time but also help Shimano save a lot of their production costs.

Shimano should concentrate towards activities that will make the customers loyal to the brand and also offer them discounts as mentioned in the case study. It is also important to know the end users and not only the direct customers. This will help Shimano build a good relation with the end users as trying to understand the changing social consumer trend will put Shimano in a better position.

Shimano can also try to focus on events that will try changing the way customers look at it, instead creating more interest from the customers.

Rejected Strategic options

The option of setting up production in China could have been considered, but will have to be rejected, as there is a risk of them tampering their quality of the products, which is the main source for the competition for Shimano. Ofcourse SRAM has a production unit in China, but the quality may be close to that of Shimano, but not as good as them.

Like few of the market players Shimano can also get into the concept stores or start making frame themselves. But this might be a bad idea, as this will hamper their relation with the direct customers. Shimano should only try to concentrate on building good relationship with their customers and giving them a good value.

Shimano can consider taking over Campy, as they cannot ignore the threat from Italian based and try to get in touch with Campy's customers. But this would increase the gap of the distance in the culture and might bring pressure on their finance. No doubt getting into making carbon-based components will give Shimano an easy access to Campy's market.

Positioning School

The numerous aspects that have to be considered for the positioning strategy are the product class and the user, competitor, application price and quality according to Asker and Gary Shansby (1982). There is unique method of positioning service brands which is offered by Shostack (1987) in his research, where he states that by reverting services to their individual process state can help companies control their offerings position. According to Blankson and Kalafatis (2006) it wont be possible for a service manager to take any appropriate positioning decision if he has not done any analysis on the positioning strategy of the company. It is very essential to see the company through the eyes of the audiences they are targeting and this would only be possible through marketing communication.

Almost all the authors are convinced with the fact that if the positioning has to be of real value, a proper customer research should be performed.

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Strategic Theme relevance for positioning school

Positioning school relevance concentrates on exploring the competitive environment around the business and what is the position that the business should look at to achieve. According to French (2009) the positioning school was influenced by the planning school, which was motivated by the economists. Applying Porter's five forces will help Shimano to learn about the command and the power of the competitors and suppliers and it also gives them a view to look at the threats from the new players entering in the market. With this knowledge they know how to survive in the industry in the long run by knowing and getting updated with the market trends. The porter's five forces will help Shimano to realize where they are positioned compared to their rivals.

The fact about different markets is that it is constantly moving and hence the strategies applied by Shimano should be more vigorous. The drawback of positioning school and its models is that it believes that the markets are stationary and thus it might not give a clear direction to the management of Shimano.

Resource based view

It is very crucial to examine the strengths and weaknesses of the company and also to recognize the outside opportunities, threats and risks to achieve the competitive advantage over other players in the industry according to Barney (1991). He has also systematically explained about the competitive advantage by separating the SWOT analysis into a resource based model

and an environmental model. He also explains how a company can recognize the resources it has to maintain the competitive advantage.

On the other hand the resource-based view is criticized by Priem and Butler (1991), as they say that this model does not really add up to the existing knowledge when focused on the single business. They also say that they cannot see how RBV contributes towards the company to achieve competitive advantage, as it is not very clear and distinguished to show any direction or any practical study to the managers. In order to understand what potential RBV has it should be incorporated with an environmental demand model.

About incorporating RBV, Juga (1999), talks about how it could be done with positional views because he thinks that it cannot be done without syncing it with the positional view.

Strategic Theme Relevance for RBV.

Shimano cannot survive in a competitive environment or gain competitive edge over other companies in the same industry if it does not have any constructive and inimitable resources. When the company sees through RBV model, it will be able to understand what the company can aim and accomplish better than their rivals and only then they enter into the market by knowing what resources they have. This will get Shimano in a better position to manage what they are offering. This method allows the company to focus more on enhancing what it can provide rather than trying to change to be in the competitive market. The most difficult part here would be trying to discover the resources within the company that might be exceptional and

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beneficial to achieve competitive advantage because the managers might fail to differentiate between resources and potential of the company. The second reason being that the resources may vary in every organization and every market. So even if there is a research conducted to find the right value, there cannot be a proper conclusion, as it might need to scrutinize each organization in each market.

RBV will help the decision makers at Shimano to understand which market they should enter by recognizing the resources they have.

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