

Honda motors marketing strategy evaluation



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According to Kotler & Keller (2006), Good marketing is no accident, but a result of careful planning and execution. He also adds, “ Marketing practices are continually being refined and reformed virtually in all industries to increase the chance of successes”

Therefore, to be able to critically evaluate the marketing strategy of an organisation it is first and foremost very important to understand the planning process, core values, philosophies, goals, organisational strategy, business environments and the marketing objectives of the organization.

For this assignment the marketing strategy of Honda Motor Co. Ltd has been considered.

Introduction

Honda Motor Co. Ltd (Honda) is a Japanese company and the world’s largest engine manufacturer and market leader in motorcycles. Honda has also been ranked as the 5th largest automobiles manufacturer of the world.

Since its foundation in 1948, Honda has maintained a strong reputation of innovations starting with the innovation of a motor engine attached to a bicycle which later became the motorcycle and the innovation of green technologies for automobiles. The latter was named as the “ Greenest Automaker” by the Union of Concerned Scientists (UCS) for the fifth time due to the low levels of smog and greenhouse gas emissions produced by its cars.

Honda has a market share of about 10. 2 percent in United States. It is also considered as a major technological force in the motorcycle and automobile

industries in Asia, Europe and North America. In 2006, Honda has also launched the sales of HondaJet Advances Light Jet aircrafts.

Importance and the use of information in marketing strategy

Information is required at different stages for analysing the market, the strength of the company, for setting a goal and in the planning of any strategy.

While preparing a marketing plan, internal information about the firm capabilities, financial status, performance in terms of sales, expenditures, production capacity, inventories, distribution & delivery, turn over, cash flows and other financial status are very essential to know where company stands. This information is generally presented as a Situational analysis.

Since a business is met to operate in a global environment it is influenced by several external factors; social, technological, economic, environmental, political and legal factors. Therefore it is very crucial to gather and analyse external information about the business environment while preparing a marketing plan. This information enables the company to be aware of the opportunities and threat within the market. External information are analysed and presented as a STEEPLE analysis in a marketing strategy.

Use of information in Honda Marketing Strategy

Honda has been continuously reporting its financial information in its annual business reports. The reporting of the financial data for each business segment in a very systematic way allows the company to follow trend of the market and also allows customers to differentiate Honda with respect to

other manufacturers (refer annual report 2010, pg 37 to 70). By so doing, Honda promotes an ethical practice based on transparency and this brings more credibility to the firm. Honda also uses this information to set new targets.

Use of market information by Honda to assess the opportunities and treats and to set new targets

Using external information, Honda has been analyzing the market risks and has set new targets.

Honda's Market Risks Analysis

Market risks and treats were as follows:

- Loss of consumer confidence in the market due to continued slowdown, recession, rising costs of fuel prices, change in customer preferences and financial crisis.
- Prices of automobiles, motorcycles and power products are highly volatile due changes in tariffs, import regulations and other taxes, shortage of certain supplies and high material price.
- Honda's operations subject to currency fluctuations. Honda purchases materials and sells its products to foreign countries. Therefore currency fluctuations may affect its pricing policies
- Honda's hedging of currency and interest rate risk exposes Honda to other risks
- The automobile, motorcycle and power product industries are subject to extensive environmental and other governmental regulations with respect to climate change.

- Honda is reliant on the protection and preservation of its intellectual property. Honda group has a large number of patents relating to product manufacturing which has been valued during the growth of the company. In terms of breach of the intellectual property rights by other stakeholders, Honda's operations would be adversely affected.
- Honda has been using the internal and external information to devise its marketing strategy and to set new targets based on the internal and external forces.

Honda's missions and targets:

- Create value product through research and development
- Enhancing production efficiency
- Expand product lines and enhance sales efficiency
- Upgrade product quality to increase customer demand
- Development of safer technology
- Development of greener technology for environment protection
- Continuing to enhance Honda's Social Reputation and Communication with the Community

Marketing strategy and overall organisational strategy.

The organisational strategy of Honda can be differentiated and discussed at five strategic levels:

Enterprise Strategy

Honda promotes a philosophy of customer care by putting the customer at the centre of all its strategies. This can be deduced from its Mission Statement, which is: " Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for the

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worldwide customer satisfaction.” Honda has included development of higher quality product with safer technology in its marketing strategy.

Corporate Strategy

Every organization aspires at expanding its business to greater heights reaching higher profits and gaining competitive advantage over rival organizations. Honda has successfully launched new segments for power products and other financial business. It has also integrated the strategy of expanding its product line in its marketing strategy.

Business Strategy

Honda’s most successful business strategy has been its involvement in research and development (R&D). Despite the influence of some external factors such as U. S. D depreciation, oil price raising, and political recessions, Honda has maintained its involvement in the R&D that benefit people in the future through leading-edge technology in the development of economical automobiles.

Operational Strategy

Honda worldwide operation is divided into 6 administrative regions. The operation of the organizational units is based on the fundamental corporate philosophy of “ Respect for the Individual”. Honda pushes the people at local management and sales operation by placing greater trust in them and by involving them into the forward looking plan for each region. Honda has also integrated the enhancement of social reputation in its marketing strategy.

The Individual Strategy

The individual strategy of Honda is also linked to customer satisfaction.

Honda's individual strategy is expressed through its philosophy – “ The Three Joy”, The joy of buying, the joy of selling and the joy of producing. Through its individual strategy Honda and its associates try their best to exceed customer satisfaction. This has been integrated in terms of enhancing product quality to exceed customer satisfaction and enhancing social reputation in its marketing strategy.

Marketing planning with a global perspective

It is very important to understand the global business environments to be able to integrate tactical decisions in the marketing planning. In this section a STEEPLE analysis has been carried out to see how Honda has integrated the forces from external environments in its marketing planning.

Social and Cultural Forces

Loss of consumer confidence in the market due to continued slowdown, recession, rising costs of fuel prices, change in customer preferences and financial crisis has forced Honda to launch a new financial segment to support its customers and other business segment.

Technological Forces

In this modern era, where technology is changing very fast, manufacturers have the obligation to keep pace with the latest technology to be in the market. To be competitive, manufacturer has to look for innovative technologies that would cost less in the future. Due to the rising costs of fuel, the traditional vehicles were no more competitive. This has pushed Honda to invest in R&D and to produce car with new renewable technologies.

Economic Forces

The world has incurred an economic slowdown due to the U. S financial crisis. This had seriously impacted on the sales of automobiles industries. The recession and the rise in gasoline prices triggered a decline in the demand for automobiles. This has also pushed Honda to think on developing small and more economical fuel consumption vehicles. Honda was also affected by currency fluctuations as it purchases materials and sells its products to foreign countries. This has also push Honda to develop other financial sectors that would sustain the currency loss.

Environmental Forces

With this growing concern on climate change the global community has made an appeal to the industries for reducing CO2 emission and toxic wastes. According to Kassaye (2001), green marketing is considered as one of the major trends in modern business. Environmental and social issues have become significant strategic concerns for any business (Fellman, 1999). Honda has very successfully integrated this demand in its marketing planning by launching itself in the development of greener technologies like low emission vehicles, hybrids and fuel cell vehicles.

Political/Legal Forces

One of the main legal barriers in the sales of automobiles is the taxation policies with regard to importation. The price of an automobile may double or triple due to the imposition of governmental taxes which varies from 100-200%. Moreover, regulations regarding vehicle emission levels, fuel economy, noise, safety, noxious substances, pollutants level from production

plants are becoming more restrictive and the cost for controlling and mitigating the pollution is very high.

On the other hand, the Government of many countries subsidies taxation charges on low emission and green technologies. Integrating the development of low emission and green technologies with its marketing planning will definitely give Honda a competitive advantage.

Another important external force is the competition in the business environment. The Porter's Five Forces model is a good framework to analyse the business environment with regard to competition.

The treat of substitute products

This is defined as the existence of close substitute products that may influence customer to switch to alternatives in response to price increases. In the business environment fashionable designs are being copied very easily. Honda should strive to keep its quality standards at a reasonable price.

The treat of the entry of new competitors

If new competitors get into the market, the profit is lowered. Other barriers are laws that prevent the entrance of foreign companies like in America where the government has promulgated laws to protect local companies. Honda has to review its pricing policies to be competitive or move toward innovative solutions.

Rivalry among existing competitors

Competitor rivalry is a very important aspect to be considered in the business of automobiles. Honda has to compete fiercely with its three main rivals: Toyota Motors Corp., Ford Motor Co. and General Motor. To keep a
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leading edge Honda has to keep abreast the latest technology, which has pushed it in research and development.

The bargaining power of customers

For a company to exist it has to create good relations with its customers. To maintain its credibility and brand loyalty Honda had to integrate the concept of enhancing social reputation and communication within its marketing plan.

The bargaining power of suppliers

Honda purchases its material from global suppliers which deals with other automobile manufacturer. To be able to get competitive price, Honda had to provide a constant source of demand and had to treat its suppliers in an ethical manner and that integrate the concept of “ Respect for the Individual” in its marketing plan.

E-business strategies in marketing

To keep pace with the fast changing technologies in the IT sector, Honda has embraced some broad strategies in the implementation of e-business facilities. The setting up of a website with the modern way of interacting with the world has definitely helped the company in its marketing strategies. This has eliminated geographical boundaries, and has provided Honda with opportunities to reach new markets. Through its website the company provides a live platform 7 days a week over 24 hours.

Honda publishes a large amount of useful information on its website. This allows people to be more aware of the company profiles, company history, company philosophies, mission and vision statements, company structure,

company goals and objectives and other important financial data that help in building the firm credibility.

Honda uses its website to publish its annual report and to promote its products. The internet provides a fair platform for comparison of similar products. Since Honda is very strict in developing quality products at average cost. The e-business strategies provide a definite advantage to reach its target market.

Part Two – Marketing plan for a new product or service

Objective review of the question

Marketing Plan for a new product or service

“ Devise a new product or service for the car manufacturer and develop a marketing strategy for that product or service.

Alternatively, develop a marketing strategy for an existing car in a market with which you are familiar. Your strategy should include:

- segmentation of the market
- selection of target market
- differentiation and positioning of the offering in the customers mind
- marketing objectives
- a marketing mix for the new product or service
- an indication of the costs of the marketing strategy and when the company should expect a return on their investment.”

Introduction

Honda has been operating under the basic principles of “ Respect for the Individual” and “ The Tree Joys”, expressed as “ The Joy of Buying”, “ The Joy of Selling” and “ The Joy of Creating”. Honda has gained a strong reputation in terms of product quality and innovative solutions towards greener technologies.

Honda has already a head start on research and development of green technology with its fuel engines using the hybrid, natural gas, fuel cell, bio-diesel and ethanol technologies. Introducing a product in this segment will be as competing with oneself.

For this part of the assignment, Honda will be launching a new service of driving school. But not traditional driving school which teaches the student only the basic techniques of driving. This driving school will aim at promoting eco-driving techniques. This service will link with its basic principle and would be expressed as the” Fourth Joy”, “ The Joy of Driving”.

Brief description of the service

The service to be offer to the customer of the driving school would be of a professional quality with a well structured database for the customers. The driving school will aim at teaching customers eco-driving techniques, knowledge about the efficiency of green engine and safe driving techniques. The driving school will assist the customer till they obtain their driving license.

However, the main objective of this service would be to promote existing green products, green cars that Honda has already launched on the market

and to get closer to the customer to better understand their needs, and to inspire them with the philosophies and principles with which cars are being manufactured at Honda. As every business, the service is expected to generate a marginal profit to sustain itself.

Segmentation of the market

It is very important to understand the market place and the customer needs for which a new service is to be offered.

Geographic

Since Honda has already been set up in countries like Japan, North America, Europe, Asia and other regions, the driving school service may be introduced in these countries because of the existing sales units and infrastructure. A driving school will be best located in places which are easily reachable like commercial areas.

Demographic

The age to pass a driving license will depend on the countries legal policies. Normally, people are allowed to start the auto-driving lessons at 16 years old. But for most of the Asian countries it is at 18 years old. The driving school will accept both male and female customers as both form part of the working class and have the same need to learn driving.

Psychographic

There is a general belief that people who want to learn driving will be in need of a car in the near future. Nowadays, most people that have recently joined an employment aspire at buying a car it has become way of living. However,

people have become more selective in terms of quality of services. The driving school should target at offering quality services.

Behavioural

People are attracted by the latest technology. Knowing that a driving school is offering driving lessons in the most recent released car, it would certainly attract people.

Selection of target market

The selection of a target market is mainly based on the principle objective for introducing the service. This driving school concept has been introduced to promote the green cars developed by Honda and to sustain part of the overheads of the company in the crisis period.

The target group will compose of people who are required to learn and get a driving license. The age group will be of 18 to 45 years. This age group has been selected as they form most of the working class people that aspire to learn to drive and to buy a car. For people at the age of 18 there exists a market that would be proportional to the population growth.

The service will be launched in two regions as a pilot project. The two selected regions are North America and Europe. North America has been chosen as it represents its biggest market and Europe as it is the market Honda is facing difficulties.

Differentiation and positioning of the offering in the customers mind

Since the market growth will be following the population growth, the market attractiveness is very high. From market analysis it has been observed that the cost of driving school lessons are getting higher and higher due to the rising price of petrol, insurances and vehicle parts. There also exists a supply gap for which the customer does not have other alternatives and are obliged to pay the high cost. Therefore, the market attractiveness is very high for this particular service.

Competitor Analysis

The driving school services in Mauritius and Asian countries are mostly provided by individual instructors. However, in countries like Europe and North America, along with individual instructors, small business units also provide the driving lessons.

Since the market attractiveness is very high and there is a growing demand, Honda would be able to introduce the market with much ease and the latter already has the required infrastructure and resources.

Customer Appeal Analysis

To be able to attract the customers, there should be something value added given.

The following offer has been considered:

- Eco-driving techniques
- Lessons on efficiency of green engines

- Driving the latest released car
- Driving instructors being highly technical people
- Price reduction with respect to average market price
- Selection possibilities for car models that the customer wants to drive
- Benefit insurance reduction facilities
- More personalize service
- Flexibility in terms of time
- A certificate of completion for eco-driving techniques

Marketing objectives

The marketing objectives would be as follows:

- To promote the philosophy of “ The Joy of Driving” and the concept of eco-driving
- To promote safe driving techniques
- To promote new released green cars and create a strong awareness of the benefits and efficiencies of green engines
- To establish a wide brand recognition and capture new market shares

Selected strategy and marketing mix for the new service

Marketing strategies should be devised for specific purpose, which requires careful planning. The launching of the eco-driving school is mainly for the promotion of the green cars and the future developments of Honda. The target market segment consisting of the people who require driving lessons has been selected as this segment will be more eager to buy a car.

It is a psychological behavior that people will chose things that they have been using and that they already have knowledge about the product and its

efficiencies. The first car that a person drives will be the best car for him or her, specially, if the person has driven a relatively recent car.

Product (Service)

The service is a new concept. It is valued by the strong brand recognition of Honda. It promotes the philosophy of a service with the “ highest quality at a reasonable price”. In addition, it is an eco-friendly initiative towards the environment which many people would like to contribute. On completion of the driving program, customers are rewarded with a certificate in eco-driving and appreciation of green engines.

Price

The pricing strategy is very tactical. The main objective of providing this service is to promote the green vehicles that have been developed by Honda. Instead of spending money in big advertising processes like preparing exclusive graphic designs, bill board, organizing car forums etc, part of the money would be use to finance the marginal costs of the driving school. Expenses for the driving school will be minimal as the same building infrastructure would be used. Recent cars developed for showroom and test drives would be used. The registration taxes or maintenance costs can be considered marginal as compared to the vehicle used for test drive. Since Honda has its own financial and insurance business, the cost of insurance would be part of the casual business with no additional cost. The driving instructors would be already trained technical staffs of Honda. With some basic training in customer relation, these assets would be used. An additional braking system should be installed to the school driving cars for safety purposes and this can be done by Honda itself. However, for penetrating the

market the price would be lowered by 25% of the average costs. This is possible by considering all the existing resources of Honda. Then the price may be varied for people who want to learn driving in some luxury cars or higher grades vehicles, but will maintain the price less than the average market price.

Place

The place for picking up the customers would be at the business showrooms. This will enable customers to visit the new releases and be inspired by “ the way of doing things” at Honda. The driving lessons would be conducted on the public roads and major parking areas as used by the individual driving schools. This requires no additional costs except for the road registration taxes.

Promotion

Promotion for the eco-driving school would be carried out through free internet networking facilities like facebook. com. This would reach the selected target market of age group 18-45 as most of the students and employees are connected through this global network.

Advertisement would also be conducted on radio and through automobile magazines. Since the service may not cater for a big intake of customers at a time. Quiz competitions could be carried out on Honda Green Technology to select the customers for batch intakes. This will trigger the interest of the public towards Honda green technologies.

People

Since Honda has been long in the sales business. It has already trained staffs for customer care and public relations. Some training may be required for the driving instructors, and these could be carried out in-house itself.

Process

Honda already has established processes in quality management system for handling customer reservations, preparation of quotations, tracking vehicle deliveries, taxation, pay rolls and payment system. All these existing IT facilities could be used. Honda could also create a virtual business unit for scheduling and payment of the driving lessons through the internet.

Physical evidence

On completion of the driving program, customers would be rewarded with a certificate in eco-driving and appreciation of green engines. This is something tangible that to add value to the type of training received at Honda.

SWOT Analysis**Strength**

- Brand recognition
- Competitive pricing strategy
- Available infrastructure and automobiles
- Available human competencies
- Alliance with eco-diesel fuel companies (competitive price)

Weaknesses

- Unknown market for generating profits
- Entrance strategy into new market

Opportunities

- Rising demand (attractive market)
- Government subsidies on eco-automobiles and spare parts
- Promoting Honda products at zero costs

Threats

- Legal compliances and patents
- Potential followers

Cost aspects and return on investment

Marketing strategies should be devised for specific purpose, which requires

As discussed in the pricing strategy above, the setting up of this new service for eco-driving school can be implemented at minimal investment. If we consider the amount of money invested in advertising activities which sometimes does not reach the right target, then the minimal cost of this service could be catered under the advertising costs. The service of eco-driving school would be “ a service at no costs” to Honda as it would be doing the work of advertising campaigns in a more effective manner.

Moreover, this service will build better human relations with the public, and this important aspect could be used to create a database for customer appeal and expectation analysis for future developments.

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