

Honda: swot and pestel



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Introduction of Business Environment

Business Environment is individual and organization that exist outside the business and have influence direct and indirect to the business.

Business Environment refers to all those internal and external factors which impact the functioning or performance of a firm and its decision making particularly strategies in the organisations.

According to Gerald Bell:

“ An organization external environment consists of those things outside an organization such as customers, competitors, government units, suppliers, financial firms and labour pools that are relevant to an organization’s operations”

Thus, it can be said that environment as “ the set of external factors such as the economic factors, social factors, and government factors legal factors, political factors, which are uncontrollable in nature and affects the business decisions of organisation or company.

Types of Business Environment:

The business environment are divided into two ways.

- Micro Environment
- Macro Environment

MICRO ENVIRONMENT

The micro environment of business consists of the forces in the company's environment that affects the performance of the company. These forces are more closely linked with the business than the macro factors.

According to Philip Kotler:

“ The micro environment consists of the actors in the company's immediate environment that affects the performance of the company. These include the suppliers, marketing intermediaries, competitors, customers and the public”.

Micro environment factors are related

1. Suppliers
2. Competitors
3. Public
4. Labour
5. Financiers
6. Customers

Macro environment:

The macro environment of business includes activities which are uncontrollable and need proper attention on the part of a business enterprise.

According to Hill and Jones “ The macro environment consists of the broader economic social, political, legal and technological setting within which the industry and the company are placed”.

Macro environment factors are related

1. Political factor
2. Economical factor
3. Social factor
4. Technological factor
5. Environmental factor
6. Legal factor

Environmental factors internal to the firm classified SWOT as strengths and weaknesses, and external firm classified as opportunities or threats. Such an analysis of the strategic environment is referred to as a SWOT analysis. It provides information that is helpful in firm's resources and capabilities to the environment in which it operates. As such, it is helpful in strategy formulation and selection.

Introduction of Company

Hero Honda Motors Ltd. is an Indian manufacturer of motorcycles and scooters. Hero Honda is a joint Venture that began in 1984 between the Hero Group of India and Honda From Japan. It has been the world's leading manufacturer of 2-wheeled motorized vehicles since 2001. During the 80s, Hero Honda became the first company in India to prove that it was promising to drive a vehicle without polluting the roads. The company introduced new age group motorcycles that set industry benchmarks for fuel saving and low emission. A legendary ' Fill it – Shut it – Forget it' campaign captured the imagination of commuters across India, and Hero Honda sold millions of bikes on the commitment of better mileage. Hero Honda has developed at double digits since foundation; and today, every second motorcycle sold in <https://assignbuster.com/honda-swot-and-pestel/>

the country is a Hero Honda. Every 30 seconds, someone in India buys Hero Honda's top-selling motorcycle – Splendor. This celebratory season, the company sold half a million two wheelers in a single month-a feat supreme in global automotive history.

Hero Honda has a massive network of sales and service network now over 3000 customer touch points. These touch points cover of dealerships, service stations and spare parts stockiest and authorized representatives of dealers which are located across different places.

Hero Honda has a proper value system and hence it cares for its relationship with its customers. It has a unique CRM initiative i. e. Hero Honda Passport Program which is one of the key programs of this kind in the world. The program has not only helped Hero Honda understand its customers and deliver value at different price points, but has also created a reliable society of brand ambassadors.

Vision

The Hero Honda story began with a simple vision – the vision of a transportable and an empowered India, powered by Hero Honda. This vision was driven by Hero Honda's commitment to customer, quality and excellence, and while doing so, maintaining the highest values of principles and societal responsibilities and they are believes that the fastest way to turn that dream into a reality is by outstanding focused on that vision.

Mission

Hero Honda's mission is to effort for synergy between technology, human resources and systems, to produce products and services that get together

the performance, price and quality aspiration of its customers. At the same time maintain the highest standards of principles and social responsibilities.

Strategy

Hero Honda's key policy has been driven by innovation in every field of activity – building a strong product portfolio across categories, exploring new markets, aggressively expanding the network and continuing to invest in brand building activities.

Manufacturing

Hero Honda bikes are manufactured across globally manufacturing facilities. Two of these are based at Gurgaon and Dharuhera which are located in the state of Haryana in northern India.

Technology

In 1980's Hero Honda company pioneered the introduction of fuel-efficient, environment friendly four-stroke motorcycles in the country. Today, Hero Honda continues to be technology pioneer. It became the first company to launch the Fuel Injection (FI) technology in Indian motorcycles, with the launch of the Glamour FI in June 2006.

Products

Hero Honda's product series includes variety of motorcycles that have set the industry standards across all the market segments. The company also started manufacturing scooter in 2006. Hero Honda offers large no. of products to wide variety of requirements across all the segments.

Key milestone of HERO HONDA

Year Event

1983 Joint partnership Agreement with Honda Motor Co. Ltd. Japan.

1984 Hero Honda Motors Ltd. Incorporated.

1985 First motorcycle “ CD 100” rolled out.

1987 100, 000th motorcycle produced.

1989 New motorcycle model – “ Sleek” introduced.

1991 New model – “ CD 100 SS” introduced.

500, 000th motorcycle produced.

1994 New motorcycle model – “ Splendor” introduced and

1, 000, 000th motorcycle produced.

1999 New motorcycle model – “ CBZ” introduced.

2000 4, 000, 000th motorcycle produced.

Splendor stated ‘ World No. 1’ – largest selling model.

“ Hero Honda Passport Programme” – CRM Programme launched

2001 New motorcycle model – “ Passion” introduced.

One million productions in one year.

2002 New motorcycle models -“ Ambition “ and “ Dawn” introduce.

2003 Become the first Indian Company to cross the growing 7 million sales and

Splendor has emerged as the World's largest selling model for the third calendar year in a row (2000, 2001, 2002)

New model – “ Karizma” introduced.

2004 Hero Honda became the World No. 1 Company for the third consecutive year.

2005 Hero Honda is the World No. 1 for the 4th year in a row.

2006 Hero Honda is the World No. 1 for the 5th year in a row

15 million production milestone achieved.

2007 Hero Honda is the World No. 1 for the 6th year in a row

New ‘ Splendor NXG’ launched.

New ‘ Passion Plus’ launched.

New model ‘ Hunk’ launched.

20 million production milestone achieved.

2008 New model ‘ Passion Pro’ launched.

New ‘ CBZ Xtreme’ launched.

25 million production milestone achieved.

CD Deluxe launched with power start feature.

New ' Glamour' launched.

2009 Splendor completed 11 million production marker.

New model ' Karizma – ZMR' launched.

Silver jubilee celebrations.

Hero Honda Business Environment

(P)olitical Factors

These refer to government policy such as the degree of intervention in the economy. Political decisions can impact on many critical areas for business such as the knowledge of the workforce, the health of and the quality of the infrastructure of the economy, such as

- Customer protection laws: These laws are designed to protect customers against unfair practices such as confusing descriptions of the product related auto mobile.
- Opposition laws: These are aimed at protecting small firms against bullying by larger firms and ensuring customers are not exploited by firms with monopoly power.
- Employment or labour laws: These cover areas such as discharge, working hours and minimum wages.
- Health and safety: These laws are aimed at ensure the workplace is as safe as is reasonably practical. They face issues such as training, reporting accidents and the appropriate provision of safety equipment.

(E)conomic factors

Economic Environment refers what is happening within the economy, for example; economic growth, interest rate, exchange rate, inflation rate, demand, wages rate etc.

Marketers need to consider the trading economy in short term and long term. Economic factors have major impacts on how business operate and how to they make decisions.

Hero Honda has been strongly committed not only to environmental management programmes but also express the increasingly inseparable balance between the economic concerns and the environmental and social issues faced by a business. A business must not grow at the expense of mankind and man's future but rather must provide mankind.

(S)ocial factors

Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of possible markets. Changes in social trends can contact on the demand for a firm's products and the availability and willingness of individuals to work. Culture is the set of morals and attitudes that are approved by a group of people and transferred from one generation to another. Social factors include health awareness, population rate, age, importance on safety. Hero Honda auto mobile change various management strategies use different strategies related age, gender, categories in society (income of society).

Hero Honda has been set up on 40 acres of land along the Delhi-Jaipur Highway. The Centre-complete with wide approach roads, clean water, and

education facilities for both adults and children-now nurtures a vibrant, educated and healthy community.

Hero Honda taken up by the Foundation includes:

- Raman Munjal Memorial Hospital
- Raman Munjal Sports Complex
- Vocational Training Centre
- Adult Literacy Mission
- Marriages of underprivileged girls
- Rural Health Care

: “ We must do something for the society from whose land we generate our prosperity.”

A quote from Chairman of Hero Honda Motors Pvt. Ltd.

(T)echnological factors

Technological factors include environmental and natural aspects, such as Research & Development activity, technology incentive. Technology has played a essential role in developing the transportation system. Technology has also positively affected the economic status of some countries. It is generally practical that the countries employing a high level technology is a well advanced state. It has increased productivity and has contributed actually in producing more quantity with quality. Some benefits of technology in production process are:

- Reducing the record wastage.
- fewer waiting time.

- Decreased over production. -Reduces avoidable activities of employees.

Hero Honda committed at all levels to achieve high quality in anything they do, mainly in their products and services which will meet and exceed customer's growing aspiration through-

- Innovation in products processes and services.
- Continuous improvement in our total quality management systems.
- Teamwork and responsibility.

(E)nvironmental Factors

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including agriculture, tourism and insurance. With major climate changes happening due to global warming and with larger environmental awareness this external factor is becoming a major issue for firms to consider.

Hero Honda environmental awareness of our employees and dealers , while promoting their involvement in ensuring noise environmental management. Institutionalise resource conservation, in particular, in the areas of oil, water, electrical energy, paints and chemicals. fulfil with all applicable environmental legislation and also controlling their environmental discharges.

(L)egal Environment factor

Marketing decision is affected by developments in legal environment. This environment is related of different types laws, government policies.

Sometimes these laws also create new opportunities for business. (Kotler, p 2003).

Legal environment refers to what is happening with changes to legislation. Legal Environment impact resources, import & export, taxation, employment etc. It is reflect the policy framework and the move towards of the Governmental structure of the country and ensure that every company is performance as per the legislative structure of the country.

SWOT analysis of Hero Honda

(S)trengths:

Sales Increase:

Hero Honda experienced great growth throughout its early days. By 2002 Hero Group had sold 86 million bicycles producing 16000 bicycles a day. Today Hero Honda has many different models of motorcycles available. It holds the most popular bike in the world by sales for Its Splendor model in last many years.

b) Fuel efficiency:

Over all fuel consumption by its products is less in compare to other brand's product. Hero Honda able to give better mileage. Because of this Hero Honda splendor has magical sales record and the reason of mileage.

c) Service :

Hero Honda offers free services on all their two-wheelers. Customer avail all these service within the time period or kilo metre range.

d) High financial performance:

The Hero Honda financial information shows that it has strong financial background in terms of sales, profit and assets. Honda Motors Ltd. the world's largest two-wheeler manufacturer, today reported 31% per cent growth in profit after tax at Rs 275 crore for the third quarter October-December of financial year 2007-08.

(W)eaknesses:

a) High maintenance:

Some of the products of hero Honda like Karizma, CBZ, Hunk require high maintenance.

Less promotion and Lack of recycling scrap:

The promotions and of Hero Honda are very less to its competitors and they have problem of recycling scrap.

c) Labour relations:

In Hero Honda Company there is no labour organized and family member of employees. The majority of the production workers, who are hired through contractors, these benefits are out of reach.

(O)pportunities:

a) Good will of the company:

With new launch Hero honda can be benefited at present market scenario like Karizma, CBZ, Hunk has huge attraction in the younger generation because of its style, look, and power at high speeds.

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(T)hreats:

Technical aspect:

Competitor bike like Bajaj pulsar and TVS apache are threat to Hero Honda product like Karizma, CBZ and Hunk in respect to fuel economy. So if they don't short out in the new launches and give something extra in its engineering performance it may affect in demand of this company product.

Inflation:

If inflation increases the cost of raw material used in production will go high and selling

price of product may go high that may decrease demand of the two wheeler.