

The competitive advantage of honda corporation



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There are several factors that can contribute to a firm's ability to be competitive in its industry. Building blocks of a competitive advantage include efficiency, quality, innovation, and responsiveness to customers. A firm with a competitive advantage may experience higher profits than the average profit in the industry while competing for the same customers. In the case of Honda, this is true. Honda has many distinctive competencies based on its resource and capabilities that allow it to have a competitive advantage in the auto manufacturing industry. Three areas that give Honda a competitive advantage in the auto industry include Honda's engineering and design, research and development, and brand equity. In order to determine whether Honda's competitive advantage in these three areas is sustainable, we analyze and apply each one to the VRIO framework.

Honda is unique in that its corporate structure is made of three companies. Honda Research and Development is in charge of research and development of innovative products for the company. Honda Motor produces, sells, and services the all Honda products. Honda Engineering develops manufacturing processes, systems and equipment used to build all Honda products.

Honda's superior design capability has enabled it to build high-quality reliable products and has also added value to the Honda brand. Honda's efficient manufacturing processes have also kept production costs low relative to other automakers in the industry (Snipes 2008). In terms of value, Honda excels at using its engineering expertise and design skills to build reliable cars that simply work. This ability is quite valuable to the company and its industry. Although valuable, Honda's engineering and design is not rare, because there are other car manufactures with excellent engineering

and design capabilities. For car manufacturers who are not already competitive with Honda in its engineering and design ability, it would be very difficult to bridge the gap to competitiveness by imitating Honda's success. Therefore, Honda's engineering and design is inimitable. The final question to ask is whether Honda is organized, ready and able to take advantage of opportunities via its engineering and design. Honda's organization is unique in its management structure in that it differs from most public U. S corporations. A board consisting of 21 directors runs the company, which allows for faster decision-making and execution in new product design (Whiston 2010). All of the company's business units are aligned to take advantage of design breakthroughs, which leads to a conclusion that its engineering and design are a source of sustainable competitive advantage.

Honda's focus on research and development is highly valuable and places it at the forefront of technology. This allows the company to incorporate technological breakthroughs and advancements into its wide line of vehicles. Honda also has a very high level of investment in research and development, which is not common in the auto industry. Honda's level of commitment to research and development is also very rare compared to its industry peers. Honda possesses a strong first mover advantage over many competitors in this area because of the advanced nature of its research. Competitors not actively pursuing their own research find it very difficult to catch up to Honda, therefore the company's R&D is considered inimitable.

Organizationally, Honda keeps the R&D group separate from other divisions within the company giving its teams freedom to develop new technologies for the company across the board. Honda's unique structure and its level of

commitment to advanced quality research make its research and development a sustainable source of competitive advantage in its industry.

Honda's brand equity is an extremely valuable source of its competitive advantage since consumers are willing to pay a premium for Honda's vehicles because of the power of its brand and its association with quality and value. As a result, it has led Honda to have best-in-class repeat purchase rates. Honda has repeatedly been placed among the world's top 20 most valuable brands according to a research conducted by Business Week Magazine (Ferret 2006). The Honda brand ranked 19th on the international list of one hundred most valuable brands in 2005, having a brand value of \$15.8 billion. Honda has very strong brand loyalty as evidenced by the strong repurchase rate for Honda automobiles relative to the industry norms. 65% of Honda customers purchase another Honda automobile compared to only 48% for the industry (Ferret 2006). While it is highly valuable, Honda's brand equity is not rare. Toyota also has strong brand equity in the same industry, but recent recalls may have deteriorated its value. Because Honda's brand equity has been built over a long period of time, it would be very difficult for competitors to imitate. Honda's reputation for reliable cars was not earned overnight, making it highly inimitable. Honda takes advantages of the benefits given by its strong brand by using it as the flagship brand for the company. By supporting its brand value with superior engineering, design, and research and development, Honda is able to rely on its brand equity as a source of sustained competitive advantage.