

# Caterpillar sales and marketing in japan assignment

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Caterpillar Sales and Marketing in Japan Caterpillar should concentrate more resources and efforts to expand the sales and marketing in Japan. Caterpillar has a good opportunity to expand Japan market share and to achieve more profits because that the Japanese government demand huge number of heavy construction equipments to rebuild the damaged infrastructure caused by earthquake and tsunami. Though Komatsu is a strong competitor against Caterpillar and has a bigger market share, Caterpillar's future sale will still increasing and the profits will soar in the Japan market. Caterpillar Japan Profile

Caterpillar, which has an asset of US \$64. 020 billion, is the world's largest manufacturers of farm and machinery equipment and engines. Caterpillar was ranked number one in its industry and number 44 overall in the 2010?? Fortune 500. The industry leader has three segments of business: Machinery, Engines, and Financial products. The date that Caterpillar accessed to the Japan's market can go back to 1963 by the joint venture of Caterpillar Mitsubishi Ltd. Caterpillar, which accounts for 40% of Japan market share, is now the second largest heavy construction equipment provider in Japan.

Opportunity Business Environment—Competitor Komatsu Ltd. , which has more than half of the Japan heavy machinery market share, is the strongest rival for Caterpillar. The Japanese-based company, which is the world second largest heavy machinery maker, has three primary segments: Construction, Mining, and Utility Equipment. However, as the heavy machinery industry leader, Caterpillar has many advantages to face the massive reconstruction. First, the company has more advanced technology and top-rate reputation of products and services.

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Although Caterpillar's market share is smaller than Komatsu, it still profits from Japan and earned revenue of \$1.2 billion there in 2010. The large revenue that Caterpillar achieves in Japan as a foreign company shows the highly market recognition of the Japanese market. Second, the 2010 revenue of Komatsu is \$25.3 billion, which is two times lower than Caterpillar's revenue. As a result, Caterpillar has a much better ability to generate cash to compete further investment in the global market and in the Japan reconstruction.

Third, the industry leader Caterpillar has an advantage over Komatsu in the supply of power generators. Due to the national power grid disruption, Japanese government will need large number of power generator equipments as the back-ups for the reconstruction. Last but not least, though the earthquake destroyed many infrastructures in Japan, Caterpillar's supply chain was not disrupted and the facilities were not damaged. By contrast, Komatsu has a factory near the Fukushima nuclear power plants which will limit the manufacturing ability to meet the increasing demand. Market Size Japan is the world second largest economy with a GDP of \$5.459 trillion and a GDP per capita of \$34,000, which can roughly indicate the demand there is at a relevant high level. Also, in March 2011, the Japan earthquake provides Caterpillar an opportunity to expand the sales and achieve more profit there. The Japanese government estimated that over \$300 billion will be spent rebuilding Japanese for the earthquake and tsunami damage. Clearly, Japanese government will need huge number of heavy construction

equipment and the strong-demand market there can be a major opportunity for the heavy machinery industry.

Because of the long rebuilding process, the Japan market size will be big and Caterpillar can earn a lot of money if it seizes the opportunity well. Ease and Compatibility of Operations Caterpillar's operation in Japan is efficient, high-quality and easy to control. Here are my reasons: First, Caterpillar has entered the Japan market for four decades and has had high standard of localization, which facilitate the manufacturing operation. Second, Japan has a highly-developed Japanese-to-English translation industry to support the multinational operation.

Third, the Japanese workers are known for the long-working hours, strong devotion to the company and high working ethic, which make a contribution to more efficient operation and the high-quality Caterpillar products. Last, Japan has a very efficient transportation network consist of 177 airports, 26, 435 km of railways, 1, 770 km waterways and 4, 359 km pipelines. Japan's high speed railway system will lead to more efficient transportation.

Although influenced by the earthquake and tsunami, most of the transportation infrastructure will still facilitate the transportation of components needed for Caterpillar's manufacturing.

Developed Advertising Industry and High-Quality Service Workers The advertising industry of Japan has second largest share of the world advertising market. Obviously Caterpillar can benefit from the well-developed advertising industry because the advertising and marketing strategy may easy to conduct. Also Caterpillar's advertisement can be more

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efficient because of all kinds of advertising in Japan, such as cell phone advertising. The machinery service workers are well-trained and full of experience in Japan because of its flourishing machinery service industry.

As a result, Caterpillar can easily hire enough high-quality service workers for the heavy equipment service. Less Corruption According to the Transparency International Annual Report 2010 indicates that Japan with a score of 7.8 is the 17th least corrupted nation among 178 countries in that survey. In 2008, Japan ranked 18th in the same kind of survey shows that the bureaucrats are becoming more transparent. The low corruption level will guarantee Caterpillar a less costly investing environment and more extra time to develop the market strategy to make more profits. Risk

High Cost Japan The operating cost could be very high in Japan. The living standard of Japan is one of the highest in the world so that Caterpillar will spend more money on employee salaries, factory rent, taxes, and so on. However, in another perspective, the relative price of Caterpillar's heavy products are also high than the price in some other country. What's more, the Japanese buyers will have more purchasing power so that Caterpillar will sell more products and make more profits. Resource Availability The material resources available are also very expensive in Japan.

Japan is not rich in its natural resources especially in iron and copper, which are the main material of Caterpillar's components. Japanese components provider rely on the import of these materials which is very costly. What's more, Caterpillar primary competitor Komatsu has more components providers that can offer lower price. As a result, Komatsu will have a cost

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advantage over Caterpillar Red Tape There are more excess regulations in Japan than in the United States, which may delay Caterpillar's business procedure.

The delay partly because of the life-long employment regulation in Japan, Japanese officials are more bureaucratic than American officials. That means Caterpillar have to fill out more papers, to meet more people for inspection for obtaining licenses. Obviously, the red tape in Japan will be time-consuming that negatively influence Caterpillar's investments there. But comparing to the huge profit potential in Japanese market in the next several years, the small loss in can be ignored. Caterpillar Japan Sales and Marketing Assessment

In a conclusion, Caterpillar should expand the sale and marketing in Japan market in response to the huge and increasing demand of heavy machinery and equipment there. I think that because the reconstruction is a long time project, the demand for Caterpillar products could be at a high level in at least the next 5 years and Caterpillar could earn huge profits on it. Websites and Resources 1. <http://www.transparency.org/content/download/62367/999219> 2. <http://en.wikipedia.org/wiki/Caterpillar> 3. <http://en.wikipedia.org/wiki/Komatsu> 4. <https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html>