

Analysis of marketing strategy of suzuki motor company



This project is about the strategic Analysis of Suzuki Motor Company. Throughout the project, I've done the detailed study of Suzuki Motor Company Limited like their company profile, mission, vision and corporate values. Then I observe some of the major products manufactured and assembled by the Suzuki Motor Company limited which include SWIFT, LIANA, CULTUS, MEHRAN, APV etc... With the help of Internal and External analysis, I've sorted out some of their strengths, weaknesses and the opportunities and threats prevailing in the market. Also the PEST analysis was conducted to observe the external factors that may influence the performance of the company.

Then I did prepare the External Evaluation Matrix, which scored 2.98 that means company is trying best to utilize their opportunities by avoiding the threats. And Internal Evaluation Matrix which scored 2.99 shows that company has solid internal strengths and they are overcoming the weaknesses quite well. Then the TOWS matrix helped us to suggest some of the strategies to the company which can be helpful for them in future outlook.

The BCG matrix helped me to study the important products of the company; I did identify in which stage the products are and tried to do the SBU analysis for each product.

With the study of Suzuki Motor Company Limited, I've learned that they are doing well in the Pakistani market and are leading market shareholder. They are producing Cars at affordable prices for the low income to middle income people. But they are unable to compete with Corolla and Honda in Luxury

and semi-luxury cars. They need product development strategy to follow so they tried to get into the Honda and Corolla market by introducing Suzuki LIANA but that couldn't make its space. Now they have again tried that by launching Suzuki SWIFT which is a 1300cc fully loaded car. I recommend Product Development strategy for PSMC to pursue in order to compete with HONDA and TOYOTA. Then they will be able to grow their market share and growth

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RECOMMONDATION

Company Background

Michio Suzuki founded Suzuki Loom Works, a privately owned loom manufacturing company, in 1909 in Hamamatsu, Japan. In 1952, the company began manufacturing and marketing a 2-cycle, 36 cubic centimeter (cc) motorcycle, which became so popular that in 1954 the company introduced a second motorcycle and changed its name to Suzuki Motor Company, Ltd. (Suzuki). In 1985, American Suzuki opened its automotive division and was the first manufacturer in the United States compact utility Vehicle

SUZUKI'S MARKETING STRATEGY IN THE U. S.

MARKET ENTRY STRATEGY:

Suzuki changes its policy many times according to the market requirements.

At first they entered in the US market as exporter of a single product (only motor cycle) with pure vertical integration. In 1964 Suzuki began exporting

motorcycles to the United States. It established a wholly owned subsidiary, U. S Suzuki Motor Company, Ltd., to serve as the exclusive importer and distributor of Suzuki motorcycles.

Then it began to export multi products and out sources its one brand: In 1983, General Motors (GM) purchase 5% of Suzuki hand helped the company a subcompact car for the US market. The car name was Chevrolet Sprint, it was the first entry into the continental US automobile market. And it was introduced regional basis only in the West Coast.

At last they decide to go for manufacturing in foreign land: GM's success with Sprint showed Suzuki that a market existed for its cars in the continental of United States. So the company planned to introduce several unique vehicles into the U. S market over time. Suzuki had no guarantee, how ever, the GM would be willing to market the vehicles. Therefore, Suzuki decided to establish its own presence in the US automobile industry.

Japan's voluntary restrain agreement (VRA) quotas made it impossible for Suzuki to export any cars other than the Sprint to USA in future. So in 1985, Suzuki and GM began negotiations with the Canadian government to build a plant in Ontario that could produce approximately 200, 000 subcompact cars per year. Suzuki management expected the plant to be on line by early 1989, and the company could then begin selling cars in the USA under its own name.

But the US market was growing market and was very lubricated for both Japanese and other foreign competitors, and Suzuki managers believed that clutter might limit their success if they waited until 1989, they were convince <https://assignbuster.com/analysis-of-marketing-strategy-of-suzuki-motor-company/>

that it was the right time to enter in USA. And in 1985 Suzuki introduced the SJ413 an upgraded model of SJ 410 and designed specially for US market.

On May 10, 1985 Suzuki hired Douglas Mazza to organize and to head of its subsidiary ASMC, he was responsible for both developing dealer network and making marketing plan for SJ413. Suzuki planned to market two versions of the Samurai in USA, a convertible and a hard top.

PRICING POLICY FOR DEALERS:

Price is the only marketing variable that generates revenue. Though it is close to exclusive distribution that is characterized by high margin, high profit and low volume, Mazza adopted with an opposite view. The company aimed to gain market response for its high quality with low price advantage. Thus their strategy was to sell high volume with low profit margin. Thus ASMC's planned retail price for the basis Samurai was \$5,995. The planned dealer invoice price was \$5095, only 7.5% higher than ASMC's own landed cost for the vehicle. Additionally they planned to offer about 50 dealer installed option, the sale of which would boost a dealer's unit profit. Each dealership's needed to sell approximately 30 Samurai per month to cover its investment and operating expenses.

ALLOTMENT TO DEALER:

Mazza planned to limit the number of samurai dealers so that ASMC could guarantee a minimum supply of 37 units. Suzuki had set Mazza the goal of selling 6000 Samurais in first six month. But later realizing far more potential of the market, Suzuki raised its commitment to ASMC to 10,500 vehicles for

the same time period. Finally, Mazza decided to limit his initial dealer network to no more than 47 dealers. Mazza chose to introduce Samurai into California, Florida and Georgia, which have higher usage of, imported vehicles.

POSITIONING STRATEGY:

Positioning is placing a brand in that particular part of the market where it will receive a favorable reception compared to competing products. From the point of view of Leonard Pearlstein, president and CEO of keye/ donna/ pearlstein advertising agency, positioning is, "The unique way we want prospects to think about a product." Douglas Mazza wanted a fresh approach for his company's new product so he gave the responsibility to that advertising agency, which had no experience in developing campaign for automobiles. After accepting the offer, Pearlstein and his associates scanned the industry practice for automobile advertising. They found out that the industry practice was to position vehicles according their physical characteristics. They also found out that most advertising was feature/ benefit or price oriented.

Based on its physical characteristics, the major three positioning options for Samurai SJ413 were: *Position as a compact sport utility vehicle.

*Position as a compact pickup truck.

*Position as a subcompact car.

The pros and cons of positioning the samurai in each of these segments individually are given below:

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price and its ability to squeeze through places where bigger vehicles could not go. So, it needed to be advertised as a "Tough little cheap Jeep." CONS: There seemed to be a problem of whether the positioning could generate the envisioned sales volume.

*The market for sport utility vehicle was relatively small. In 1984 it was less than 3% in the U. S market. The goal was to build as annual sales of 30, 000 units within 2 years of its introduction. To achieve this it was required to exceed the combined 1984 sales of all imported sport vehicles.

*

ADVANTAGES OF UNPOSITIONING:

Larger Target Customers:

Due to unpositioning Suzuki Samurai American Suzuki Motor Corporation (ASMC) gets the opportunity to target the entire potential consumers segment. The Unpositioned Suzuki Samurai will appeal the users of pick up truck, subcompact cars and sports utility vehicle. That ensures higher consumer acceptance by offering a car for various needs.

Customer satisfaction:

If each consumer is allowed to personally define the Samurai, this would lead to greater similarity between the vehicle's promise and its delivery if Suzuki told customers what the Samurai was by clearly defining the image of the vehicle.

Higher Profitability:

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As unpositioning will target a larger customer segments, it will definitely increase sales and thus add larger profit to the company's income statement also. Thus this strategy is perfectly compatible with company's goal that is to establish ASMC as a major car company in the US.

Threat to Competitors:

Unpositioning will offer a car with different purpose. Also it will serve the purpose of versatile transportation. The broader appeal of the car can reduce its competitors' sales and thus can guarantee sales more than 6000 units in the first six months. So, in the mean time, competitors' sales might deteriorate.

DISADVANTAGES OF UNPOSITIONING:

Losing Customers: Suzuki Samurai already had its brand appeal as a rugged utility vehicle in Canada. The stylish looking little jeep along with its stylish looks made the car popular as the utility jeep to handle driving in rain, snow and off-road. The jeep is popular for going to fishing, camping and skiing. So, if other consumers start to use it as subcompact car or pick up truck, it will lose its brand image. It might also happen that the present consumers might reject the jeep with different appeals. Thus losing customers will be a greater loss.

Loosing Potential Market:

The other possibility is if Samurai SJ 413 could try to be the nicher in the "Tough-Little-Cheap Jeep" segment they might land up as a market leader in that particular segment. So, the company needs to sacrifice the possibility of <https://assignbuster.com/analysis-of-marketing-strategy-of-suzuki-motor-company/>

being number one in the niche market by accepting the “ Unpositioning” strategy.

Trouble for the Sales People:

Due to unpositioning strategy sales people will suffer for explaining the various use of the car and it will be difficult for them to emphasize upon one particular need to the buyers. If two buyers with different perceptions contact one salesman at a time, the salesman need to be expert enough to sell two cars for two different reasons at one single time.

Increased Confusion: Confusion will arise among consumers if Suzuki avoid positioning. People usually use vehicles that they feel as the car for their own convenient. So, when they see that the car is also meant for different segment of people, obviously they will be confused. Thus sales might dropped out.

The advertising agency wanted the car to be positioned as “ antidote to traditional transportation” and thought an “ alternative to small-car-boredom”. Therefore, unpositioning could therefore attract buyers from all three-vehicle segments. But, in the long run the company needs to highlight a more specific need to motivate the consumers to purchase Samurai SJ 413.

RECOMMENDED STRATEGY

: In recommending the strategies for Suzuki Samurai in USA, we are going to suggest some comments about some of the strategic issues. These are:

Market Targeting Positioning Relationship Distribution Pricing Promotion and

Advertising MARKET TARGETING: Suzuki wants its Samurai to sell extensively
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in the US market. So to target market it should follow extensive targeting strategy. The car should not be for any specific Suzuki's Marketing Strategy in the U. S. segment but for all who needs a car. It will maximize the sales of the car and thus will increase revenue and profit. Moreover, it is likely to build customer awareness and eagerness to buy a Samurai in every potential car buyer. There are less risk as the research showed that there is huge demand for the earlier model and the market was preferring the Japanese vehicle as they were ensured about the quality of Japanese product and these vehicles were economical (Both mileage and price).

POSITIONING:

Three alternatives, including sport utility vehicle, compact pick-up truck, and a subcompact car, are mentioned earlier to position Samurai among the clients which. But research shows that customers perceive the car in different ways. To achieve higher market share and sales it will be unwise for Suzuki to impose any perception on consumers mind. And that is why it should avoid positioning the Samurai as a specific type of vehicle so as not to exclude large groups of potential buyers. From the research the agency found out that a young or young-at-heart person is a prospect for Samurai. Any sport utility buyer can be attracted by just looking at the vehicle, it can be perceived as a alternative to dull automobiles for small-car buyers and small truck purchaser were buying them to use as cars as the we less expensive many and more versatile than import subcompact cars. Although there are disadvantages regarding unpositioning the car but the 80-20 rule is more applicable here. As the vehicle has every characteristic to attract every

possible market segment, adoption from any of the segments would get the job done.

RELATIONSHIP:

Relationship strategy should also be planned among the organizations, dealers and customers. In the modern world of business it is very hard for a single organization to run with the technology, financial constraint, access to market etc alone. So, Suzuki should take measures to build strategic alliance with potential companies in US. Relationship among dealers and customers are also important. Customer satisfaction and after sales servicing is two major issues that can play an effective role in positive attitude and perception towards Samurai.

DISTRIBUTION:

feature of VMS is the management of the distribution of the distribution channel by one organization. The firm that is Suzuki can go for vertical marketing system (VMS) for distribution. VMSs dominate the retailing sector. A primary the channel manager directs programming and coordination of channel activities and functions. Operating rules and guidelines indicate the functions of responsibilities of each participant. Management assistance and services are supplied to the participating organizations by the firm that is the channel leader.

ASMC can also practice competitive channel strategy simultaneously to increase sales of Samurai. Addition intensive may be offered to sell certain numbers of Samurai to each dealer in this regard.

PRICING:

As Suzuki already fixes price of the Samurai, there is very low option to offer any pricing strategy for this car. But still price can be used in various ways in the marketing program positioning strategy. These are: Price may be used as a signal to buyer because the price of Samurai is visible to the buyer and provides a basis of comparison between brands. It may be used to position the brand as a high-quality product at a less price.

It may be used as an instrument of competition. In the US market all of the similar cars are selling at \$8000 – \$13000 while Samurai is priced at \$5995. So, undoubtedly it is a competitive factor.

It may be used to improve financial performance of the company also. And productivity, expansion, investment etc. mostly depends on financial performance.

The low price of the Samurai can be used as penetration pricing strategy to capture great share of the market. Penetration pricing reflects a long-term perspective in which short-term profits are sacrificed in order to establish sustainable competitive advantage. At the same time Samurai can enjoy the advantages of one-price strategy also that includes administrative convenience, easier pricing process etc.

PROMOTION AND ADVERTISING:

The advertising and promotion budget of ASMC for the first six month is \$2. 5 million. Typically an automobile manufacturer spent 77% of its advertising dollars on television ads, 10% on print ads, and 3% on highway billboards.
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The print ads were to run in both general-interest magazines and enthusiast magazines.

To establish Samurai as a car of customers' perception a comprehensive/integrated promotion strategy is badly required. The objective of this strategy for Samurai should be as follows: Creating or increasing buyer awareness of the car Influencing buyer attitude toward the company Suzuki and the brand Samurai.

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CONCLUSION

The following are the findings of the study of Pak Suzuki Motor

Company Limited.

External Factor Evaluation Matrix Score: 2. 98 Internal Factor Evaluation

MatrixScore: 2. 99 BCG Matrix:

Star: JIMNY, BOLNA

Question Mark: SWIFT

Cash Cows: MEHRAN, CULTUS, ALTO, RAVI

Dogs: APV, LIANA

Internal External Matrix: Growth and Built Strategy

Space Matrix: Quadrant 1, Aggressive Strategies

Grand Matrix: Quadrant 1, Aggressive Strategies

Market Development, Product Development

QSPM Matrix:

Market Development: 3. 16

Product Development: 3. 44

Chosen Strategy is Product Development.

Strategic Analysis – Pak Suzuki Motor Company Limited.

The Islamia University of Bahawalpur – Rahim Yar Khan Campus

RECOMMENDATION

Product Development is the selected strategy at this point of time for Pak Suzuki Motor Company Limited that we observed from our strategic analysis of the firm. In product development strategy we recommend the company to focuses on having the highest level of product performance, the highest level of functionality or functions and features, the latest technology or the highest level of product innovation. This strategy might have some risk for the company as innovative products are involved but proper research and

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development will cater the risk and company can pursue with the strategy to be the market leaders and get on top.

One major setback to PSMC was in the shape of Suzuki LIANA, which was not able to meet the expectations and couldn't hold the market it was made for.

But company didn't stop its journey there, and now Suzuki SWIFT has recently been launched in the market, which seems to be an attractive offer for the market in the 1300cc class. But still company has nothing to compete with HONDA and TOYOTA. The Suzuki needs to enter into the 1600cc and 1800cc market to expand its market share and market growth. But for that purpose they need

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The PSMC has recently received acknowledgement from Prime Minister of Pakistan for being the only car manufacturers for the lower and middle income people of Pakistan. But they should also need to get into the line of <https://assignbuster.com/analysis-of-marketing-strategy-of-suzuki-motor-company/>

HONDA and TOYOTA, to achieve that target they need to develop more technologically cheap and efficient and quality oriented products

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