Honda Motor Co., Ltd.

Company Analysis Report

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**Executive summary**

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1. **Introduction**

**1.1 Company profile**

Name: Honda Motor Co., Ltd.

Headquarter: Minato-ku, Tokyo, Japan

CEO: Takahiro Hachigou

Employees: 215,638 people

**1.2 Background**

Honda is a manufacturer of automobiles, aircraft, motorcycles, and power equipment. Honda was founded in 1946, at which time the public mode of transportation was to use bicycles. Although, bicycles were the most modern mode of transportation, the speed was low and it required a great deal of physical strength. Co- founder” Soichiro Honda” was eager to help them and make their life better. In order to change the situation, he developed new bicycles utilizing the former Imperial Army’s generator engines to power wireless radios. The first product was hit and stocks running out. In 1948, he developed the company and manufactured original engines in Hamamatsu with 34 employees with 1-million-yen capital. In 1953, Honda started power product business which is the H-type farming engine ushers in a new era. In 1959, Honda expanded into North America and they became the largest motorcycle manufacture. Since 1963, Honda actually started offering various automobile models and technologies to the customers all around the world. In 2001, Honda became the 2nd largest Japanese automobile manufacture. Honda was the first Japanese automobile manufacture to release a dedicated luxury brand, Acura in 1986. By their innovation on original engines, their core business is automobile and motorcycle but also garden equipment, marine engines and, personal watercraft and power generators and other products. (Honda, 2019)

**1.3 Overview of the automobile industry**

The automobile industry is a field where large number of automobile companies from countries worldwide involved in activities such as designing, manufacturing, marketing, and selling of motor vehicles. Moreover, the automobile industry plays an important role in leading technological change of the global industrial sector. Main products that are produced in the industry are passenger vehicles and light trucks, including pick

The first manufacturing automakers worldwide, Ford Motor Company, is an American automotive corporation founded in 1903. The company has led the automobile industry for more than a century and is still one of the remaining successful automakers. In terms of Japan, in 1955, actual passenger cars were released by Toyota and it was the first time after World War 2.

Furthermore, electric vehicles were not widely manufactured by automakers yet as the demand was low in the market. However, due to environmental issues worsen over the decades, consumers are slowly gaining awareness towards the issue. Additionally, this has also led to governments in developed countries announcing policies banning production and sales of gasoline cars by 2040 to fight global warming and to also decrease consumers’ and suppliers’ dependence on oil supply (CNN, 2017). Automakers all over the world are now finding strategies and solutions to be well-prepared for the big shift from gasoline cars to electric vehicles in the market in the nearest future.

**1.4 Products and services**

Honda operates business the following four sectors, Motorcycle, Automobile, Life-creation (Power Products) and HondaJet. Honda’s strength is the technology of developing the engine since they the engine was their first product on the bicycles. Thus, Honda was possible to expand the business in these sectors.



*Figure 1: Percentage of Sales Revenue by Business*

**1.41 Motorcycles**

After World War2, Co-founder “Soichiro Honda” innovated the bicycles with the use of auxiliary engines and they were extended over a large area in Japan. It helped common people moving around and transport goods. This was the starting point of manufacturing for Honda. Ever since, Honda has been creating new motorcycles and innovating new technologies. Honda’s representative global models are “gold wing”, “cb1000r”, “rebel” and “super cub” etc,. As a consequence, more than 300,000,000 units have been generated world widely since 1949.

Moreover, they also formed Honda Racing Corporation (HRC) in 1982. HRC has important role in innovation. The racing activities are essential sources for the creation of leading-edge technologies used in the development of Honda motorcycles. At the moment, motorcycle business occupied 12.3% of sales revenue by business (Honda annual report, 2017).

In addition, Soichiro Honda was a race driver himself, eager to be related to international motorsports. In 1959, the Isle of Man TT race, the most influential motorcycle race in the world was opened and five motorcycles by Honda was participated into that. In 1983, Honda worked so hard to make improvement on improvement and they won the 500cc Grand Prix World Championship with Freddie Spencer for their first time. By participating the world motorcycle races, Honda became a dominant brand in the motorcycle industry. (Honda, 2019)

**1.42 Automobiles**

Honda was the last major domestic automaker to enter the Japanese automobile industry. In 1963, they released the T360 mini-track and afterward the S500 sports car was launched which was Honda’s first passenger car. In addition, Honda has actively interconnected in overseas production. Honda’s automobiles “S600” have started to export. In 1969, they opened the factory in Taiwan to start with knockdown production of mini automobiles “N600” and “TN600”. As the first Japanese automaker to expand production in the US (Honda of America Mfg. Inc in 1982), they have been pioneering various locations to manufacture automobiles at total of 19 sites in 15 countries. (Honda, 2019)



*Figure 2: History of Honda’s globalization*

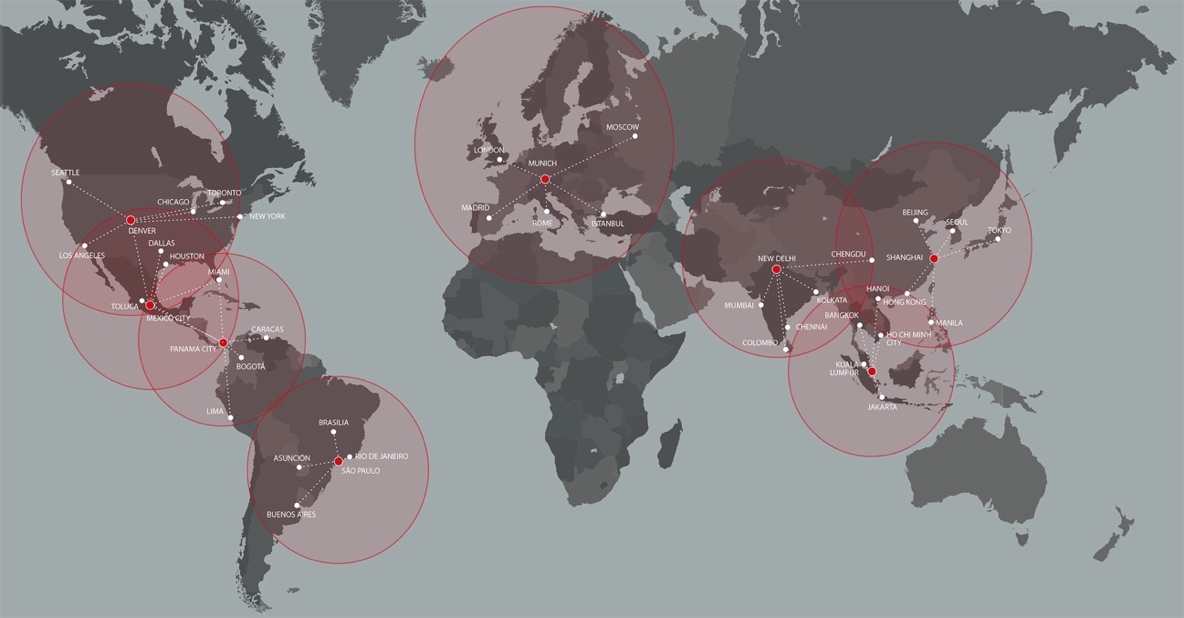
Honda’s key global automobiles are “the fit, “civic”, “accord”, “hr-v”, “cr-v”, “nsx” etc,. Moreover, regional models have been developed to meet local needs. To meet custom’s needs, Honda has been paying a lot of attention to develop and dissemination of technology. Therefore, they have done some developments of technologies for the first time in the industry such as car navigation system, angel- sensing four-wheel steering system, traction control system, super handling all-wheel drive system and etcetera. Necessarily, Honda announced that they achieved the 100 million-unit milestone in cumulative global automobile production in 2016. Honda has been leading the automobile industry by their remarkable technologies.

**1.43 Life-creation (Power Products)**

Honda had the desire to apply engine technologies in the automobiles and motorcycles but also in the power products. Its products support people’s daily lives and work situations. In such a way that they began with a general-purpose engine developed for agriculture equipment in 1953. Ever since, they have provided 15 types of product including electrified items the following tillers, generators, snow throwers outboard engines, lawnmowers, the Miimo robotic lawnmower to customers worldwide. (Honda, 2019)

**1.44 HondaJet**

Honda has been working on the compact business jet since 1986 in order to achieve a vision of taking personal mobility to the skies. HondaJet realized the high-performance of the small aircraft including the high-speed(787km/h), the high-altitude (13,106m) and the flying range (2,661km). In addition, HondaJet accomplished to maximize operating altitude and it is beneficial for the following reasons. Firstly, lower air resistance in the thin atmosphere at high altitude allows faster flight speeds. Secondly, a better fuel economy is available due to lower air resistance means the engine requires less power than at lower altitude. They have five design innovations in total and these are the strength of HondaJet. (Honda, 2019)



*Figure 3: Distribution of HondaJet*

**1.45 Financial services**

Honda provide financial services to support the sale of its products by retail lending and leasing to customers and wholesale financing to dealers through its finance subsidiaries in Japan, the US, Canada, the UK, Germany, Brazil and Thailand. (Honda annual report, 2017)



*Figure 4: Operating Profit*

**1.5 Processes**

**1.6 Competitors’ overview**

Automobiles are required in our everyday life and this industry aims to hard to cater various requirements. The automakers need to keep up with the current trend of moving forward with technology.

In terms of revenue, direct competitors are Toyota, Ford, GM and Tesla. For instance, Toyota is placed at the fifth largest motor company. They sale about 10 million vehicles per year due to high production capability. They earn almost double the revenue of Honda. (Marketing91, 2018)

1. **Organization description**

**2.1 2030 Vision**

In order to respond and keep up with the current trend of moving forward with technology, Honda set the 2030 vision to lead the industry but also society.

“Serve people worldwide with the “joy of expanding their life’s potential” and lead the advancement of mobility and enable people everywhere in the world to improve their daily lives.” (Honda, 2019)

**2.2 Mission**

The Honda philosophy includes crucial beliefs, Respect for the individual and The three joys, to meet their mission statement in the below.

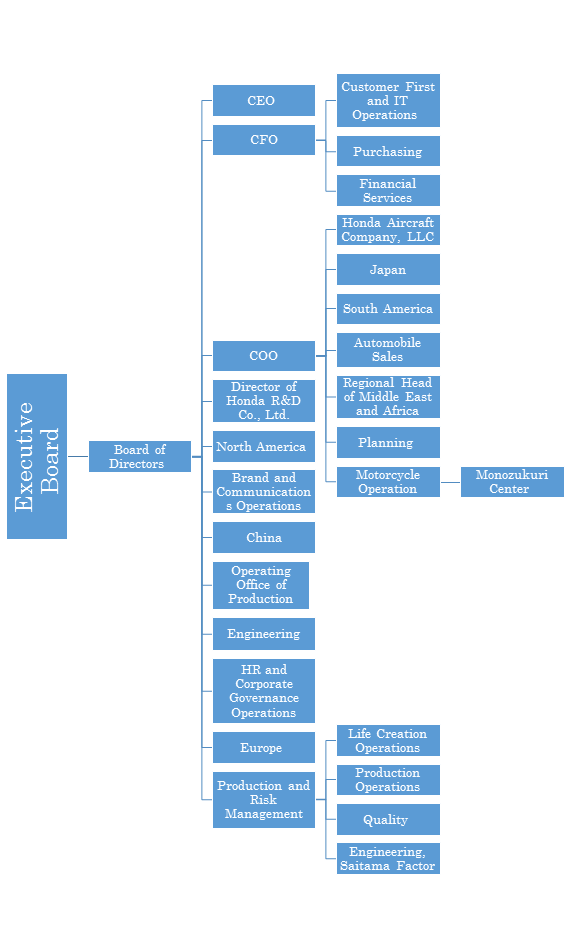
“Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction.” (Honda, 2019)

**2.3 Goals**

**2.4 Objective**

**2.5 Organizational structure**

Honda utilizes a vertical structure to communicate with the board and divisions. However, they have also utilized a horizontal structure among overseas headquarters. This structure provides the opportunity and make them transparency among employees (TheOfficialBoard, 2019).



*Figure 6: Organization Structure*

**2.6 Current performance**

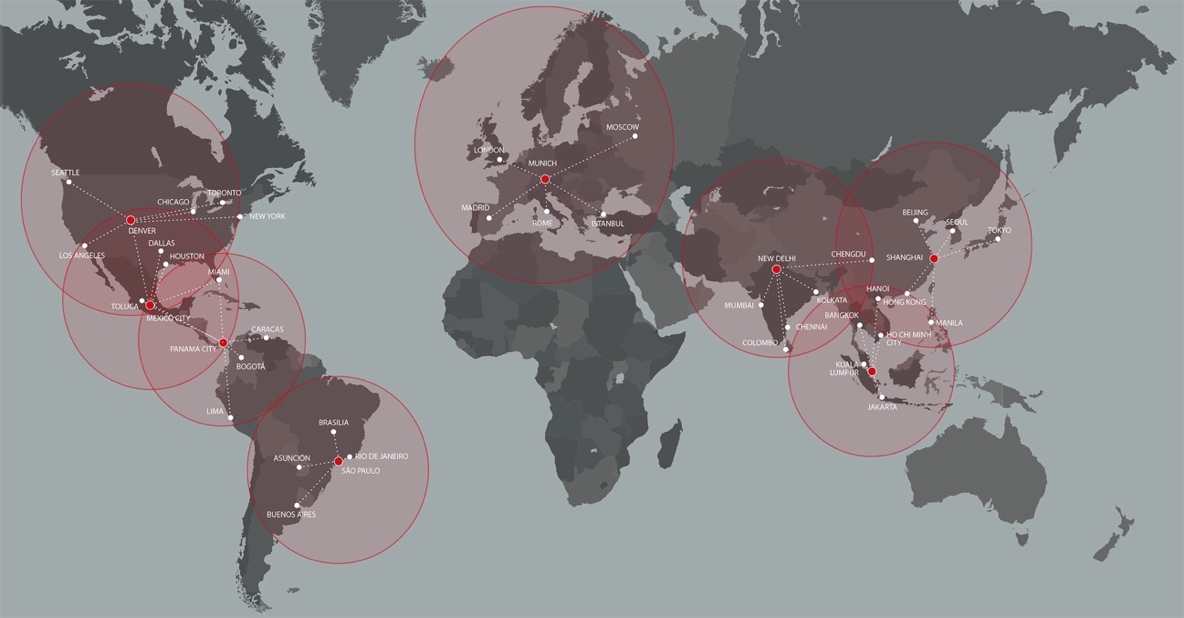
Financial ratios of Honda and the competitors are shown in the following table.

2019

|  |  |  |  |
| --- | --- | --- | --- |
|  | Honda Motor | Nissan Motor | Average |
| Current Ratio | 1.23 | 1.50 | 1.50 |
| Quick Ratio | 0.96 | 1.34 | 1.04 |
| Debt-to-Owners’ Equity Ratio | 0.89 (89%) | 1.51 (151%) | 0.53 (53%) |
| Return on Sales | 3.8% | 4.19% | NA |
| Return on Equity | -0.63% | 0.19% | 7.32% |
| Basic Earnings Per Share | $3.10 | $1.40 | NA |

*Figure 7 : Current performance*

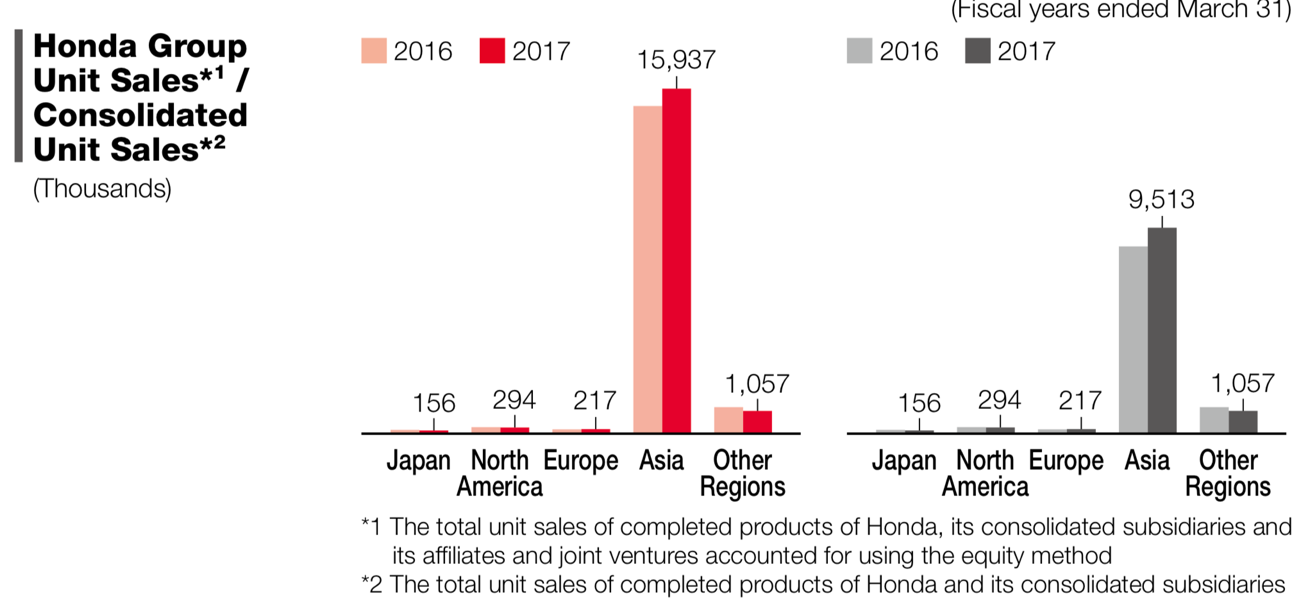
A current ration of Honda is not safe in the industry because of the industry average. Honda is possible to improve the current ratio by new lineup. The problem is a return on equity that Honda’s ROE% is negative. Honda needs to review how to use equity more efficiently ("Honda worldwide net sales 2002 to 2019", Statista, 2019, Honda annual report, 2017, Ministry of Economy, Trade, and Industry, and Japan Finance Corporation, Nissan annual report, 2018).

**2.7 Target Market**

Honda’s marketing segmentations are geographic, psychographic and demographic in order to understand the different markets aptly and satisfy the changing needs of the customers correspondingly. Among, geographic is the main segmentation for them.

Geographic segmentation

Honda’s one of marketing strategy is to develop products to meet customer’s needs by geographical. They produce global models but also local models to fit in the countries. The following four main areas are the main target markets; Japan, North America, Europe (only includes the UK, Germany, France, Italy, Spain, Switzerland, Portugal, the Netherlands, Belgium and Austria.), Asia (only includes Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.). For instance, Appendix G shows the total unit sales of Honda’s motorcycles and it indicates that the top sales are in Asia. Therefore, Honda releases motorcycle products more than automobiles to meet these countries needs. (Honda annual report, 2017)



*Figure 8: Unit sales of the motorcycle*

**2.8 Customer service capability**

In order to become the undisputed No.1 in customer satisfaction, Honda values an emotional connection with customers. “Honda is pursuing measures in every product segment to provide lifelong satisfaction to as many customers as possible.” (Honda,2019). Honda has systems to approach to customer satisfaction using these system listed in below.

* The Honda C-card
* Honda mente station
* Training system for dealer service staff
* Surveys
* Customer relations center

**2.81 Services and Parts divisions**

Services and Parts divisions are established under the after-sales service. The divisions offer service in a friendly, timely, reliable, affordable and convenient manner. By these divisions, Honda is able to develop an advanced service environment, maximizing business efficiency and expanding business operations.

**2.82 Reginal dealers**

Honda creates an environment allowing regional dealers for the customers to be able to be effective and efficiency. The customers can visit the dealer and ask question about the products directly. (Honda, 2019)

**2.9 Distribution channels**

The process in which automobile takes from design, development, manufacturing marketing to sales is the basic distribution channel of Honda and it is starting from the production area, moves to a wholesale distributor and a retail distributor. However, they also utilize the different channels such as authorized service center, resellers and the e- commerce sites to make products available to the customers. (Honda, 2019).



1. **Strategy Analysis**

**3.1 Industry Analysis**

In this section, the analyze market structure to use a taxonomy based on the number of companies and degree of differentiation**.**

**3.11 Market structure**

Honda is in oligopolistic markets because there are fewer competitors. In oligopolistic markets, Honda has a competitive advantage on their engine to differentiate products and it allows them to offer a variety of products. By product differentiation, Honda can compete in the market.

**3.2 External Analysis**

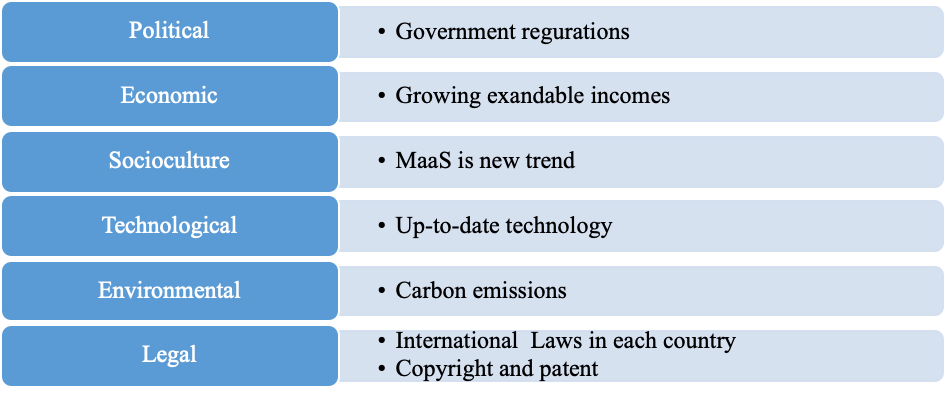
For external analysis, this paper will use PESTEL analysis and some questions to find out factors because knowing the auto industry’s key success factors are important to compete rival firms and stay in the industry.

**3.21 Market size and Growing Speed**

To identify market size and growing speed is one of the key to forecast a next move which competitors may take. The global Car and Automobile industry is still growing while facing some challenges such globalization, digitalization, and increasing competition. Since Ford had succeeded the mass production, this industry has been playing an important role in pushing the economies in the world until today. According to IBISWorld (2019), the total revenue in 2019 is expected 4 trillion dollars. There are so many demands of customers and supplies, and the number of businesses is about 594,980. In addition, global sales are also growing at around 2.8% worldwide per year. The automobile industry is a field where large number of car companies from countries worldwide involved in activities such as design, development, manufacturing, marketing and selling of motor vehicles. That’s why it provides us many employees, and the employment is 5,697,911 (IBISWorld, 2019). The automobile industry has a lot of influence for the world economy.

**3.22 PESTEL Analysis**

In this part, utilizing PESTEL analysis to research out a major factors surrounding Honda's industry. The auto industry is affected by factors such as political, economic, sociocultural, technological and legal and environmental.



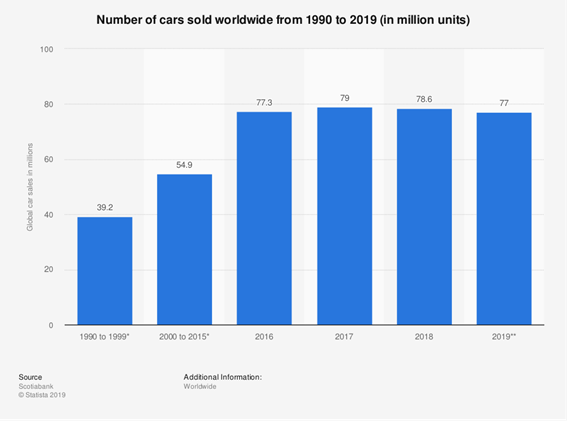
*Figure 9: PESTEL Analysis*

Political

Main political factors are safety regulations and carbon emission policies which affects the auto industry. Safety is significant for Fa vehicle. To be able to make a safety environment, governments in the world enforce safety regulations. These requires to the auto makers to manufacture specifically what to provide such as seatbelts, to improve passenger safety. Such regulations make difficulty to start a new business in the auto industry but it is helping current firms to stay in the industry. Another political factor is emission policies which is important for the governments to reduce a number of emissions. Most of vehicles are powered by fossil fuels and it produce a large amount of pollutants when it is burning. Therefore, the governments seek new policies to regulate the amount of emissions or something else. The auto industry needs to prepare for that policies.

Economic

Growing expandable incomes is a general trend because people earn more money than before in the world. Therefore, people have been capable to spend more money on purchasing luxury products including vehicles. According to Statista, the demand for vehicles are stable from 2016 to 2019. The following graph is the number of units sold in the world from 1990 to 2019. If the industry is able to find specific region where economic is developing, it might be a key strategy to sell more vehicles.



*Figure 10 : the Number of cars sold worldwide from 1990 to 2019*

Sociocultural

In North America and Europe, it is common to own a vehicle for individual members within family. Nevertheless, the new trend is car-sharing services such as Uber and its services’ shift has an influence on the demand of a vehicle. In fact, if people own a vehicle, its services can make people to start new style of job.

Technology

Technology is significant for the auto industry to manufacture a vehicle. It is important for the company to have up-to-date technology to compete in the industry. Self-driving Cars and improvement of safety is most likely to be needs for customers.

Legal

Copyright issues can affect the auto industry by its branding to its figure. These are protected by law of copyright, trademark and patent. In decades, Chinese auto makers imitate the design of western counterparts.

Environmental

As it mentioned upon earlier, carbon emission is a significant issue across the world and governments are interested in conservation of environment. Therefore, there is a possibility to be strict about carbon emission by governments. By that time, the auto industry should be able to manufacture electric vehicles.

**1. Do the dominant economic characteristics of the industry offer seller’s opportunities for growth and attractive profits?**

**2. What kinds of competitive forces are industry members facing, and how strong is each force?**

The market structure for the auto industry is Oligopoly and they have differentiation on products. Therefore, only few dominant organizations exist in this market. However, the IT has been rapidly developing and it allows other industry's firms available to entre in this industry.

**3. What forces are driving industry change, and what impact will these changes have on competitive intensity and industry profitability?**

Shift in consumer demand

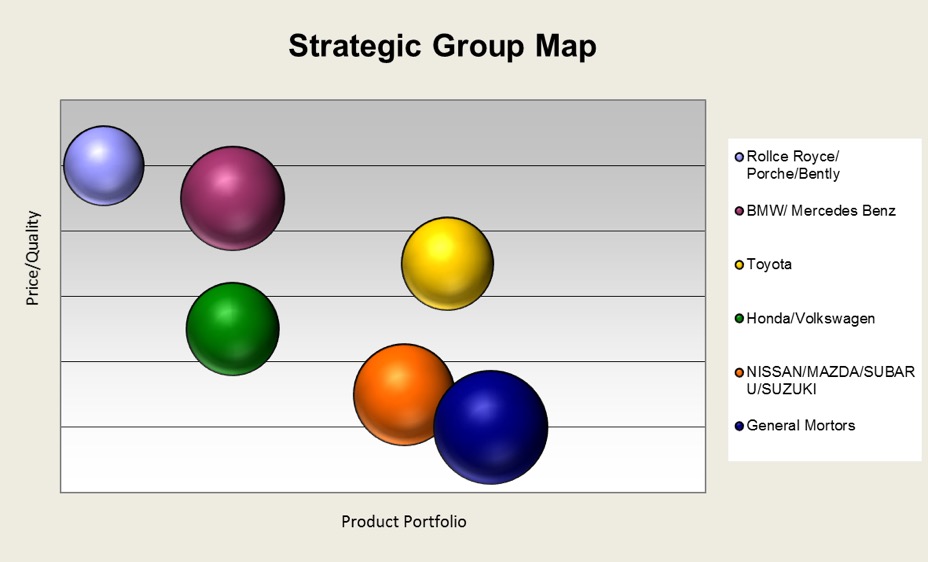
Online technology became one of essential tool for customers. They utilize online service for a lot of things more than ever before especially e-commerce business. Therefore, the purchasing process has been shifted and digital channels are significant for the auto industry. Customers research and acquire information from the internet before purchasing a product. In fact, they purchase it from dealer shop because they expect customer experiences directly. 54% of customers would purchase from a dealer shop that offers experience, even it is not the lowest price (V12, 2019).

New manufacturing technology

Assemble line is famous in the auto industry because of mass production revolution by Ford Motor company in 1909. Since then, the auto makers utilize assemble line in manufacturing process and it is much labor intensive even though they invest machines. The labor has to check the products one by one because it is more precise than the robot. In fact, the auto makers have begun applying new technology such as AI, robotic and 3-D printing. This new technology entrants may be a new challenge for the auto makers because of the cost. (carm.com, 2016).

**4. What market positions do industry rivals occupy—who is strongly positioned and who is not?**

Honda is in this position because of the target customer. Honda’s target is the upper-middle class customers and the price setting is in the middle to upper to be able to provide good quality product. Although, Honda manufactures different kind of product such as vehicle and jet plane, product range is not wide in terms of automobile. In fact, they produce regional models of automobiles to meet their customer’s needs. Number of total model lineup is not wide as well as Toyota, Nissan, Mazda, Subaru, Suzuki and GM.



*Figure 11 : Market positions of Honda and Rivals*

**5. What strategic moves are rivals likely to make next?**

To meet the demand for changing the customer’s lifestyle, rivals are starting new project due to Maas. Accessing on the internet is becoming common sense because of cheaper devices are available. People can share a lot of information through the internet and they can also share products such as car, motor bike, camera, and furniture. Car-sharing is a new concept of utilizing a car without paying a lot of money. Especially, people who live in a metropolitan city, they only need a single car when they have specific purpose to use it. In such case, like going a long trip and carrying a heavy stuff. Otherwise, it cost a lot to possess a car and it is not economy to purchase it when people have not that much usage. The automakers have begun new business providing car-sharing service. Only 1.3% (Planet, 2018) of people utilizes its service and 26.1 % (Planet, 2018) of people do not use a car at all. The automakers can approach to this number by car-sharing service.

In addition, people especially young generations, are getting information from the internet such as social media. therefore, marketing strategy and target customers need to expand.

**3.22 Demand- supply conditions**

Yes: the prices decrease for a given period of time because of a surplus of capacity.

The industry overcrowded with too many competitors

No: a lot of Auto Company exists in the market. However, finished product makers are limited number such as Toyota, Nissan, GM, Ford, and Honda. Others mostly produce components to provide them to the finished product makers or target customers are only upper class.

The industry characterized by various product characteristics or customer wants, needs, or preferences that divide the market into distinct segments

Yes: the auto makers divide segmentation by demographic, geographic, psychographic and behavioral. They have a wide range of product line ups to meet the customer’s needs especially they focuses on regional products.

Pace of technological change

A role does advance technology play in this industry

Technology has an essential role for differentiating products.

Most industry members have or need strong technological capabilities

Yes: most industry members invest on R&D to be able to have a strong capability on technology.

**3.23 Five Forces Analysis**

Threat of new entrants: weak

To start a new business to entry in the auto industry costs a large amount of money for investing to build the manufacturing facilities, distribution network and hiring high skilled employees. Another point is that a new player has to be able to have a strong strategy to compete with existing makers. Moreover, existing makers possesses patient for technology. Those points make a high barrier and minimize the threat of new entry. (Pratap, 2019).

Bargaining power of suppliers: Weak

A lot of supplier exists in the auto industry but only a few finished product manufactures shares the market. Approximately, 30,000 parts (Toyota, 2019) are needed for a single car and some parts are made at the finished product manufactures but it is difficult to produce every single component by themselves. Therefore, they have a lot of suppliers whom expertise to manufacture high-quality parts. The finished product manufactures have a lot of choses of supplier not only domestic but also foreign suppliers. A large selection of suppliers is available in the auto industry. Therefore, suppliers do not have such power to bargaining.

Bargaining power of buyers: quite strong

The auto industry’s buyers are wide range from an individual to organization. Among them, individual buyers accounts for the majority of sales by purchasing a single car. On the other hand, corporations and government agencies purchases a large amount of car as fleets. They can be in a position to bargain lower prices or even able to switch to a different auto maker. Of course, the individual buyer has such power to change to a other auto company. Therefore, whether buys are small or big, both buyers have quite power to bargain lower prices. (Pratap, 2019).

Threat of substitutes: weak

The auto makers are relatively treated by increasing the rate of public transportation usage because of the raisin of fuel price. Public transportation is cheaper then owning a single vehicle especially in a metropolitan city where the system of public transportation is structured well. Customers are likely to go for substitutes based on different features and designs. In fact, vehicle cannot be substituted completely. Therefore, threat of substitutes is weak. (Pratap, 2019).

Competitive rivalry among existing players: weak Here I need to fix to strong

Although, different firms have a different focus on market segments, they overlap. Firms has such competition on the basis of price, design, quality technology, customer safety. To compete rival firms, they invest a large amount of money in R&D to differentiate their products. (Pratap, notesmatic, 2019). However, Honda has a wide range of products and they can compete in some industries at the same time of competing the auto industry.

**3.4 VRIO Analysis**

In this section, this paper will utilize VRIO analysis to look resources.



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Summary of VRIO and Competitive Implications** | | | | |
| VRIO | Valuable? | Rare? | Costly to  Imitate? | Organized  Properly? | Competitive Implication |
| Distribution Network | Yes | Yes | Yes | Yes | Advantage |
| Finance | Yes | No | Yes | 図形 | Parity |
| Employees | Yes | No | No | Yes | Temporary  Advantage |

*Figure 12 :VRIO Analysis*

Valuable YES

Honda’s distribution network is a valuable resource. Honda has more than 2000 dealer shops. Before 2005, Honda divided dealer by their products. However, they integrated distribution channels and established “Honda Cars” dealer shop to be able to sell every lineup of Honda’s automobile. In addition, they also established “Honda Auto Terrace” which is a used car shop. Honda’s distribution channels help to reach out to more customers. Therefore, its activity directly influences revenues for Honda (Honda).

Rare YES

To possess this much distribution channels, competitors require plenty of investment and time.

Imitable YES

Again, to imitate Honda’s distribution channels, it is costly and takes long time to develop the system which is similar to Honda’s distribution channels for other few competitors.

Organization YES

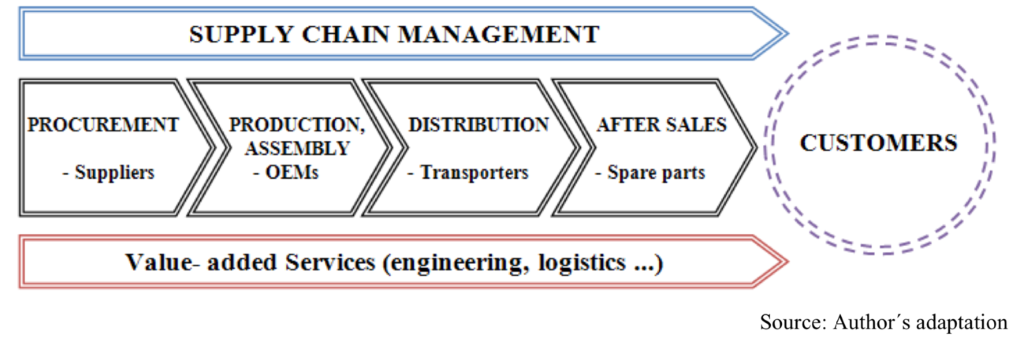
Honda’s dealer shop enables to reach out to customers’ needs through the efficient service such as exchanging of products, components and Q and A by the expertise of Honda (Honda).

“To provide excellent-quality work that gives satisfaction to customers, we must keep improving ourselves.  
Broadening your horizons will help expand the sphere of your activity in daily work and enhance your potential.” (Honda Kaihatu kabushikigaisha).

Honda’s distribution channels are the competitive advantage and core competency of Honda by identifying the VRIO analysis.

Supply Chains

In the automobile industry, dealer is the main distribution channel to reach out to most customers. Some firms utilize flag shop, pop-up store and online store to reduce cost for a rent. There are few firms use multi-channel strategy to expand distribution network. Supply chain management is shown in figure 1. This is the basic structure of automobile’s supply chain (Lešková, Kováčová, 2012).



*Figure 13: Supply Chain Management*

Although, number of people increase to buy product by online store, visiting dealer shop is still core of distribution channel because of the high price product. Therefore, the dealer shop is the most efficient distribution channels.

Pop-up store is an efficient channel to target specific customer. Here is an example to open up one of idea of opening pop-store. “Smart Car opened up a similar pop-up shop showroom at Ludlow Studios in New York City. Organized like an art installation, Smart Car took advantage of the immense space Ludlow offers by placing one decidedly minuscule city-car as its main attraction.” (Storefront Magazine, 2016). This pop-up store had purpose to approach to minimalists. It actually attracted them.

**Gap Analysis**

Honda has been successful to operate a business because of Honda’s strategy of utilizing engine. Honda has two turning points to be successful in this industry to expand the business. Honda’s engine is the key of success in every business. First, Honda was only producing motorcycle in Japan. Later on, they expand motorcycle business in the US. However, motorcycle business was already occupied by the local firms and their products were big motorcycle. Honda identified that they can sell smaller motorcycle utilizing Honda’s engine in the US. Surprisingly, it hit the market needs and Honda succeeded to enter the US market. As a result, they were able to expand more business utilizing Honda’s engine technology into the automobile, the power products and the Honda Jet.

Core competency- “The first competency is technical and product-oriented; common to all of Honda’s products and divisions are engines and propulsion systems. These are present in each of its product lines, and serve as technical sources of competitive advantage.” (Ned Hill, 2017).

Competitive advantage – “Honda’s competitive advantage rests in its research expertise in engine and propulsion systems and the development of products around its research. An example comes from one of the company’s newest product lines, Honda Aircraft Co. This business unit is the outcome of a 30-year effort to create a disruptive light passenger jet, and it demonstrates the connection between the company’s guiding philosophy and its product development.” (Ned Hill, 2017).

Another competitive advantage is that Honda produces a global and local lineup of products especially automobiles. It is the Honda’s one of a strength to survive in worldwide (Annual report, 2017).

“Honda also receives high marks for overall fleet fuel efficiency. This is in large part a product of Honda being an industry leader in high fuel efficiency models that propelled it to popularity during times of high gas prices. The Honda CRX HF model was one of the first cars sold on the merits of its miserly gas mileage, and even though it was released in the late '80s, its gas mileage is on par with many of today's hybrids. More recently, Honda was one of the first car companies to release a hybrid vehicle in the Honda Odyssey and continues to lead the way with a huge selection of hybrid vehicles” (Lennon, 2019).

Required Advantage to carry out the strategy

Existing global models are Civic, Accord, CR-V, Fit, Jazz, Vezel and HR-V and these five models now account for 60% of our global automobile sales. Regional models are the N box series in Japan, Pilot in the North America and Crider in China and these plays an important role as a source of growth for each respective region. However, result of individual progress in dealing with regional needs that are more than necessary and it led increasing number of derivations. Honda realized that their efficiency had declined. Therefore, they will undertake initiatives to further strengthen their inter-regional coordination and collaboration and evolution of vehicle development in order to simultaneously increase the attractiveness and efficiency of both global and regional models (Honda, 2019). “Honda Research and Development is in charge of research and development of innovative products for the company.” “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.” Essays, UK. (November 2018).



**3.5 SWOT Analysis**

In this section, utilizing SWOT analysis to research out Honda’s strengths, weaknesses, opportunities and threats.

|  |  |
| --- | --- |
| **Honda Motor.,Ltd** | |
|  | |
| **STRENGTHS (+)** | **WEAKNESSES (-)** |
| 1. Honda’s engine 2. One of the largest manufactures of automobile 3. The largest manufacture and top sales of Motor Bike 4. Promoting regional products lineup 5. High brand awareness and an impact of brand name 6. Environmental Technology 7. Associates who work at Honda all love Honda | 1. A high investment in R&D and it leads an increasing cost of products 2. Weakness in the automobile segment in the Asian Market 3. High dependence on core markets in the US and Japan 4. Large product of portfolio 5. Target customers are mainly the upper middle class, or core fans 6. Marketing for life-creation products |



|  |  |
| --- | --- |
| **EXTERNAL FACTORS** | |
| **OPPOTUNITIES (+)** | **THREATS (-)** |
| 1. Electric Vehicle has high demand because of awareness of fuel efficiency and eco-friendly especially in China 2. The China market is the world’s largest automobile market 3. Autonomous driving 4. High skilled employees 5. Increasing demand for small cars 6. MaaS | 1. Higher regulation 2. Government Policies 3. Growing costs of raw materials effects on the operating cost 4. Competitive pressure 5. Increasing fuel price 6. Public transportations |

*Figure 14: SWOT Analysis*



1. **Problem Statement**

**4.1 Background**

Since analyzing Honda, they have been successful in being one of powerful companies in the world. While other automobile companies focus on producing cars and motorcycles, Honda has developed and produced a wide range of products since the establishment up to the present. Moreover, as explained in the introduction part, Honda is a company with a long history. They applied their original high skills for cars and motorcycles to engines for agriculture in 1953, and also they achieved to start overseas production in 1962. The long history created people’s trust, and their active style of business attractive people’s attention in the world.

Recently, however, Honda has a problem which is the operating profit is decreasing due to high costs in automobile section. Honda has tried to produce regional model in automobile section to increase its revenue in each region of the world, for example, SUV car "Pirot" in North America, "crider" in China, and compact car in Japan. To focus on innovating specific model was advantage for Honda in the past, however, it is non- productive because of high cost to produce its model now. Honda needs to work on cutting thier developing costs in automobile section and focusing on global model instead of reginal one more.

**4.2 Observation**

Honda is a Japanese multinational corporation that manufactures cars, motorcycles, aircraft, and power product. Although Honda has been successful to grow a global company, they face one problem: they cannot attract the interest from especially young generation and women. According to Mr. Tonaki, a manager of Public Relation in Honda, there are many customers who do not recognize that Honda offer Hondajet and power product because it is difficult to communicate with the people directly (“ Honda practices”, 2018). Thus, the clientele is limited and Honda miss opportunities to begin the business for the people, especially Japanese young generation and women because the marketing is inadequate for them.

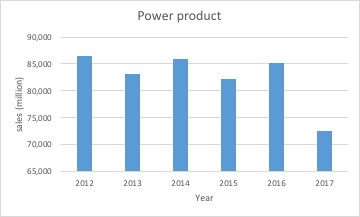
Furthermore, recently, we encounter a social issue; young people’s lack of interest in agriculture. According to the survey by the Ministry of Agriculture, Forestry and Fisheries (2018), the agricultural working population is decreasing year by year in Japan.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Agricultural population (million) | 2.606 | 2.097 | 1.922 | 1.816 | 1.753 | 1.681 |
| Average age | 66.1 | 67 | 66.8 | 66.6 | 66.6 | n.d. |

*Figure 15: Agricultural population and Average age from 2014 to 2019.*

Moreover, it shows that the number of agricultural working people decreased by 0.925 million from 2014 to 2019. On the other hand, Average age increased by 0.5 from 2014 to 2016, and it means that the people resigned from agriculture working because of old age, and also there are quite a few young people who work in primary industry.

That the clientele is limited because the marketing is insufficient for young people and women directly and the youth’s lack of interest in farming influence the sales of power products. As explained in the introduction part, Honda’s power products are mainly about primary industry in Japan.



*Figure 16: the sales of power products from 2012 to 2017.*

From 2016 to 2017, the number of sales of power products dropped by 14.8%. Moreover, regarding youth’s lack of interest in farming, it expects that 45 million people will quit from agricultural sector in 2020 (“young people’s lack of interest in agriculture”, 2017). To increase the sales against the reduction in young population in primary industry, Honda needs to reconsider the way of marketing by each generation.

**4.3 Cost Associated**

**4.4 Existing efforts**

For Honda, improving to attract the interest in their products, especially power products by marketing in response to changing times is essential to effectively acquire a customer from new clientele. To deal with these problems, Honda shifted their strategies to introduce impressive public relations using Social Network Services.

Honda started YouTube in 2010 to inform the explanation of their new products or how safe the engines. The services met the needs of customers at that time. However, the post- digital era is coming, and just simple explanation does not have the power to attract the attention of young people. Honda conducts a survey of customers satisfaction to reflect their opinion to business, and the name value was decreasing that compared other automobile companies. According to Suzuki, Honda operating officer, it was because the way of marketing could not fit the trend, and it's difficult to obtain the interest from especially young people and women (Kasahara, 2019). To adopt new customers, Honda shifted focus on from only promotion for new products to advertisement of bland and appeal of safety of each product. The target of PR also shifted from not only to introduce their manufacturing, but also to attract the interest from them. However, it needs more interest from them.

**4.5 Benchmarking**

1. **Alternatives**

**5.1 Alternative 1:**

**5.2 Alternative 2:**

**5.3 Alternative 3:**

1. **Analysis**

**6.1 Location dicision**

**6.2 Fit with SWOT analysis and 5- forces**

**6.3 Costs and benefits**

2. **Recommendation**
3. **Appendices**
4. **References**

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