

## **FIVE-YEAR MARKETING PLAN**

**HONDA**  
**POWER OF DREAMS**



**BY**

**ASHWINI YADAV**

## **EXECUTIVE SUMMARY**

Here is a five year marketing plan of Honda Corporation. Firstly, brief history of the company reveals that Honda was founded in 1948 in Japan. After the first two decades, it started manufacturing engines. Next, it describes the strategic focus and plan of the company, which points to and briefly describes the mission of the company –It is to sell the products at low cost and maintain a good relationship with the customers, also maintain the consistency in quality. The three financial and nonfinancial goals of the company are ‘increase the sales of products’ and ‘target the European countries.’ Furthermore, then it also depicts the third business aspects .i.e, ‘core competency and sustainable competitive advantage’.

Next to the order, five sorts of situational analysis have been shown to explain the present situation of the Honda Corporation. First, there is a brief description of SWOT analysis, which expounds the internal factors that impacts strengths and weaknesses of the company. The factors analyzed are management, offerings, marketing, personnel, finance, manufacturing and research and development.

After internal factors external factors have been analyzed, which creates opportunities and shows threats for the company of Honda. The factors analyzed are consumer/social, competitive, technological, economic, and legal/regulatory. Second is the industrial analysis:- this describes the industry trends in automobile and power generator technology. Third is the competitor analysis – this explains the competition Honda is facing in the hybrid automobiles, department and a few specific ways to overcome it. Fourth is the company analysis, which describes the marketing strategy for Honda. Fifth is the customer analysis, which is divided into

two subparts – the first being, characteristics of customer who buys Honda products. Second, the services customers get through the Honda company.

Organizational structures follow the situational analysis, which briefly describes the structure of the organization from the board of directors to the regional operations to divisional operation to first level management. It explains that Honda operates division such as Automobiles, Motorcycles, Power products, Financial Services in six regions throughout the world.

Organizational structure is followed by the marketing program, which shows and explains the four marketing mix elements that the company follows in the automobiles, motorcycles and power products divisions. The four marketing mix elements that are shown in this marketing plan are Product Strategy, Price Strategy, Promotion Strategy and Place (Distribution) Strategy.

Aftermath of The Marketing Program, Financial Data and Projection has been analyzed and explained. This part of the Honda marketing plan expounds the last 9 year (2004-2012) net sales revenue and operating income of the company in currency yen. It also explains that the company shows tremendous growth in 2008 just before the recession and then the growth declines. Therefore, this marketing plan calculates minimum growth percent, the company needs to maintain its net operating income above the break-even point for the next five years (2013-2018).

After analyzing the past financial data and the upcoming future projections, the methods that should be considered to implement are described, for example, Honda needs to open more

dealership, need to increase the production of hybrid cars, etc. At last, the way to evaluate the company net sales revenue and operating income of five years has been established.

## **COMPANY DESCRIPTION**

Primarily Honda was founded by the Soichiro Honda as Honda Motor Company Limited in 1948 in Japan. But before that, in 1937 with the help of Kato Shichiro, Honda founded a company named Tokai Seki (Precision Machine Company) which was unfortunately a failure at first instance when it got the contract of supplying piston rings to Toyota. But eventually Tokai Seki picked up the pace.

But in 1944, during the World War II, US B-29 destroyed the Tokai Seki's Yamashita plant and another plant, Itawa plant was destroyed due to an earthquake in 1945. And sold the remains to the Toyota and with that money founded the Honda Technical Research Institute in 1946. With 12 men working Honda started building up the engines and selling them to customers to attach to their bicycles. Then in 1949, the 1<sup>st</sup> complete motorcycle was manufactured by Honda which was named Dream. And by 1964, Honda became the largest manufacturer of motorcycles.

In 1963, Honda first made the automobile known as the mini truck. After the first production of automobiles, Honda started marketing in different countries. In 1986, Honda introduced Acura to the American market as a luxury car which was a great success. And today, as of 2013, Honda not only manufactures automobiles and motorcycles, but also produces Honda Jet, power generator, etc.

## **STRATEGIC FOCUS AND PLAN**

Strategic focus and plan covers 3 aspects of business strategy that impacts the marketing plan.

### **MISSION**

The mission of Honda is to manufacture automobiles and motorcycles and sell it at low cost and continue to maintain consistency in quality. Moreover, Honda's mission is also to provide job opportunities and benefits to their employees and good return to shareholders.

### **GOALS**

In the upcoming future Honda seeks to accomplish the following goals:

- Financial goals
  1. Increase the sales of products such as automobiles, motorcycles, power engines, generators, etc.
  2. Manufacture best Hybrid Automobiles.
  3. Increase total revenues.
- Nonfinancial goals
  1. Controls the markets of the developing countries.
  2. Target the markets of European countries
  3. Manufacture products which are more efficient and environmentally friendly.

## **CORE COMPETENCY AND SUSTAINABLE COMPETITIVE ADVANTAGE**

In terms of core competency, Honda seeks to accomplish an uncommon quality to (1) manufacture automobiles that have greater average and (2) open a more dealership in different countries and cities, so that products can be easily accessible for customers and watch for better customer services are provided in each dealership store.

In terms of sustainable competitive advantage Honda will invest huge amount of money in research & the development department to make more efficient, environmentally sustainable products and enhance the quality of Hybrid cars.



## **SITUATION ANALYSIS**

This situational analysis describes the present condition of Honda and a brief description of SWOT analysis, which depicts the company marketing strengths, weaknesses, opportunities and threats. The aftermath of the SWOT analysis the detail of the industry, competitors, company and consumer analysis are shown.



## SWOT ANALYSIS

Table 1 shows the internal and external factors that can affect the marketing decision of the Honda.

<b>Internal Factors</b>	<b>Strengths</b>	<b>Weaknesses</b>
Management	Managers and member of the board have good conceptual skills	Managers at HAM (Honda of America Manufacturing, Inc) do their work in an unethical way
Offerings	Automobiles, power generator, agricultural machinery	Sometimes customers complain about the products they purchased
Marketing	Biggest distributor of motorcycle in Asia and Africa	Lack controls in Europe market
Personnel	Huge number of employees	Fluctuations in expenses affect employees' benefits and pensions.
Finance	Increase in net sales	Increase in cost and expense
Manufacturing	Many manufacturing plants worldwide.	Buy manufacturing products from outside the company
R&D	Investing in research to manufacture new models and environmental friendly products	Difficulties during research, such as a particular concept of air bag system does not fit all motorcycles.
<b>External Factors</b>	<b>Opportunities</b>	<b>Threats</b>
Consumer/Social	Demands for environmentally friendly automobiles	Natural damages
Competitive	Huge demand for motorcycle in Asia and Africa market	Many competitors are out there in market selling products at lower cost
Technological	Advancement in technologies enhances the manufacturing of new products	Competitors re catching very swiftly with the technological aspect.
Economic	Fluctuation in currency exchange rate	Increase in public transportation and gas price
Legal/Regulatory	Laws and regulations regarding setting up manufacturing plant in developing countries	Laws and regulations regarding automobiles such as CO <sub>2</sub> emission

### Brief Descriptions of SWOT Analysis

Firstly, the internal components which benefits company is managers have good conceptual skills. They are very keen to take decisions regarding inspection of the products. Inverse to the good conceptual skills managers can also try to save money in an unethical way, such as doing work in cheaper and shortcut way which may result in the manufacturing of bad quality automobiles or products. Secondly, Honda not only offers automobiles, but also produces various power generator products. Thirdly, Honda motorcycle has good control of Asian and African markets, especially India and China, but the company lack control in European markets. Fourthly, As per the last fiscal year the number of employees at Honda crossed more than '190,000'. Moreover, because of the increase in the manufacturing costs employees at the company may get difficulties in their pensions and benefits. Next, there is an increase in revenue because of increase in automobile sales, but because of the opening of new manufacturing plant and inflation there is an increase in costs. Moreover, buying manufacturing products from outside the firm seems to be expensive. Furthermore, Honda invests huge amounts of money in research and development, but also struggles with few difficulties like spending money with little or no outcome. For example, development of air bags is not fit for all sorts of motorcycle.

External factors that act as an opportunity for Honda is the increasing demand for hybrid cars which is an environmentally friendly automobile. Whereas, natural damages because of the tsunami and earthquake decrease the sales of automobiles. Additionally, Honda manufactures motorbikes which is a competitive advantage for the company, but their competitors selling products at low cost can be a threat to the company. Fluctuation in currency exchange can be both opportunity and threat for the Honda. For example, it can lower the cost of shipping manufacturing products or finished goods from one country to other nations. Next to the order,

developing countries like India, Pakistan, Srilanka, etc., making laws and regulations that play vital role in establishing companies which will help to improve to GDP, hence it is an opportunity for Honda to expand. Laws regarding CO<sub>2</sub> emission levels can be a threat for the Honda because it will increase the manufacturing cost and decrease the production of automobiles.

### **INDUSTRY ANALYSIS: Trends in Automobiles and power generator**

**Automobiles:** The production of automobiles is increasing day by day. According to *The World Watch Institute*, in 2011, the total vehicles produced were '76.9 million' and increases in 2012 up to '81.5 million'. The reason for this increase is the market arena. Any company does not have to produce their automobiles in only one particular market, but they can manufacture products in different emerging markets because of low manufacturing costs like India. Moreover, per capita income is ascending throughout the world. And people want a vehicle for personal transportation and comfortable life. Furthermore, many businesses and people need to lower turnover of their products so they want fast and easy transportation and therefore they need automobiles (commercial vehicles) to ship manufactured products to the market as soon as possible. There has been always mostly two types of automobiles have been manufactured .i.e., gas oriented and one that runs on diesel. But due to increase in oil price its become hard for working class people to afford a vehicle, hence, automobile companies are forced to manufacture alternative vehicles.

**Power Generator:** There is an increase in the manufacture of power generated products because of huge advances in the consumption of energy worldwide. In 2010, the total consumption of energy was ‘524 quadrillion’ which is expected to increase up to ‘630 quadrillion’ in 2020. For the production of electricity and running the factories or business related work companies and people need power generator. Moreover, in the periphery and some semi periphery countries where there is a lack of energy production continuously power generator is used for the energy supply.

### **COMPETITOR ANALYSIS: Hybrid Automobiles**

According to the article, “Hybrid cars going mainstream, Sales upto 40%”, in 2012 40% more hybrid cars were sold comparative to 2011. Moreover, hybrid cars consists more than 3% of the total automobile market shares The main cause for this is the increase in gas price. Many automobile companies trying to produce and enhance as many hybrid cars. Companies like Toyota, manufacturing gas-electric hybrid cars which are the most fuel efficient and environmentally friendly. Honda also manufactures hybrid cars and competing with other companies. And if in this tough competition if something goes wrong with the products, then Honda may suffer fall in sales. For example, in the article, “Consumer Reports Says Honda Civic Hybrid Has a Big Problem”, it has been mentioned, that there has been a battery problem in 2009 which causes the replacement of 20 % of the models once a year.

## **COMPANY ANALYSIS**

One of the biggest market strategy of Honda is to target developing countries like India. In *The Economics Times*, it has been stated that in India there were 11.9% growth in total sales of motorcycle in 2013 which rises from '226,929 to 252,114 units'. Another strong market strategy of Honda is not only to manufacture automobiles and motorcycles, but also produce Honda Jet, Honda Marine Boat and Engines, Honda Power Equipments, Agricultural Machine, etc. This strategy helps Honda to advertise their brand and increases total revenues.

## **CUSTOMER ANALYSIS**

In terms of customer analysis, this section describes (1) the characteristics of customer who buy Honda products, (2) services customers get from the Honda.

### *Customer Characteristics*

The middle class and the working class customers of Honda wants to buy cheaper vehicles which can give good average. The cars like Honda Accord or Honda CR-V, which is expensive in the developing countries might not interests huge percentage of the population. Whereas, in the developed countries like the United States these types of cars is not much expensive for the working class people. Furthermore, customers of Honda motorcycles in developing countries are mainly students, and bachelor person who goes on the job every day. Moreover, the people who own businesses, lives in the suburb or village are also the customers of Honda especially in Europe market because they can buy products like lawnmowers, lawn trimmers, general purpose engines, agricultural machinery, etc.

### Customer Service

Honda does various social activities to ensure the safety and comfortability of customers. The company tries to educate as many people as they can regarding safe driving through technologies and communications. Moreover, Honda provides financial service through which they help customers deciding their budget, lending loans and sort of products they want to buy. But there are a few pitfalls of Honda customer services at some Honda dealership. For example, there are few recalls for the automobiles and management & employees approaches easiest and cheapest way to assist with the problem which has affected the quality and goodwill of the company.

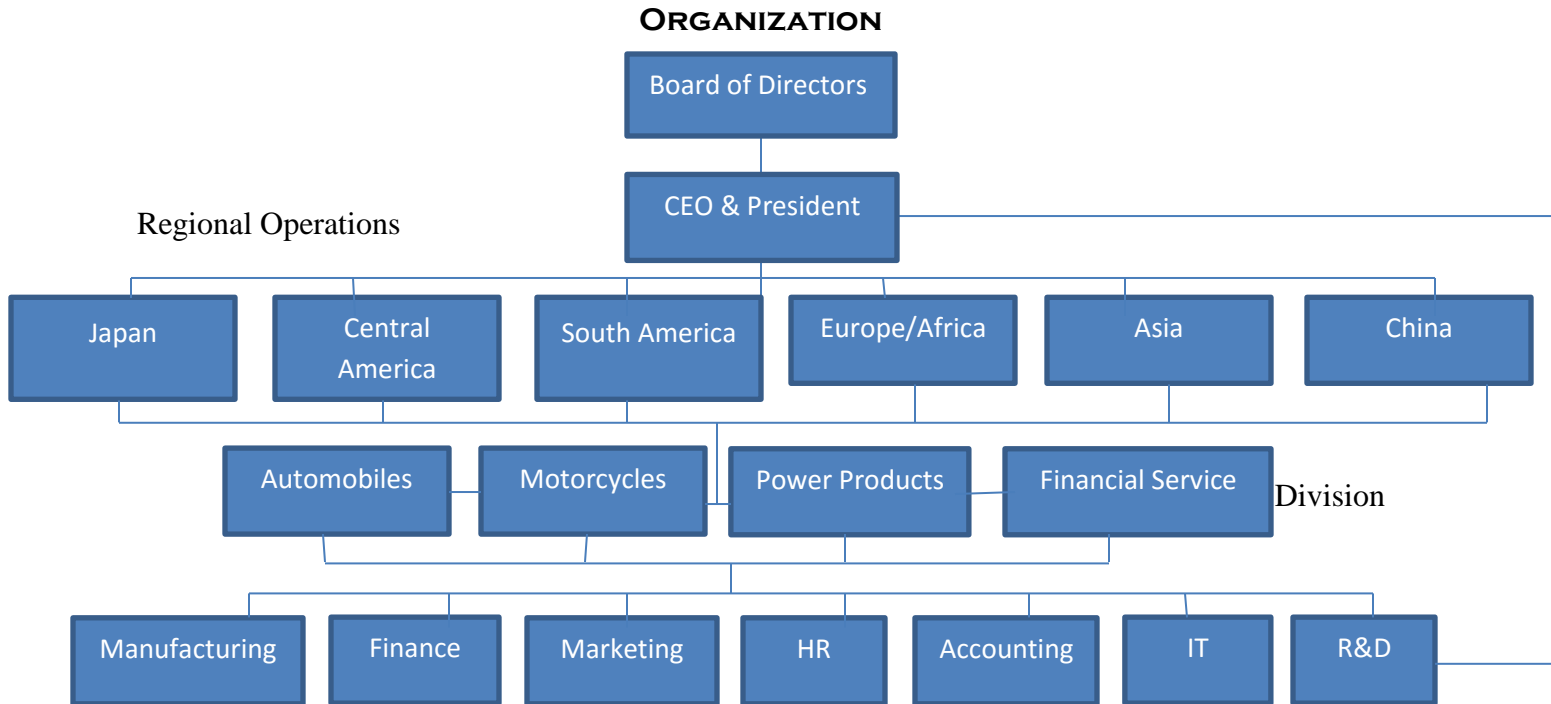


Fig 1. Organizational Structure of Honda

At the first level of hierarchy, there are a 20 members in the board of directors. Next comes Chief Executive Officer in the corporate level. Then the organization structure of Honda company is further divided into six regions, Japan, Central America, South America, Europe/Africa, Asia and China. The managers at this level also come under corporate level. They coordinates the operations of their regions and reports to the CEO of the company. Furthermore, each Regional Operations is divided into four major divisions in which Honda operates, Automobiles, Motorcycles, Power Products and Financial Services. And each division is extended into various departments. The managers of the departments (First line managers) report to the managers of their division (Business Unit Level) who reports to the regional managers. Moreover, the CEO has the direct contact with the research and development department.

## THE MARKETING PROGRAM

The four marketing mix elements of the Honda company marketing program are detailed below.

Note that Honda manufactures auto vehicles, motorcycles, and power products.

### **Product Strategy**

Firstly, the product line is described, followed by the unique product quality and then the packaging is mentioned.

#### ***Product Line***

Auto Vehicles: Honda offers many vehicles average price starting from \$22,000. Cars are available in both sedan as well as SUV such as Honda Accord, Honda Civic, Honda CR-V, Honda Odyssey, Honda Pilot, Honda Ridgeline, Honda Crosstour, Honda CR-Z, Honda FCX Clarity, Honda Fit, Honda Insight, Honda Ridgeline. All these cars and trucks are available in different models and colors.

Motor Cycles: Honda also offers motorcycles, scooters, and watercrafts. There are different models available, such as 'Honda CBR500R/CB500F/CB500X, Honda CB1100, Honda SH125i/SH150i, Honda CRF series, Honda CRF250L, Honda Crossrunner, Crosstourer, Honda CBR250R, Honda PCX, Honda NSC110, EV-neo, Cub Series'. These bikes and scooters are also available in different colors.



Power Products: In addition to auto vehicles and motorcycles, Honda also manufactures power products. These are General Purpose Engines, Generators, Tillers, Lawnmowers, Snow Thrower, Water Pumps, Outboard Engines, Electric 4-wheel Scooters, Household Gas Engine Cogeneration Unit, CIGS Thin Film Solar Cells, Butane Gas Power Products. All of these power products that are mentioned above come in different models and different power efficiency rate.

### ***Unique Product Quality***

The mileage of Auto vehicles of Honda is great. For example, Honda Accord gives 28-31 mileage per gallon average. Moreover, Honda hybrid car such as 2013 model Honda Insight MPG average is 42.5 which is better than Acura 2013 model ILX hybrid, whose MPG is 38.5. Moreover, Honda launched motorbike CBR300R, which is a “compact middle weight sports bike that should have the potential to compete with success against Ninja 300. Furthermore, in the South Asian countries like India, Nepal, etc., Honda launches motorcycles with very low price, especially for middle class person and students. This is the heavy advantage of Honda on other companies such as Toyota, Hyundai, Ford, etc. Although the bikes that are launched is cheap, it gives good mileage.

### ***Packaging***

According to the market industry of automobiles, motorcycle, power products, the company packaging strategy is different. Whenever consumers go to buy the product, there are personnel who give all the details related to the product price, warranty, safety, insurance, etc. Although, there are no particular wrapping up the product in these kind of product line, company brand symbol or about the product is mentioned on the product. For example, when any

customer goes to the Honda showroom to buy Accord, then that person will see the Honda symbol of the car and name and type of the car he is buying.

### **Price Strategy**

Honda offers automobile at low price. For example, Honda Insight approximately starting at '\$ 18,000', which is a low price, gives good mileage, safe and secure, and affordable by middle class person. Moreover, motorcycles the company launches in South Asian nation are very cheap, approximately starting at '\$5000'. For example, in India the price of Honda CBR is '\$6,000'. Next to the order, the power products are also not very expensive and affordable by middle class man. Hence, the price strategy of Honda is to offer better products to customers at cheap price.

### **Promotion Strategy**

Honda uses various methods to promote its products.

*In store demonstration and Test drive:* The company offers a demonstration of the products at the showroom and test drive to attract and satisfy customers.

*Promoting through Media:* Honda advertises their products and brands through posters on the street producing television commercials, and also promoting it through social media.

*Promoting through Sports:* Honda participates car race, a motorbike race to promote its brand and products, such as Formula 1. Moreover, Honda has also organized sports and gives awards. For example, the Honda Sports Award is given to athlete in 12 sports.

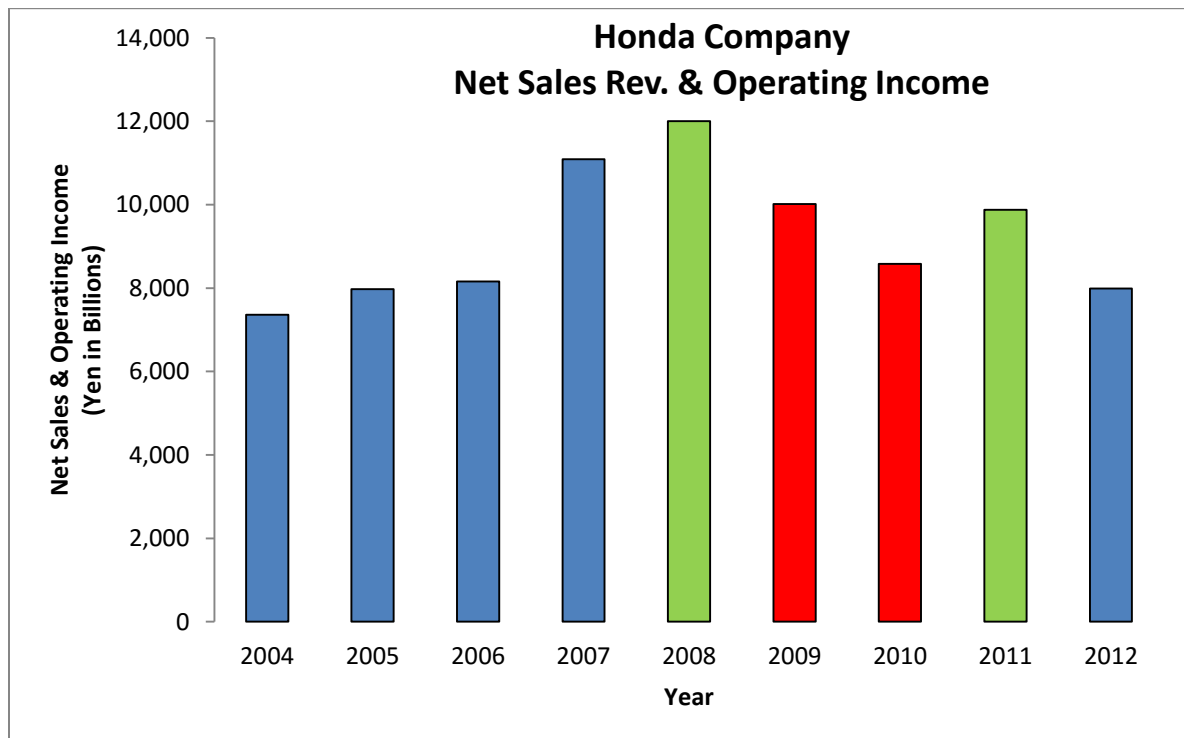
## **Place (Distribution) Strategy**

Distribution strategy of Honda is similar in different regions. In Japan, Honda's products are distributed to independent retail dealers, and then they sell products to the consumers. In the USA, Honda market their products for sale through '1288 independent local dealers' of automobiles, '1250 for motorcycles' and '5700 for power products'. Then they sell products to the customers. Therefore, the place strategy of Honda is to sell products through local retailers.

## FINANCIAL DATA AND PROJECTIONS

### Past Sales Revenue

As mentioned in the strategic analysis Honda corporation operates in four major arena – Automobile, Motorcycle, Financial Services, and Power Products. Statistically, from the fiscal year 2004 to 2006, there is a gradual increase in the net sales revenue and operating income of the Honda company (includes all 4 major divisions). Furthermore, in 2007 we can see that there is an extensive increase in net sales revenue and operating income .i.e., approximately ‘8,000 (billions)’ Yen in 2006 to ‘11,000 (billions)’ Yen in 2007. Next to the order in 2008 just before the recession strikes the world, the sales rev. & operating income of the company was at its peak, ‘12,000’ Yen (billion). After 2008, unfortunately company suffered a great loss in sales revenue for 2 years consecutively because of the recession. Next to the order, as soon as the world market started recovering from the recession the Honda’s revenue increase in 2011.



## Five-Year Projection

Table 2: Last 9 year financial data of the Honda Company

Observation	Year	Net sales and operating income	Increase or decrease in revenue	Change in %
1	2004	7,362		
2	2005	7,971	609	8%
3	2006	8,162	191	2%
4	2007	11,087	2925	36%
5	2008	12,003	916	8%
6	2009	10,011	-1992	-17%
7	2010	8,579	-1432	-14%
8	2011	9,877	1298	15%
9	2012	7,987	-1890	-19%
Average		9,227	78	2%

According to the table 2, the average net sales and operating income of the company is 9,227 Yen (billion) for last 9 years. And the average increase in net sales is 78 Yen (billion). Therefore, if we assume that to improve financially, the each year company need to increase sales revenue at least by 2% of the last year revenue (after including the net loss of the last year), then based on this analysis the five year financial projections for the company is:

Table 3: Next 5 year financial forecasting of the Honda Company.

Observations	Year	Net sales and operating income	Increase or Decrease in revenue	Change in %
1	2004	7,362		
2	2005	7,971	609	8%
3	2006	8,162	191	2%
4	2007	11,087	2925	36%
5	2008	12,003	916	8%
6	2009	10,011	-1992	-17%
7	2010	8,579	-1432	-14%
8	2011	9,877	1298	15%
9	2012	7,987	-1890	-19%
10	2013	10,075	2088	26%
11	2014	10,325	250	2%
12	2015	10,582	256	2%
13	2016	10,844	263	2%
14	2017	11,114	269	2%
15	2018	11,390	276	2%

With the increase in average 2% of last year net sales revenue and the operating income, the company revenue will gradually increase. The projection shown above in table 2 describes that the company at least need to improve by the amount mentioned in the table each year. If this will not happen the company may suffer a loss in the future.

## **IMPLEMENTATION**

In order to increase the company sales, according to the *core competency* Honda needs open more dealership in different countries and cities. Moreover, the company needs to increase the production of hybrid car and markets it in all regions. Furthermore, managers of Asia regional operation need to focus on the productions and sales of the motorcycle in the South Asian markets because sales of motorcycles are extensive in that particular region.

Next to the order, Europe/Africa regional operations manager needs to stress on the production of power products because the market of power products is weak in the European markets. The marketing department of the power products has to look the advertisement and sales of the products like power generator, engines, etc., Company should manage the store according to the sales of the products. If the sale of power product division does not increase the company should shut down the dealership store to decrease the manufacturing overhead costs.

## **EVALUATION**

Increase in annual net sales revenue and operating income of Honda have been defined for the next five years. The company will evaluate the production and sales of the products by comparing the estimated data with the current data in the upcoming year. Moreover, the company will look that the company should not fall behind the break-even point and measure the margin of safety by comparing the financial data of the current year with the past year.

## Works cited

Goyal, Malini. "Five reasons why auto world is shifting to emerging markets and what it means for India." *The Economic Times*, 19 May. 2013. Web . 18 Sept 2013.

Ito, Takanobu. "Ceo Message." World.honda.com. 19 Jun. 2013.

"Hybrid Cars Going Mainstream, Sales Up 40%." *Eartheasy Solution for Sustainable Living*, 27 May 2013. Web. 18 Sept 2013.

"International Energy Outlook 2013." *The US Energy Information Administration*, 25 Jul 2013. Web. 18 Sept 2013.

"Honda Motorcycle & Scooter India May sales up 11.09 per cent." *The Economic Times*, Jul 2013. Web. 18 Sept. 2013.

Florea, Ciprian. "Consumer Reports Says Honda Civic Hybrid has a Big Problem." *Autoevolution*, 11 Mar 2013. Web. 18 Sept 2013.

"Annual Report." *Honda Motor Co., Ltd*, World.honda.com. 2012.

"EMC Avamar reinforces customer's vital commitment to quality with a powerful data backup and recovery solution." *Honda France Manufacturing*, emc.com. Sept 18 2013.

"Worldwide number of Honda employees from 2002 to 2013." *Statista the Statistics Portal*, 2013. Web. 18 Sept 2013.



Iijima, Satoshi, et al. "Exploratory Study Of An Airbag Concept For a Large Touring Motorcycle." *Honda R&D Co. Ltd.* Web. 18 Sept 2013.

"History of Honda." *Wikipedia.org*. Web. 18 Sept 2013.

"Corporate Governance: Basic Stance." *Corporate Governance*, World.honda.com. 2007.

Web. 18 Oct. 2013.

"Annual Report." *Honda Motor Co., Ltd*, World.honda.com. 2012.

"Honda Motor Company." *Wikinvest.com*, Web. 18 Oct 2013.

*Automobiles.honda.com*, Web. 12 Nov 2013.

"Cars dot com." *cars.com/go/compare*, Web. 12 Nov 2013.

Serafim. "Honda CBR300R Announced." *Top Speed*, 17 Oct 2013. Web. 12 Nov 2013.

*motortrend.com/new\_cars/01/honda/*, Web. 12 Nov 2013.

"Honda to Participate in the FIA Formula One World Championship". *News & Views*, 16 May 2013. Honda.com, Web. 12 Nov. 2013.

"Honda Sports Award." *en.wikipedia.org*, Web. 12 Nov 2013.

"Honda Motor Company – Marketing & Distribution." *Wikivest.com*, Web. 12 Nov. 2013.

