

PESTEL and SWOT analysis of Honda Motor Co Ltd

Honda Motor Co., Ltd., together with its subsidiaries, engages in the development, manufacture, and distribution of motorcycles, automobiles, and power products primarily in North America, Europe, and Asia. Its motorcycle line consists of business and commuter models, as well as sports models, including trial and moto-cross racing; all-terrain vehicles; personal watercrafts; and multi utility vehicles. The company also produces various automobile products, including passenger cars, minivans, multi-wagons, sport utility vehicles, and mini cars; and power products comprising tillers, portable generators, general-purpose engines, grass cutters, outboard marine engines, water pumps, snow throwers, power carriers, power sprayers, lawn mowers and lawn tractors, home-use cogeneration units, thin film solar cells home use, and public and industrial uses. In addition, it sells spare parts and provides after sales services are through retail dealers, as well as involves in retail lending, leasing to customers, and other financial services, such as wholesale financing to dealers. The company was founded in 1946 and is based in Tokyo, Japan.

<http://uk.finance.yahoo.com/q/pr?s=HMC>

FINANCIAL STATEMENT

<http://world.honda.com/investors/annualreport/2009/pdf/honda09ar-all-e.pdf>

There is another table for financial statement is more details at the bellowing:

Note: The consolidated financial statements as of and for the year ended March 31, 2009, have been translated into U.S. dollars at the rate of ¥98.23=U.S.\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2009. Those U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the reader. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

<http://world.honda.com/investors/annualreport/2009/pdf/honda09ar-all-e.pdf>

The chart at the above are shows that net sales from year 2005 onward to 2008 is keep on rising but 2009 have depreciated. The sales have declines in North America, Japan and certain other markets. The main reason to make 2009 depreciated is because of North America have all-new competitors had a positive effect, but, as a result of the

deterioration in the real economy triggered by the financial crisis, total unit sales declined.

Management overview

Honda has been minimize environmental impact in their products of engine plant which is waste management, noise management and supplier management. Honda UK management are encouraged all the departments to follow the “waste hierarchy” with all waste stream due to wasted materials can be their burden in their company profits end of the years. The hierarchy is to minimize, re-use, recycle, incinerate and finally controlled disposal. Noise is generated by Honda UK management from a number of processes, eg, the steel pressing, air conditioning systems and contractor operations. Internal noise is controlled through safety legislation to ensure the protection of our associates. External noise modelling is carried out across the site to confirm the noise levels at the boundary are in compliance with planning consents. Honda is reliant on the support of suppliers. Therefore, Honda want to get more support from UK to assists their product to sell out more. Honda current situation has more than 200 parts and materials suppliers based both in the UK and all over the world. All are required to achieve certification to a recognized that standard the registration.

MISSION STATEMENT

Honda maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction. Other than that, Honda have say that dreams inspire us to create innovative products that enhance mobility and benefit society. To meet the particular needs of customers in different regions around the world, we base our sales networks, research and development centers and manufacturing facilities in each region. Furthermore, as a socially responsible corporate citizen, we strive to address important environmental and safety issues.

MARKET VALUES

Honda had offer car insurance in UK which is Honda GAP insurance to increase their market value. Usually, people from UK buy car insurance are not able to claim all the payment to cover their original car cost. For examples, people bought normal insurance for the car around 14 thousand pounds plus 1 year warranty plus claim, so when they wanted to claim insurance for their car is only 10 thousand can be claimed. Opposite, Honda Gap insurance are offers customers to claim all the car cost. There are some pictures at the bellowing to show that how much Honda Gap insurance can be claim.

<http://www.honda.co.uk/cars/finance/personalfinance/gapinsurance/>

MARKET SHARE

<http://www.thetruthaboutcars.com/2010/02/reader-request-december-2009-market-share/>

As you can see Honda market share in 2009 is 10.4% and the sales are 107,143 compare to last year is increase 0.8%. GM is one of the leading cars company in UK. GM are produced Opel/ Vauxhall brands. The second in the ranking board is Toyota/Lexus. The third is Ford. Honda is on the fourth in the ranking board. As you can see the volume change % of Honda has increase 24.46%.

SECTOR TRENDS

Due to global economic crisis, some company in UK wanted to reduce employee in their company for cut down their budget because of employee wages are too high and waste management in their company. Too many expenses to be their burden to take care. Therefore, they decided to cut down employee. Due to most of the people are jobless in UK. It will affect that consumer could not apply loan with bank, many of the service industry business are affected by this economic crisis. Besides that, Honda sales automatically will be affected as well.

PESTLE

POLITICAL FACTORS

Due to UK government had proposal that limit number of cars being sold in the country. Honda sales would affect by this issue and couldn't manufacture more number of cars compare to previously.

UK consumers pay higher pre-tax prices for cars than anyone else in the Europe.

UK government was keen to attract foreign firms to invest in UK. Honda investing in UK as initial stake in rover.

ECONOMIC FACTORS

Exchange rate from £ to Yen. Due to UK and Japan exchange rate are not stable always and it would affect Honda's cars price not stable.

Income rising means that consumer income rising and their purchasing power have increase. Honda has kept up with this by introducing new models of car to go on sale this year.

Due to global cost of petrol keep on rising to make consumers to struggling in their economic problem. Therefore, Honda introducing more economical cars and eco-friendly technology cars such as 1.4 Honda Jazz and Honda Civic Hybrid.

SOCIAL FACTORS

Social factors include the demographic and cultural aspects of the external macroenvironment. These factors affect customer needs and the size of potential markets. Some social factors include:

In UK, consumers have a strong beliefs in their local brand instead of other country brand such as Japanese brand Honda, Toyota and etc. Therefore, Honda wanted to change their beliefs in introducing ego-friendly cars which is Honda Civic Hybrid.

Language barriers Honda is moving to worldwide business so they deal in the English language easy for customer to understand.

In UK, cars product are not too expensive as in other high tax country. Therefore, consumers rather to purchase high quality automobiles from western country such as BMW, BENZ, BENTLY and etc.

Technological factors

Technological factors show how the trend helps the business

Nowadays, people too rely on GPS(Global Positioning System) to search a location they want to go due to GPS had developed by new technology. Therefore, Honda cars have had to include Satelite Navigation System in their newer models.

Environmentally friendly cars Honda developed i-vtec, which is a follow on from their infamous vtec engines. The vi-tec engine provides fuel economy, ample torque and clean emissions.

According to (Honda website) Honda has always been passionate in innovating technology and challenging boundaries of mobility advancements. It is our continuous commitment in providing joy of mobility for communities all over the world with our innovations in safety, environment and advanced mobility.

As you can see at economic factors at above, which is cost of petrol price keep on rising in Malaysia. Therefore, Honda has been engaged in eco-friendly technology for a better, more sustainable future. The result of the Civic Hybrid is combining fuel efficiency and eco-friendly technology with fun diving.

LEGAL FACTORS

Due to employment laws in UK, employee working hours and the wages. Working hours in UK standard are 8 hours per day and minimum wages are £5.93 per hours. Due to this situation, company could be affected because of high wages in a company.

UK government has proposed all the company workplace must be as safe as is reasonably practical. They cover issues such as training, reporting accidents and the appropriate of safety equipment to make sure employee are in safety situation.

ENVIRONMENT FACTORS

Due to global warming of less petroleum to be found in country of produce petroleum, petrol price are keep on rising. Therefore, Honda introducing ego-friendly technology cars such as Honda Hybrid to protect global warming.

UK have different weather and climate in a years. Change in temperature can impact on cars engine difficult to start when weather is cold and engine easy to overheat when weather is hot. Therefore, Honda had developed different engine in different country due to weather and climate problem.

COMPETITOR'S SITUATION

In UK cars brand have a lot competitors. But I am taking Ford to compare with Honda. In the situation of Ford Company, Ford is leading in the UK of cars sales.

Ford Company was founded by Henry Ford in 1903. Ford is a multinational company as well. They have a strength in western company due to Ford is produced by US and western consumers have a strong beliefs in this company because of the car price are affordable compare to other western country brand of cars.

SWOT ANALYSIS OF COMPETITOR

Ford Company

STRENGTH

-online marketing capability, Ford is providing consumers to select their car through the website and allow to customize the interior, exterior and engine color and etc.

-Ford have more consumer choice which is commercial vehicle and variety of cars for consumer.

WEAKNESSES

-company cut down employee to run down their costs.

-low productivity due to management missing focus on some line performance because of Ford had expended their business into different area.

OPPORTUNITIES

-consumers have a strong beliefs toward Ford in western country

-hybrid vehicles Ford Motor Company had expected by year 2010 half of the cars switch to hybrid cars to protect the global warming of petroleum.

THREATS

-high level of competitors in UK such as Honda, Toyota and etc.

-low capital spending due to economic crisis, Ford had cut down employee to run down their costs and lower their cost in R&D department. Therefore, Ford have threaten in this issues.

Honda Company

STRENGTH

-Honda introducing new models which is eco-friendly technology cars. For examples, Honda Hyrid.

-Honda introducing more save fuel car to change consumers beliefs.

WEAKNESSES

-Honda has Recalls number of cars for the brake problem to affect their reputation.

-Honda sales declined due to economic crisis from year 2008 to 2009.

OPPORTUNITIES

-Honda business is attack into western country such as UK, US and etc.

-Honda had developed an Asimo in their R&D department due to technology advance in Japan.

THREATS

-consumers hardly to change their beliefs from their western country brand switch to Japanese brand.

-competitors are investing to Hybrid cars.

OBJECTIVES- SMART

OBJECTIVES FOR BRANDING AND PROMOTIONAL

Specific

Create more advertisement to increase brand awareness of Honda Civic Hybrid

To give out free gifts when consumers come to test drive

To organize road show event to increase brand awareness

Measurable

To increase quality service of Honda

To target 1000 consumers to fill up surveys after test drive to understand consumers needs and wants.

Achievable

It is possible to achieve if the gifts to exchange the result of consumers to know what is the quality of the cars.

Realistic

Honda has 4200 employee and enough capital to handle it.

Time

by end of 2010, Honda Civic Hybrid recognized by consumers and increase brand image.

OBJECTIVES FOR GROWTH

Specific

Increase the service centre in UK

Increase service level toward customers

Measurable

To enhance service level to customers compare to previous years

To increase brand attribute to consumers toward Honda compare to previous years.

Achievable

More service centre convenience customers to go for service their car.

High quality service can give confident of the brand to consumers to purchase it.

To give out training for employees in service area.

Realistic

Consumers in UK have strong purchasing power, Honda is worth to invest in expanding the service centre for their future profits.

Time

By 2013 years, Honda can increase the ranking board in UK.

Consumers in UK change their belief toward Honda brand due to high quality service.

OBJECTIVES FOR FINANCIAL

Specific

Increase sales in UK

Aim to increase the ranking in UK.

Measurable

To increase 5% sales compare to previous years

To increase net income

Achievable

To give out more advertisement and based on high quality service level to influence consumers belief toward Honda in UK to purchase Honda.

Realistic

More service centre and employees has go through service training can increase confident of the consumers toward the Honda.

Time

By 2010, Honda sales increase 5% until the service centre expanded in UK.

After service centre expanded in UK, sales increase 10% onwards.

<http://world.honda.com/news/1998/c980611.html>

MARKET STRATEGIES

4P MIX STRATEGIES

<http://www.learnmarketing.net/marketingmix.htm>

Product

Honda Civic Hybrid is a best green car in UK and using innovative design. It can target customers' needs and wants based on the innovative design of the car. This car can known as petrol-electric car. The features of the Civic Hybrid are increased style and improved driving such as mirror integrated indicators, body coloured side protectors, 15" alloys and etc. other than that, you'll find high quality fabric as standard and heated front seats with lumbar support and full leather interior. Honda Civic Hybrid is using continuously variable transmission (CVT), it can reduce noise and jerkiness and also helps reduce fuel consumption and emissions. Besides that, Honda had provide after-sales service in London Honda which is no-charge shuttles service to and from your home and highest quality technical staff to ensure your Honda is repaired right the first time and customers can always booking with the service schedule with Honda website.

Price

Honda in UK is using skimming pricing strategies. Honda is using skimming pricing on their product of Honda Civic Hybrid because of the highest technology eco-friendly technology are advanced and after it launched in the world, competitors could follow it. Therefore, Honda set the highest price on the car and after few years competitors have follow the trend then Honda reduce a price to afford consumers. Honda Civic Hybrid have 3 spec which is ES, ES Leather, and EX. The ES price is £18,975, ES leather are in £19,875 and EX are £21,510.

Promotion

Promotion can be increase brand awareness and sales. The perceptions of cars to consumers are always high-involvement product. Therefore, consumers need to consider as good as possible to purchase it. So, marketers should using pushing promotional strategy to attract consumers which is using advertisement in commercial not in a short term, at least long term advertisement keep on repeat on the commercial to attract consumer's attention. Other than that, marketer can use sales force to increase sales which is organize an road show event in public to show the sample of car and put some sales agent to pull consumers. Not only have that, consumer able to booking a test driven in a period via online through Honda website in UK.

Place

Place is important for consumers because of how the product getting to the consumers. There are few methods to getting consumers to come over the product. There are 234 Honda dealers in UK and 2 headquarter which is Langley, and Berkshire. 2 of these headquarter are responsible to driving up the sales and brand awareness throughout UK. Therefore, consumers are convenience to go for it without worries about no dealers. Other than dealer, consumers can purchase it when Honda is lauchingan road show event in any shopping mall.

Forecast and Implication

3-year forecast and budgets

2009

2010

2011

2012

Profit

137,005

143,855.25

151,048.01

158,600.41

Cost

7,419,582.00

7,790,561.1

8,180,089.1

8,589,093.5

Sales

10,011,241.00

10,511,803.00

11,037,393.00

11,589,262.00