American Honda Motor Company Essay, Research Paper

Honda Corporation and U.S. Markets

After investigating the U.S. market and getting positive feedback, Honda exported over 50,000 CR-Vs to the U.S. in 1997. The target markets for this sporty looking new CR-V were consumers between the ages of 23 – 34, referred to sometimes as generation X. At $20, 000 however, in comparison to its competitors who offer vehicles at a cheaper cost, one might ask the question – why such a high price tag? An article on generation X from demographics.com sums the answer to this question up nicely:

54 percent of Gen Xer’s have established a financial plan

88 percent want investment advice

46 percent already own mutual funds

Population size of 44 million and growing

The increased use of information technology in today’s economy also creates an environment that facilitates better-informed decision-making. The internet, a powerful source for information is more than readily accessible. For instance, instead of watching 30-second commercials on television, generation X can tap into the net and spend as much time as they need researching products before making a purchase. As a result, generation X is better educated than previous generations and has more disposable income. They value quality more so than ever before and basically look for products that work for them.

Economic forces that will impact Honda

To continue selling record breaking units Honda will have to keep in touch with the needs of its changing customer base. For instance, the fastest-growing states, metropolitan areas, cities, and countries were concentrated in the South and West, according to the Census Bureau.

The states whose population rose the fastest between 1996 and 1997 were Nevada

(4.7%), Arizona (2.7%), and Georgia and Utah (both 2,1%). Meanwhile, Las

Vegas, was the most rapidly growing metropolitan area from 1990 to 1996,

with a 41% population increase, followed by Laredo, TX (33%), and

McAllen-Edinburg-Mission, TX (29%).

The story for cities was much the same. Among those with more than 100,000

people in 1996, the fastest growing from 1990 to 1996 were Henderson, NV

(88%), Phoenix, San Antonio, and Houston. Each gained more than 100,000 people

during this period.

According to projections, the U.S. population in 2050 will have risen to about

394 million mostly in part due to increasing ethnic groups.

Significance of these trends

In 1997, an estimated 26 million persons, or

nearly 1 in every 10 residents of the United States, were foreign born,

the highest level since 1930. Five states had a larger percentage of foreign

born than the United States as a whole:

California (25%), New York (20%), New Jersey (15%), Flordia (16%), and Texas

(11%).

More than one-fourth of these immigrants —7 milllion— were born in

Mexico. To engage them advertisers will have to focus more on multi-cultural

themes. Honda’s home page, which displays a picture of young children of

different nationalities engaging in a game of soccer, is a nice example of

trying to reach these groups.

Stiff competition means tapping into new markets

According to theautochannel.com, Honda’s CR-V most fierce competition are the Mitsubishi Montero Sport whose MSRP starts at $18,030 – $32,250 and the

Subaru Forestor $18,695 – $22,195. The MSRP for the Honda CR-V ranges from

$18,350 – $21,050 which is less than the cost of either of their major

competitors. The other competitors such as the Chevrolet Tracker, the Kia

Sportage, the Suzuki Sidekick and Toyota RAV4 base MSRP begins around $13,099

to $15,388 however. Although these prices are far more comforting for price

concious customers, they do not offer the durability and the satisfaction of

that of the Honda CR-V SUV vehicle. Various discussion groups on DejaNews.com

reveals that customers get the following benefit from CR-Vs:

A customer can buy a fully loaded sports-utility vehicle for under $20,000.

The CR-V provides a more fuel-efficient attainment and a smoother and

quieter ride from their front wheel drive.

Under many abnormal diving conditions such as snowy and slippery surfaces,

the CR-V performance is outstanding.

The CR-V provides great amenities such as extra power outlets and

cup-holders,a picnic table that is stored over the spare tire.

The sales figures for The CR-V year ending 1997 was 32,850 which soared to

greater heights in 1998. Honda will have to track these news groups to gain added insight. This will provide insight, in terms of what pricing strategy to pursue, as well as, what CR-V attributes customers value most. Currently, Honda continues to increase exports to the US and is building a reputation for being a reliable and sporty vehicle, in effect setting off higher increases in sales.