Honda Essay, Research Paper

The American Honda Motor Company was established as a subsidiary by Honda in 1959. During the 1960’s the type of motorcycles brought by Americans underwent a major change. Motorcycle registrations increased by over 800,000 in five years from 1960. In the early 60’s the major competitors were Haley – Davidson of U.S.A, BSA, Triumph and Norton of the UK and Motto – Guzzi of Italy. Harley-Davidson had the largest market share with sales in 1959 totalling a6.6 million dollars. Many of the motorcycles produced were large and bulky and this led to the image of the motorcycle rider as being one who wore a leather jacket and went out to cause trouble. The Boston Consulting Group ( BCG ) report was initiated by the British government to study the decline in British motorcycle companies around the world, especially in the USA where sales had dropped from 49% in 1959 to 9% in 1973. The two key factors the report identified was the market share loss and profitability declines an the scale economy disadvantages in technology, distribution, and manufacturing. The BCG report showed that success of the Japanese manufacturers started with the growth of their own domestic markets. The high production for domestic

demand led to Honda experiencing economies of scale as the cost of producing motorbikes declined with the level of output. This provided Honda to achieve a highly competitive cost position which they used to penetrate into the US market. ” The basic philosophy of the Japanese manufacture is that high volumes per model provide the potential for high productivity as a result of using capital intensive and highly automated techniques. Their marketing strategies are therefore directed towards developing these high model volumes, hence the careful attention that we have observed them giving to growth and market share.” (BCG p.59 ). The report goes on to show how Honda built up engineering competencies through the innovation of Mr Honda. The company also moved away from other companies who relied upon distributors to sell their bikes when the company set up its headquarters in the west coast of America. The BCG found that the motorcycles available before Honda entered the market were for limited group of people such as the police, army etc. But Honda had a “policy of selling, not primarily to confirmed motorcyclists but rather to members of the general public who had never before given a second thought to a motorcycle”( SP p.116 ).