

Understanding Honda Motor Company's Early Success in the American 2-wheeled Vehicle Market Through Utilization of Marketing 4p Principles

Jonathan Watson

Introduction

In a world where most markets are saturated it has become more important to be able to identify the factors that lead to a successful business. What makes one product better than another? How does a product suit the needs of the user? What merit is there in purchasing a specific product? To be able to answer these questions and convey those answers to the user effectively, the practice of marketing must be explored. According to *American Marketing Association (1985) in Dictionary of Marketing*¹, marketing is known as:

“the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.”

These activities can be thought of as the lifeblood of a company. Without an effective marketing strategy most products face very little chance of success. This idea becomes even more important as businesses and organizations seek to expand to foreign markets. Subtle nuances and differences in

¹ American Marketing Association (1985) in Dictionary of Marketing

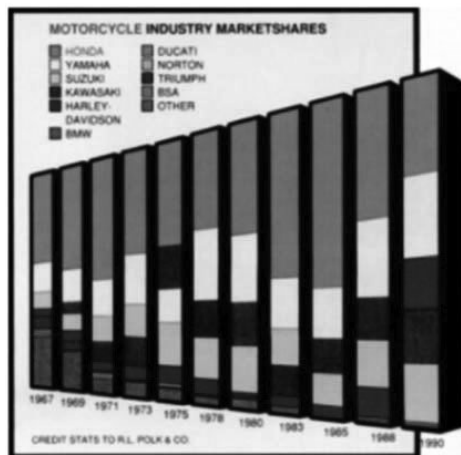
culture can make operation in foreign markets challenging. Therefore, it is important to become aware of marketing concepts and strategies to better operate in the global market.

One company that has had incredible success in doing so is *Honda Motor Company, Ltd.* With regards to the two wheeled vehicle market there are four Japanese brands known to be the forefront of motorcycle innovation and global sales. These brands, that are sometimes referred to as “The Big Four”, are Kawasaki, Suzuki, Yamaha, and Honda.

Among these, Honda has been able to dominate the global market share for the past few decades.² Honda’s steady growth into becoming the world leader in motorcycle sales is a phenomenon that is worth delving into. This paper will serve to highlight a major point in Honda’s history that has helped it climb to the top ranks in motorcycle sales. Upon consideration of various factors, they will be analyzed and explained from the standpoint of marketing fundamentals.

The name Honda is surely well known throughout the world and there have been many case studies and papers documenting the innovation of Honda as well as their entry into

various markets around the globe. However, in this paper, Honda’s advance into the American market will be presented and then analyzed using the 4P Marketing concept. It is also important to mention, the following case presented in this study for analysis is not believed to be the only factor



Source: Cycle World Magazine (1992) P. 69

Figure 1: Market Share of Motorcycle Manufacturers in the American Market

² Cycle World Magazine 1992, p.69

that contributed to the success of Honda Motors. Rather, from a marketing standpoint, it is believed to be an important turning point that helped to pave the foundation for Honda's dominance in the global market.

It is also worth mentioning that this paper will look at the competition of the two wheeled vehicle market, that being motorcycles, scooters, and things of the like (hereinafter referred to as motorcycles for sake of simplicity). Although cars can fulfill the same role as motorcycles, the way they are marketed in the American market is different, and cars generally adopted by a wider audience. This means that the motorcycle market does not compete directly with cars, and the strategies involved will also differ when compared to the automotive market.

1. Introduction of 4P Marketing Model

In this section, the analysis method that will be used to evaluate Honda's marketing strategy will be explained. The 4P Marketing model consists of four main parts: product, place, price, and promotion. These are the refined concepts of the "marketing mix" which was originally proposed by Neil Bordon in 1964³. Every company utilizing a marketing strategy and sells a product or service must have some kind of marketing mix. Depending on the industry, location, and type of industry, enterprises may choose to rely on one 4P marketing concept more than the others. The 4P marketing concept is useful because it encompasses many smaller aspects of marketing and attempts to explain a wide range of activities that relay valuable information about the product or service to consumers. The concepts of the 4P marketing model are both interdependent and correlated on many levels. Therefore, it allows a company to adapt to a dynamic market more

³ Mohammad Fahmi Al-Zyoud 2019, p.1

effectively. In looking back at the case presented in this paper for the purpose of analyzing market strategies, successful techniques can be identified for future use in gaining an optimal advantage in the formulation of a marketing mix.

Product: The product concept involves the designing, planning, and manufacturing of a product to effectively satisfy the needs of the customer. This not only includes physical aspects such as packaging or the product itself, but also intangible aspects such as branding and the overall concept that the product projects. The main ideas that fall under the concept of product include, but are not limited to: product selection, quality, packaging, design, and service such as warranties and repairs that are related to the product. It is important to develop a strategy for these main categories as this is the most direct way a customer encounters a company. When engaging in overseas marketing activities, special care must be taken when considering the formulation of a product. Things such as the consumers' cognizance of a product may vary greatly depending on the market. Failing to take factors such as this into consideration can doom a product to failure before it is even introduced into the market.

Place: The place concept is vital for understanding how products are delivered to customers. This involves distribution channels as well as method of distribution, whether it be physical or digital. Having efficient distribution channels not only benefit the distributor but also the customer. This benefit can be realized as cost savings and greater efficiency of a product's diffusion into the market. This concept becomes increasingly more important as businesses seek to enter the global market. A place or channel of distribution that worked in one market is not guaranteed to work in another. Therefore, it is important to conduct proper market research and establish the most efficient means of delivering the target product to the customer.

Price: The price concept is very important because it relates to the pricing strategies of a product that allow it to be competitive in the market. Special care must be taken into consideration because customer purchasing power and per capita income can vary greatly depending on the target market. The price of a product is generally influenced by several factors such as supply, demand, competition, manufacturing cost and the goals of a company. An effective pricing strategy takes advantage of a product's perceived and actual values. Companies must be able to predict the perceived value of their product if they wish to stay competitive in the market.

Promotion: The promotion concept is vital to understanding a company's marketing strategy, because it is through analysis of promotion, that one is better able to understand the most effective means of communication with a consumer. The method of communication can have a large effect on how a customer is influenced to buy a product. Generally, it is highly effective to make use of multiple methods of communication because one communication channel alone may be insufficient in reaching a larger audience. This concept encompasses many aspects, most notably among these are advertising, sales promotion, publicity, and direct marketing. Looking at a successful promotion strategy can provide great insights into consumer behavior.

2. Honda Case Study

(1) History of Honda Motors

To better understand the amazing growth of Honda Motors, the following paragraph will briefly summarize its history. The founder of Honda Motors, Soichiro Honda, was an engineer who started the Honda Technical Research Institute in a location near Hamamatsu, Japan, in 1946. The

goal was to create small and efficient engines for use in bicycles that could help to provide a cheap and reliable source of transportation. A couple years later in 1948, Honda Technical Research Institute assumed the name Honda Motor Company and began development of motorcycles in 1949. Honda had created several small-displacement motorcycles which were gradually becoming more advanced and more reliable with each generation. It was in 1953 that Honda began sales of what would become the bestselling motorcycle on the planet, the *Honda Super Cub*. Shortly after this, Honda entered the global market and established a U.S subsidiary known as the American Honda Motor Co. in 1959. Honda began to enter the fray of automotive manufacturing in 1963 and eventually set up manufacturing plants for motorcycles and automobiles across the globe. Despite being the world leader in Motorcycle sales amongst the big four, as of the year 2020, Honda currently generates a majority of its revenue from automobile sales. Honda's expertise in creating lightweight, reliable, and efficient motorcycles spilled over into automobile production which has helped propel it to being one of the leading automobile, machinery, and engine manufacturers. Honda has continued to play an important role in various countries, especially those in Southeast Asia, due to Honda products' low cost and reliability. It is important to keep in mind that motorcycles play a different role in people's lives across their respective markets, which is why in the analysis of Honda's marketing strategy it is important to distinguish between the motorcycle market and the automobile market. For the purpose of this paper, automobile manufacturers will not be taken into account as they are not direct competitors.

(2) Honda's success in America 1959-1970 Case

Early Market

Honda entered the American market in June 1959 when they opened their first dealership in Los Angeles, California, but before delving into the entry of Honda into the American market, the American motorcycle market before Honda's arrival will be briefly explained to provide better context. Before World War II, motorcycle riding was mostly a hobby. It was often enjoyed by groups of young men in the form of motorcycle clubs. In these clubs, the men would often wear matching uniforms (as seen in the graphic to the right⁴) and participate in activities such as group rides. One of the most prominent groups was the *American Motorcycle Association* (AMA). This was a group formed in 1924 that was sanctioned as an American motorcycle racing club. After World War II, large numbers of soldiers returned home, and a significant portion of these veterans sought out the familiar camaraderie of other men with the same interests. Consequently, many of these veterans picked up motorcycle riding as a hobby. This newfound camaraderie often turned into a nuisance, for society and the image of loud and violent motorcycle gangs in America started to solidify around this time in the late 1940s.



Source: American Motorcyclist Association (1938)

Figure 2: AMA Club Members

⁴ American Motorcyclist Association 1938

Before Honda's arrival, there were other prominent manufacturers that specialized in making large-displacement motorcycles as well as small-displacement motorcycles in the 1950s. Most notably among these were Harley Davidson, the Indian Motorcycle Manufacturing Company (which would later be taken over by the British Royal Enfield in 1931⁵), and Triumph. Leading up to the 1950s, motorcycles started to take on the role of being a cheaper alternative to cars. This was likely due to many factors such as the post-war economic boom allowing for greater amounts of money that could be spent on leisure activities as well as the increasing popularity of motorcycle racing such as the TT races in Europe.

Entry into the Market

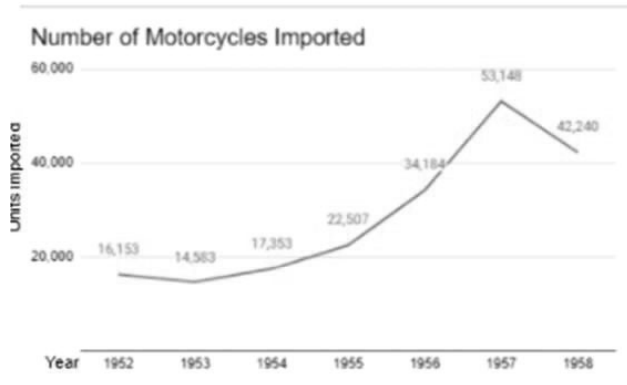
Honda's entry into the market was a well-timed response to recent trends. There was a growing demand for small-displacement motorcycles and British motorcycle manufacturers started to answer this demand. For example, the *Triumph Tiger Cub*, a 200cc single cylinder small-displacement motorcycle, was introduced to the market in 1954. This motorcycle fared well against competitors.⁶ Honda became aware of these trends due to a report from the Japanese Machinery Federation. As detailed in Jun Otahara's analysis of the 1958 Overseas Market Report, Honda was given clear insight into market trends for motorcycle demand in the 1950s.⁷ Previous analyses from the Japan Keirin Association mainly dealt with automobiles, and bicycles, but as of the year 1958, a new section of the report was labeled "Overseas Market Survey Report". The data compiled here makes it clear that demand for foreign imported motorcycles was growing in the U.S., and Honda

⁵ Post 1953 Indian Motorcycle History

⁶ Motorcycle, 9 March 1967

⁷ Otahara, Evolutionary Phase of Honda Motor, 2000

was aware of the opportunity.⁸ The total number of registered motorcycles was estimated to be approximately 454,000 to 575,000 units throughout the North American market, and these numbers



Source: Otahara, Evolutionary Phase of Honda Motor (2000)

Figure 3: Number of Motorcycles Imported into America Total Number of Units per Year

were steadily growing. Research was also done in regions in Southeast Asia and Europe, which was carried out by groups led by Takeo Fujisawa, the marketing and sales director at Honda Motors, Soichiro Honda, the founder of Honda Motors, and Kihachiro Kawashima, a member of the board of directors.

It had been found that there was also a rising demand in affordable motorcycles and mopeds in the respective regions, which was due mostly in part to steadily increasing economies. Later, Fujisawa instructed Kihachiro Kawashima to investigate the American market and conduct market research. Unlike Japan at the time, transportation in America largely consisted of automobiles. It was almost a necessity at the time to own an automobile because of the vast expanse of rural territory and lack of other forms of efficient long-distance transportation. Commuting long distances between cities and states was best done on four wheels. There was, of course, a minority of Americans who rode motorcycles. However, motorcycles were mostly seen as a tool of leisure as opposed to a primary form of transportation. Those who did ride motorcycles typically wore black jackets and were associated with motorcycle gangs and disruptive behavior. At the time, motorcycle dealerships were

⁸ Otahara, Evolutionary Phase of Honda Motor, 2000 p.4

thought of as dirty, dimly lit shops, and this notion along with the general distaste of bikers at the time, contributed to the niche market of motorcycles. Kawashima returned to Japan after conducting market research in America, and an executive meeting at Honda's headquarters was held in 1958. It was originally brought up that the American market would be too difficult to enter and advancing into the Southeast Asian market would be a safer option. However, Fujisawa decided that it would be more effective to enter the American market first because not only was it an extremely large market, but success in America would also be indicative that Honda could be successful in other foreign markets.

Members of the board at Honda originally considered the idea of going through third parties such as Japanese trade companies to sell Honda products in America. Perhaps due to his experience in the Japanese market, Fujisawa preferred to sell products directly as opposed to going through a third party. The reasoning behind this was that third party sellers could not be completely trusted with consistent and high-level customer service that Honda was seeking. If we consider the multiethnic population of America when compared to the homogeneous Japanese society, this may have in fact been a safer option. Kawashima, along with nine other employees, relocated to Los Angeles, California in June 1959. The American Honda Motor Company, which was a wholly owned subsidiary of its parent company, Honda Motors, was founded and business began.

Sales originally began with the *Honda Dream* (250cc and 350cc variants), the *Honda Benly*, and the *Honda Super Cub* which was dubbed the *Honda 50* in America. These three models were small-displacement motorcycles that proved to be venerable products in Japan. Originally, sales targets were set at 1,000 units per month, and to reach these goals Kawashima and other members of American Honda wrote letters to motorcycle dealers in South California. Dealership representatives who showed interest were invited to the Honda office, and they were able to test

drive the various models Honda offered. First impressions were good. Those who test rode the Honda motorcycles noted the novel, angular design and the superb handling. Honda formed partnerships with various motorcycle dealerships, however in a period of three months Honda was only able to sell about 170 units. This was a far cry from Honda's target of 1,000 units per month.

In early 1960, sales started to reach a few hundred units per month, which was good news to Kawashima. However, around this time, engines found in the Dream and Benly were facing major malfunctions. The engines were plagued with serious overheating problems that caused them to experience breakdowns. This was likely due to the hot climate and traffic in California which caused excessively high engine temperatures. There were shipments of finished products on the way to America, however Kawashima decided that instead of fixing them when they came ashore, he would have them sent back to Japan and replaced with new units. He mentioned that this was done to preserve the reputation of Honda products at the time. He believed that simply repairing the defective products that reached America would seem unprofessional.

(3) Needs of the Early Market

At this point, it would be helpful to summarize the needs of the American motorcycle market to better understand Honda's difficulties at the time. From the 1930s to the 1960s there had been trends that pointed to a very niche group of motorcycle riders who had a specific taste in certain products, and manufacturers appealed to these tastes. The different ways that manufacturers appealed to the target audience are summarized on the following page.

Product	Place	Price	Promotion
Medium to large-displacement motorcycles 450cc-1300cc	Traditional motorcycle dealerships	Retail value of \$700-\$1,000 (approx. \$7,751-\$10,726 when adjusted for inflation as of 2020 ⁹)	Advertising done mostly through motorcycle magazines

Figure 4: Summary of the Needs of the Early Motorcycle Market

Product: Medium to large-displacement motorcycles were in high demand by the motorcycle market at the time. Not only did large-displacement motorcycles appeal to the stereotypical “manly men” of the 1940s and 1950s, but they were also thought of as a necessity on American roads. In general, speed limits on lesser roads in America were posted at approximately 45mph(72.4kmph) and speed limits on highways were 55mph(88.5kmph)¹⁰. Large-displacement motorcycles were able to travel at these speeds comfortably and for long distances due to their relatively high horsepower and torque figures.

Place: Motorcycles were generally sold at local dealerships. The general public thought of dealerships to be dirty with oil stains on the floor, and there was some truth to this. This was because most motorcycles tended to leak some motor oil on the showroom floor. Motorcycle repair and maintenance was generally carried out at these dealerships.

Price: Mid-sized Triumph motorcycles retailed at approximately \$700, and Harley Davidson motorcycles started at slightly more. For the time, these prices were a little high for the average citizen to spend on a tool of fun and leisure. This contributed to the barrier of entry into

⁹ 1950 to 2020 Inflation Calculator, Accessed 2020.12.20

¹⁰ Text of H.R. 11372 (93rd): An Act to conserve energy on the Nation's highways

riding motorcycles, however this did not deter hardcore enthusiasts.

Promotion: Advertising was mainly done through magazines and newspapers. Motorcycle enthusiasts tended to get the newest information from motorcycle magazines. These ads¹¹ usually depicted young to middle aged men riding large cruiser style motorcycles and they were sometimes seen with a beautiful lady in tow. These kinds of advertisements had a strong sense of freedom, independence, and bravado. There was a strong consistency between advertisements, and it made it clear who the intended audience was; young to middle aged men who sought fun and freedom.



Source: Classic Motorcycle Build

Figure 5: Young Man depicted riding A Harley-Davidson Motorcycle

(4) 1960-1970 Case Continuation

In 1960, American Honda decided to focus on sales of the Honda 50. This was because the Dream and the Benly were facing major malfunctions and were not fit to be sold until defective units were repaired. In time, the Honda 50 would become one of Honda's most important products. In 1960, it consisted of a four-stroke engine and a shell that covered engine internals giving it a

¹¹ Harley Davidson ad,1957, accessed 2020.20.12

simple yet sleek look. It was also equipped with a front cover on the chassis that shielded against wind and featured a step-in design. These things, in addition to the quiet engine and easy handling, made it accessible to young people and women.

The Honda 50 was doing well, however Kawashima was determined to improve the overall image of motorcycles and increase sales. Steps were taken to bolster sales networks by targeting boating, fishing, and hobby shops as opposed to traditional motorcycle dealerships. In addition, Kawashima spearheaded the decision to increase product awareness through strategic placement of advertisements in popular magazines. American Honda also made renovations to the head office and sought to provide a professional and friendly environment that made products more attractive to the general masses.

By the end of 1962, annual sales exceeded 40,000 units, which was a sign of steady growth. This was largely due to the expansion of sales networks and the efforts to provide good service at the Honda dealership. The following year, Kawashima set sales targets to 200,000 units which was a substantial increase considering Honda sold less than one-quarter of that the previous year. To accomplish this, Kawashima partnered with a local advertising agency which came up with perhaps the most important advertisement in Honda's history: *You meet the nicest people on a Honda*. This advertisement depicted young middle-class men and women riding on colorful Honda 50s as they were running various errands. The advertisement was met with such success, Honda was invited to sponsor the United States Academy awards. The Academy Awards is a massive, televised event, and for a broadcast fee of \$300,000, Honda was allowed a total of 1 minute and 30 seconds of commercial time divided into multiple segments. Considering the national 70-80% viewership rating, this was an excellent opportunity for Honda. In 1964, the commercials aired across the United States and the event was a roaring success for Honda. Sales for the Honda 50 increased

dramatically and requests for dealership partnerships came pouring in. Sales for the 1965-1966 period were recorded at approximately 267,640 units. It had been estimated that 70 percent of all motorcycles sold in this period were manufactured by Honda, and about 720,000 of people around the country were riding Honda motorcycles. Sales for fiscal year 1965 were recorded to be slightly over \$77 million, and sales for the year 1966 totaled to over \$106 million.¹²

In the mid-1960s many markets in America were facing a slump which was mainly attributed to the Vietnam War. Demand for Honda products shrank as many young people became involved with the war, and in addition, many Honda products were starting to lose their novelty. To reduce operating costs and make products more attractive, Honda cut down on advertisements and lowered the price for some of their models. Honda also offered different variations of their products such as the 90cc *Hunter Cub* which was a rugged off-road variant of the Honda 50. Honda noticed Honda 50 motorcycles were being modified and had increasing usage off road, so development of the Hunter Cub was a sensible choice. Honda sales remained steady and towards the late 1960s Honda poured more effort into expanding into the automobile industry.

In 1969, Honda released one of the most novel and groundbreaking motorcycles in the American market. This was the Honda CB750 which was a 750cc four stroke, transversely mounted inline-four-cylinder motorcycle. Up until this point, Honda had already achieved a significant market share in the small-displacement motorcycle segment of the market. However, it became apparent to Honda that they would need to offer large-displacement motorcycles if they truly wished to appeal to the original motorcycle market. Honda was keenly aware that in the mind of the American motorcycle enthusiast, “there was no replacement for displacement”. A short while before the release of the Honda CB750, Honda heard a rumor that Triumph was developing a 750cc

¹² Randy D. Mcbee, *Born To Be Wild The Rise of the American Motorcyclist*, p.93

three-cylinder engine.¹³ This prompted Honda to develop their own 750cc engine. However, the main difference is that Honda's 750cc engine was the first high-volume production 4-cylinder engine to be mounted in a motorcycle frame and sold to the general market. The CB750 was made specifically to satisfy the demands of hardcore motorcycle enthusiasts and beat out competition in the process. The CB750 sold extremely well and was the first motorcycle to attain the moniker of "superbike" because of its high performance. It beat the competition on almost all levels which include power, RPMs¹⁴, reliability, and price. Demand was so high that Honda was forced to increase production of the 750cc engine by utilizing its many factories in Japan that were originally constructed to manufacture different models. By the 1970s, Honda had managed to maintain approximately 50% of the motorcycle market share. From the 1970s to the present, Honda started to face fierce competition amongst Yamaha, Suzuki, and Kawasaki. Despite all of this, Honda was, and is, able to maintain an impressive market share.

3. Case analysis

In the case presented, it became clear that Honda made impressive strides in the American motorcycle market within only a decade. In examining the use of the marketing 4P concept, different aspects of Honda's marketing strategy, their effect and why they were used, show that the right marketing mix can become the basis for a company's success. During the period of 1959 to 1969 Honda reimagined the motorcycle market and chose to promote their products in a completely different way before formulating a plan to dominate the original market. This helped them to seize the advantage over their competitors.

¹³ Studio Tac Creative Chapter Published CB750 Four 2008, p.40

¹⁴ Note* RPM: Revolutions Per Minute

The following table summarizes the market Honda reimagined, and when compared with the table on page twelve, stark differences in the marketing strategy of American Honda as compared to other manufacturers can be seen.

Product	Place	Price	Promotion
Small to medium-displacement motorcycles 50cc-450cc	Hobby Shops, Boating Shops, Hunting Shops Honda dealerships (which were larger than industry standard)	Retail value of \$215-\$1,000 (approx. \$1,764-\$8,206 when adjusted for inflation as of 2020 ¹⁵)	Magazines, Newspapers, T.V.

Figure 6: Summary of the Needs of the Market Honda Reimagined

Compare with figure four on page twelve

Product: During Honda’s entry into the market, they specialized in small-displacement motorcycles. These were mainly the Dream, Benly, and Honda 50. These three models were already largely successful in Japan which is one of the main reasons they were Honda’s flagship motorcycles. The most prominent amongst these was the Honda 50. This was an overhead valve

¹⁵ 1950 to 2020 Inflation Calculator, Accessed 2020.12.20

air-cooled four-stroke engine. It produced 4.5 horsepower and had a maximum speed of 45 mph. Upon its release, it featured a low compression ratio which allowed it to consume cheaper low octane fuel without the combustion cycle resulting in engine knock. Its simple design allowed engineers to design it to be extremely reliable at a low cost. This reliability was apparent in several ways. Breakdowns were far and few between, and it was noted on many occasions that Honda products did not leak oil in the showroom as compared to their British or American counterparts. In America, this was perhaps the starting point of Honda's brand image of reliability.¹⁶



Source: Honda Global

Figure 7: 1966 Honda Super Cub

The Honda 50 was extremely easy to use and it offered many benefits over the traditional motorcycle that helped to make it marketable to a larger audience. This ease of use manifested itself in many ways, the first being the controls. The Honda 50 made use of a centrifugal clutch as opposed to a manually operated hand clutch. This meant that there was no need to balance the clutch and throttle, so the user had only to twist the throttle and use the clutchless shift lever. In addition to the small engine, the relatively low curb weight made it easy for Honda's target audience, young people, and housewives, to ride. In addition to being easy to use, the colorful chassis and compact shape helped make it possible to sell in other shops that were not motorcycle dealerships. Places that catered to leisure such as boating, hobby, and sporting shops would have an easier time fitting a small Honda 50 in the showroom floor or display case as opposed to large-displacement motorcycles that dominated the early market.

¹⁶ Honda Global

Towards the end of the case, it was mentioned that Honda released a revolutionary motorcycle called the CB750. This motorcycle was critical in helping Honda become the industry leader in the large-displacement motorcycle market. The concept of the CB750 was formulated specifically to outperform the competition, as well as respond to consumer needs. The superior specifications can be seen on the following page.



Source: Honda.co.jp

Figure 8: 1969 Honda CB750¹⁷

¹⁷ Honda.co.jp

Manufacturer	Model	Engine type	Displacement	Max Power	Price
MV AGUSTA	600 G T	Air-cooled 4 cycle DOHC 4 cylinder	592cc	51hp@ 8,200rpm	\$2,889
BMW	R 69 S	Air-cooled 4 cycle OHV 2 cylinder	594cc	42hp@ 7,000rpm	\$1,648
BAS	ROCKET3	Air-cooled 4 cycle OHV 3 cylinder	750cc	59hp@ 7,250rpm	\$1,765
NORTON	COMMANDO	Air-cooled 4 cycle OHV 2 cylinder	745cc	55hp@ 6,500rpm	\$1,460
TRIUMPH	T120R	Air-cooled 4 cycle OHV 2 cylinder	649cc	49hp@ 7,000rpm	\$1,375
HONDA	CB750 FOUR	Air-cooled 4 cycle OHC 4 cylinder	738cc	66hp@ 8,500rpm	\$1,495

Figure 9: Chart comparing the specifications of similar models¹⁸

The Honda CB750 was revolutionary as it combined remarkable technology, engineering, and pricing that allowed it to beat out the competition in almost every category. This technology and engineering afforded improvements such as a high displacement, four cylinders, smooth

¹⁸Demizu, Commercialization of the Japanese large-scale motorcycles for the expansion in the American market, p. 17
 Conversions: 1ps=0.986hp Abbreviations: rpm=revolutions per minute/ DOHC,OHV,OHC = Double Overhead Cam, Overhead Valve, (Single) Overhead Cam, respectively

operation, and much more. Honda made sure to highlight these advantages in its advertisements. These things, along with other selling points, helped greatly in allowing Honda to maintain a near 50 percent market share three years after the release of the CB750.¹⁹

Place: Before entry into the American market, executives at Honda had considered selling through a trade company. The advice to do so was given through a consultation with the Mitsubishi Corporation. However, there was an abundance of competition, and marketing and sales director Fujisawa decided that selling through a third party would make it difficult to price Honda products in such a way that they stay competitive while bringing in a profit. In the example given by Jun Otahara, it was found that Yamaha, which was exporting through a general trade company, was seeing profit margins of approximately 0.7%-0.8%. This implies that Yamaha was sacrificing profits in doing business through a trading company.²⁰ The American Honda Motor Company was established, and this subsidiary would oversee importing, wholesaling, retailing, and organizing partnerships with local dealers. In doing so, this allowed Honda to eliminate the 12% to 18% importer margin which would increase profits and fund the expansion of the company. Had Honda decided to pursue business through a trade company, the reduced profits may have slowed growth and caused it to lose its early competitive edge when compared to other companies such as Yamaha and Harley Davidson.

Earlier in the case, it was briefly discussed that Honda made the decision to expand their sales network. Kawashima was starting to realize the limits of selling through traditional motorcycle dealerships. Space on showroom floors was limited, and there were only so many motorcycle dealerships in California. Lack of product awareness and competition on the showroom

¹⁹ See footnote 2 on page 2

²⁰ Otahara, *Evolutionary Phase of Honda Motor*, 2000, p. 15

floor of motorcycle dealerships led Kawashima to seek other locations to sell the Honda 50. This was an important decision because through partnerships with local boating, hobby, fishing, hunting and sports shops, it further strengthened the image of Honda products being a fun tool of leisure. In doing so, Honda was able to distinguish its products from large-displacement motorcycles which were held in disregard by the average citizen. This sales route expansion strategy had a synergistic effect with the “*You meet the nicest people on a Honda*” advertising campaign.

In addition to the expansion of sales routes, Honda made it a point to overhaul company uniforms as well as improving the business practices at American Honda. Employees were given training on how to interact politely with customers and they were instructed to wear clean and professional attire. This was done to reverse the negative associations Americans had with motorcycle shops. Managers at various dealerships were given training on Honda products and were encouraged to maintain a clean showroom to promote a friendlier environment that would be more welcoming to the average citizen. Honda encouraged this change by awarding subsidies to dealerships who were top sellers of Honda products. The change was slow, however the attitude that Americans held toward motorcycle dealerships started to change. Through opening a subsidiary in America, establishing alternative sales routes, and the revitalization of motorcycle dealerships, Honda created an environment that was conducive to its growth and fostered a strategy to outperform competitors.

Price: The pricing structure of Honda motorcycles contributed to their competitive nature in the American motorcycle market. As mentioned in the *Place* section of this case analysis, it was made clear that Honda decided to enter the market through establishing a wholly owned subsidiary of Honda Motors. Because of this, Honda was able to avoid cumbersome importer fees. Fujisawa saw this as a necessity because other Japanese companies that were attempting to penetrate the

American market (namely Yamaha) were met with extremely thin profit margins which led to reduced capital. Avoiding excess expenses tied to selling through trade companies allowed Honda to fund activities that contributed to the growth of the company. This choice allowed Honda to offer products at a competitive price that eventually helped to force European motorcycle makers out of the market. The competitive pricing can be seen in the chart below.²¹

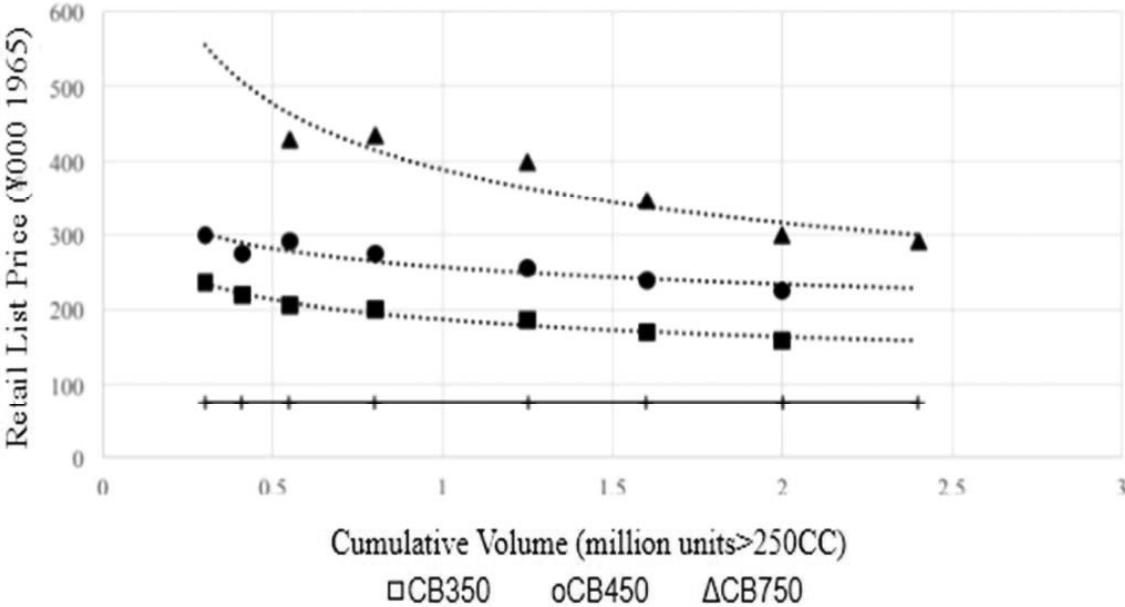
Name & Type 50cc	COO	Price (US\$)	Name & Type 125cc	COO	Price (US\$)	Name & Type 150-175cc	COO	Price (US\$)	Name & Type 250cc	COO	Price (US\$)
Jawa	Czechoslovakia	219	BSA (Bantam)	England	405	Jawa (St.)	Czechoslovakia	399	Jawa	Czechoslovakia	469
Honda (C100)	Japan	245	Jawa (Scrambler)	Czechoslovakia	406	Jawa (scooter)	Czechoslovakia	429	Maico (Blizzard Super sp)	West Germany	535
NSU (N)	West Germany	275	Honda (CB92)	Japan	495	Honda (CA95)	Japan	460	Honda (CA72)	Japan	560
			Ducati (Super Sport)	Italy	499	BSA (Super Bantam)	England	475	Puch (SG5)	Austria	560
			Rumi (St)	n.a	569	Jawa (Scrambler)	Czechoslovakia	486	TWN (BGO)	West Germany	565
			Rumi (Scooter)	n.a	629	Ducati (American Sp.)	Italy	519	ZUNDAPP (Super Sabre)	West Germany	565
						Lambretta (TV)	Italy	579	Barnett (80 Cruiser)	n.a	579
						Ducati (American Sp.)	Italy	599	James (L25)	England	579
									Maico (blizzard Scrambler)	West Germany	579
									MZ	East Germany	580

Figure 10: Prices on the U.S West Coast

Source: The Automobile Manufacturing Industry in Japan

21 Otahara, Evolutionary Phase of Honda Motor, 2000, p.16,17
 Source: Compiled from MITI, The Automobile Manufacturing Industry in Japan (1961), pp 118-21
 COO: Country of Origin

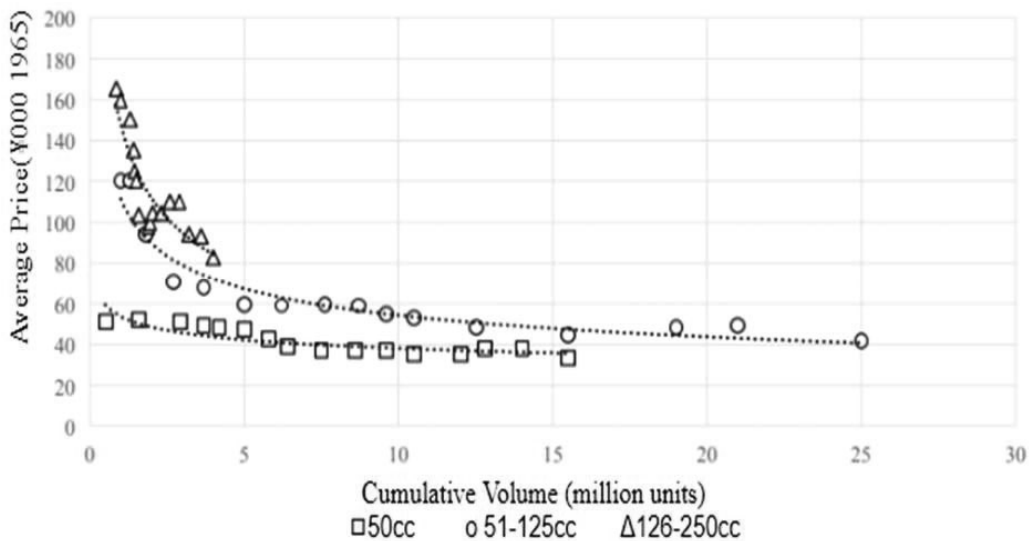
This ability to price products at a low cost was a result of a multitude of factors. These factors include the decision to open a subsidiary in America, leveraging economies of scale through mass production in Japanese factories, and perhaps most notably, the experience curve brought about by optimization in manufacturing processes. In the BCG report, it was noted that one of the most substantial reasons that Japanese manufacturers, namely Honda, were able to obtain significant market share was their ability to leverage price experience curves to allow for long-term competitiveness. In Honda’s case, this experience curve can be seen by the following graphs.²²



Source: Decision-Making by Precedent and the Founding of American Honda (1948-1974) p.8

Figure 11: Japanese Motorcycle Industry Price Experience Curves

²² Decision-Making by Precedent and the Founding of American Honda (1948 -1974) p. 8



Source: Decision-Making by Precedent and the Founding of American Honda (1948-1974) p.8

Figure 12: Honda Large-Bikes Experience Curves (1968-1975)²³

As Masanell and Heilbron summed up in their report (2016)²⁴:

“According to the Boston Consulting Group, Honda captured the American market by achieving experience economies in a process of segment advance. High production volumes allowed Honda to achieve low production costs and eventually sell their goods for less than their rivals – explaining their growing market share within segments. Segment advance refers to the repeated application of this approach to larger classes of motorcycle, sequentially – explaining their growing market share between segments. BCG presents evidence that the average price of smaller Japanese models began

²³ Decision-Making by Precedent and the Founding of American Honda (1948 -1974) p. 8

²⁴ Decision-Making by Precedent and the Founding of American Honda (1948 -1974) p. 9

to fall beginning in 1959. (They interpret this as indicative of underlying drops in cost.) They then describe a similar phenomenon occurring in Honda's larger models, which Honda introduced in the late 1960s). “

Price performance was an important factor in the marketability of Honda products. According to data from the United States Census Bureau²⁵, the average median income of families in 1960 was approximately \$5,600. Assuming that a quarter of this money could be spent towards one's savings or investment, the average family could possibly have around \$1,400 left over at the end of the year. Purchase of a large-displacement motorcycle which cost approximately \$700-\$1,000 would have been difficult for the average household. Therefore, having the main product priced at a competitive \$215-\$250²⁶ was imperative for marketing the Honda 50 to a larger audience. Because the Honda 50 was financially available to a wider audience, it made it easier to change the perception of people's perception towards motorcycles. This astounding price performance was also seen with the Honda CB750. Although the \$1,495 retail price of the CB750 was higher than that of the Triumph T120R (\$1,375) and the Norton Commando (\$1,460), it could still be said that the Honda CB750 had greater price performance when also considering metrics such as horsepower and displacement.

Promotion: The most notable turning point in Honda's marketing strategy was brought about by the introduction of the world famous “*You meet the nicest people on a Honda*” advertisement. This was an advertising campaign that would run for twelve years. Honda sought partnership with a local advertising agency. Grey Advertising, an American marketing firm

²⁵ United States Census of Population Supplementary Reports

²⁶ Note* Price variance was attributed to additional options and services.

established in 1917, bought the advertising idea from a University of California, Los Angeles college student who created the concept through a class assignment. The advertisement was adapted for use in magazines and posters.

This advertisement was immensely important because it was Honda's first big appeal to the wider audience that other manufacturers had a difficult time capturing. Honda appealed to this wider audience in a few ways. The first way was through the product design. Important elements of the Honda Super Cub (a larger displacement version of the Honda 50) were made apparent. These included the leg shield on the front fairing, which blocked wind and debris, the easy-to-use semi-automatic transmission, and the enclosed chain. The second main appeal of the advertisement was the type of people riding the Honda Super cub. The riders were depicted as everyday citizens running errands or commuting to work and school. Through this advertisement, Honda made an attempt to distance itself from the image of violent, black leather jacket-wearing motorcyclists. Instead of trying to appeal to the relatively small audience of hardcore motorcycle enthusiasts, Honda sought out the relatively untapped market which consisted of ordinary citizens.

The "*You meet the nicest people on a Honda*" advertisement was met with great success. So much so, that Grey Advertising approached Honda with an offer to advertise during the Academy Awards, a broadcasted television event (now known as "The Oscars "). This event highlighted the achievements of people who received awards based on artistic and technical merit such as actors, actresses, singers, and composers. The broadcast fee was \$300,000²⁷ for two 90-second advertisements. Kihachiro Kawashima was hesitant at first, however he eventually agreed to the terms. Honda was the first motorcycle company to sponsor such a large event and its advertisements were met with incredible success. According to the previously stated values, sales

²⁷ Approximately \$2,504,622 in current dollar value (calculated November 10, 2020)

for the 1965-1966 period were approximately 267,640 units, and sales for fiscal year 1965 were recorded to be slightly over \$77 million and sales for the year 1966 totaled to over \$106 million.²⁸ It stands to reason that Honda was able to record such incredible revenue in such a short time because of these advertisements. No motorcycle company had undergone such a large sponsorship in America and because Honda took the initiative in marketing to a wider audience, they were able to gain a powerful foothold in the market.

The advertisement was so effective that it spawned numerous imitations. Other companies were acutely aware of Honda's rapidly rising market share and sought to create identical advertisements to recover lost market share before it was too late. Most notably, among these were Yamaha and Harley Davidson, and the similarities when compared to the original Honda advertisement can be seen by the following illustrations.



Source: Honda.co.jp

Figure 13: Honda Advertisement²⁹

²⁸ Randy D. Mcbee, *Born To Be Wild The Rise of the American Motorcyclist*, P. 93

²⁹ Honda.co.jp



Source: Wikipedia

Figure 14: Harley-Davidson Advertisement



Source: FlashBak

Figure 15: Yamaha Advertisement

Similarities can be seen when comparing the other companies' advertisements to Honda's^{30 31}

It is also worth mentioning that the release of the Honda CB750 was a very well-timed strategic move. The CB750 contained the first mass production four-cylinder engine in a motorcycle and this element was prevalent in its advertising as this was apparent by its moniker "Honda 750 Four". After conquering the small-displacement motorcycle market, Honda shifted its focus to the large-displacement motorcycle market. This change in focus also showed a change in advertising method. Steps were taken to show the high-level specifications, particularly those that were of interest to the target audience. The highlighted specifications included, but were not limited to, number of cylinders, power, acceleration, and top speed. This newly developed motorcycle was novel, and Honda made sure to capitalize on that in its advertising.

³⁰ Wikipedia

³¹ Flashbak

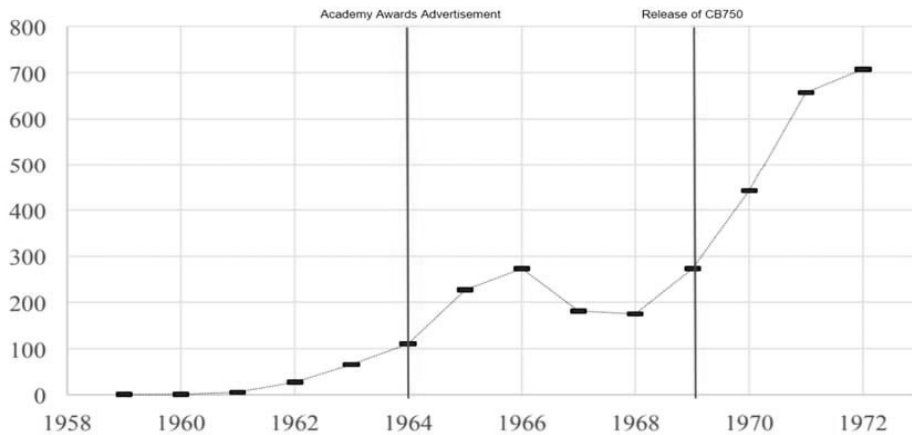
Conclusion

Overall, through the analysis of Honda's early marketing strategy in the American market, some of the most important factors for the growth of American Honda Motor Co were mentioned, specifically expanding the early sales network, and attempting to appeal to a wider audience. This study was divided into three main sections: The definition and importance of the marketing 4ps, the early history and case of American Honda Motor Co., and its analysis. After defining product, place, price, and promotion, their importance was made clear and these concepts were applied in the case analysis.

Honda had become aware of the rising demand for motorcycles in America and sought to capitalize on that growth of the market. The initial entry into the market started out relatively unsuccessful and Honda's early large-displacement and small-displacement models were fraught with malfunctions and breakdowns. This encouraged management at American Honda to focus sales on its reliable small-displacement motorcycle, the Honda 50. Through trial and error, Honda was able to employ successful marketing strategies that sought to capture a relatively unexplored part of the American market, shortly after Honda had all but conquered the small-displacement motorcycle market, they aimed to regain market share of the original market which consisted of motorcycle enthusiasts who preferred large-displacement motorcycles. Through the data and facts presented, it can be suggested that Honda's early market success was largely due to its marketing strategies that focused on products for new targets, expansion of distribution channels, competitive pricing and unprecedented advertisements. The subsequent growth that followed Honda's television advertisements and release of the Honda CB750 can be seen in the graph below.³²

³² Decision-Making by Precedent and the Founding of American Honda p. 27

American Honda Motorcycle Sales (1960-1972)



Source: Ramon Casadesus-Masanell John Heilbron

Figure 16: American Motorcycle Sales

Lastly, upon analyzation of this case, it begs the question; *Had American Honda not implemented their marketing strategy, particularly the promotional advertisements, would they have been successful in fending off the competition that was becoming increasingly aware of Honda's intentions as well as emerging market trends?* Perhaps some of the most important lessons that can be learned from this case is that even if a market appears to be saturated, with the right timing and marketing strategy, it is possible to enter the market and be successful. Despite a sluggish post-war economy, Honda was able to dominate the domestic Japanese market and then expand to an overseas market shortly after. The Honda Motor Company was founded well after its competitors, yet they were able to gain a foothold in the American market and eventually maintain a majority of the market share. Some researchers have claimed that Honda's success in the American market was simply reckless or lucky, but on the other hand, it could be argued that it was the result of superb timing and effective marketing strategies.

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