

## **STRATEGY INNOVATION FOR HONDA HIGH-END CARS**

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### **ABSTRACT**

*A study mainly focus on determining strategy innovations and selecting the most applicable marketing strategy for Honda Cars Batangas (HCBT) as a dealership contending with its low sales of high-end cars. The proponents used qualitative and quantitative methods such as conducting interviews and surveys which were analyze through content and quantitative analysis. One hundred (100) respondents within the province of Batangas ranging from 18 years old and above, male and female, single and married, and earning a monthly income of ₱30,000 and above and two employees from HCBT were chosen to be participants of the study. The objective is to identify the customer profile and preferences of the respondents to come up with probable strategic options through the means of SWOT Matrix Analysis that can aid in HCBT's problem. The results showed that the target market of the dealership is within 46 years old and above, mostly male, married and earning a monthly income worth of ₱100,000 and above or the top executives and entrepreneurs. Outcomes also included demographic profile such as age, gender, civil status and monthly income which has greater influence in high-end cars' acquisition and has significant relation to marketing mix. The strategy innovations are: utilizing all of Honda's strengths in grabbing the opportunities (area of offense), offering new models with lower price (area of adjustment and area of survival), increasing the number of distribution centers and trade-in (area of defense). Of all the strategy options, trade-in was selected by the proponents to be used in increasing the sales of high end cars. By means of this method, more people will have the capacity to acquire high end cars through trading in their old cars. These buyers will have a lower monthly amortization through the means of trade-in value which will serve as their down payment. Other than increasing sales of high end cars, HCBT will also gain a pool of second-hand buyers who will acquire the cars which have been traded in.*

**Keywords:** **Automobile sales, Batangas, Marketing, Strategy, SWOT Matrix**

## **INTRODUCTION**

Honda Motor Co., Ltd is a Japanese renowned multinational corporation known for manufacturing automobiles and continues to dominate the global industry of automobile production through bringing up the power of dreams. Along with the 2011 status report of Insurance Institute for Highway Safety (2011), the top safety pick in 2012 includes Honda. The brand was also awarded as the most improved rollover ratings based on test of roof strength-to-weight ratio. Based on the Association of Southeast Asian Nation New Car Assessment Program (ASEAN NCAP) (2012) crash test - an organization that elevates vehicle safety standards - Honda ranked first in the child occupant protection at 81% and second in the adult occupant protection with five stars. Meanwhile, Honda Cars Batangas (HCBT) is one of the dealerships that sell high-end cars and currently experiencing adversity in sales. Honda high-end cars incorporate Accord, Pilot, Odyssey and CR-Z (APOP).

This is the actual scenario in Honda Cars Batangas. 171 consumers annually must be the ideal sales number for high-end unfortunately, HCBT does not reach this target market for high-end cars considering that on the 2013 Percentage Sales per Year, the dealership obtained poor results which were equal to 0.41 percent for Accord, 0.21 percent for Pilot and Odyssey and 0.62 percent for CR-Z.

### **Review of Related Literature and Studies**

#### *Related Literature*

According to Jansen (2007), customer profiling provides marketers a basis to communicate with existing customers in order to offer them better services and retaining them. Communicating is done through assembling collected information that is necessary to generate business on new and existing

customers such as demographic and personal data. Through customer profiling, it will be easier for the business to distinguish why customers buy, to spot opportunities to sell new products and, in particular, to group individual customer profiles into different market segments which will enable to target each group with specific efforts fitted into customers' needs.

According to an article written by Sessoms (n.d.), demographics are important to identify the ideal consumer for a firm's products or services. Since businesses can't target their marketing to each individual consumer, demographics are the most effectual method for targeting marketing to groups of people with similar characteristics. It is also essential as a basis for raising startup funds, to develop marketing strategies and to guide the launching of the business. Furthermore, demographics can help marketers avoid costly mistakes in the strategy innovation. It can figure out if the strategy is suitable in the business. According to Fife-Schaw, et al. (2007), consumer preference is used to recognize an option that has the highest anticipated value among a number of options. Preference indicates choices among neutral or more valued options with acceptance indicating a willingness to tolerate the status quo or some less desirable option.

According to Kotler and Armstrong (2013), marketing mix is a set of marketing tools that firms combine to yield the response it wants from the target market. It entails everything that the company can do to influence the demand for its product or service. It can be classified into four groups: (1) product, (2) price, (3) place, and (4) promotion.

Product indicates the goods or services or a combination of the two that the organization offers in the market. Price describes the amount of money that consumers must pay to acquire the product. On the other hand, place involves site where goods or services can be found by consumers while promotion refers

to activities that communicates the merits of the product and persuades customers to buy it. According to Kotler and Armstrong (2010), market segmentation and market targeting are vital to the intermittent growth and development of all firms. It offers various aids that can help businesses maximize the potential breaks efficiently.

Market segmentation stands for the process of dividing a market into distinct groups of buyers who have different needs and wants and characteristics or behaviors. It is done for marketers to determine sections that offer the best opportunities. Market targeting is the process of assessing each market segment's attractiveness and selecting one or more segments to enter. An organization should choose segments wherein it can profitably generate the greatest consumer value and sustain it over time.

PESTLE (Political, Economic, Social, Technological, Legal and Environmental) Analysis, as defined in [www.professionalacademy.com](http://www.professionalacademy.com), is a marketing tool that enables to analyze and monitor the external marketing environment factors. It has an impact on one's business. The result of the mentioned analysis identifies opportunities, threats and weaknesses which can be used in a SWOT analysis. Political Factors describes how and to what extent a government intervenes in the economy. It involves policy and laws implemented. Economic Factors have an essential effect on how an organization does well in the business and how profitable it is. It includes economic growth, inflation and other bases affecting the economic stability. Social Factors involves areas that shared common belief and affected by each other. Population growth, age range, health consciousness and others belongs to this factor. Technological Factors describes the technological changes and innovation and how it impacts the way firms market its products or services. Environmental Factors are significant due to the descending amount of raw materials thus, more consumers become demanding on the products they purchased. Legal Factors illustrates the legal and

non-legal actions that organizations should consider. Kotler and Armstrong (2010) also discussed SWOT analysis. The goal of SWOT analysis is to match the company's strengths to attractive opportunities in the environment, while eliminating or overcoming the weaknesses and minimizing the threats. It is a strategic tool that specifies the actions to be taken on the variables identified.

Strengths are internal capabilities that may help a company reach its objectives. Weaknesses are internal limitations that may interfere with a company's ability to achieve its objectives. Opportunities are external factors that the company may be able to exploit to its advantage. Threats are current and emerging external factors that may challenge the company's performance. Kotler and Armstrong (2010) also discussed marketing strategy as a marketing logic that indicates the company's hope to create customer value and achieve profitable customer relationships. The company decides which customers it will serve (segmentation and targeting) and how (differentiation and positioning). It identifies the total market, then divides it into smaller segments, selects the most promising segments and focuses on serving and satisfying the customers in these segments.

### *Related Studies*

An article, entitled: *Driving through the Consumer's Mind* (2014) suggested that marketing mix is relevant in the acquisition of cars. Based on the study, the top reasons for vehicle purchase are size, space, technology, affordability, fuel efficiency, reliability, and brand image, etc. Clearly, these qualities are grouped into product, price, place, and promotion. The family members or dependents can use the car or size ranked as one of the leading triggers in purchase decision. It is the top trigger because consumers look unto a car that may be utilized for their family primarily. Considering that the consumer is

a first timer, it is very rational and practical that the buying decision is influenced by the size. It is also found out that first-time buyers utilize the reliability, dealer services and resale value as filters while making brand choices. In relation to repeat-buyers, technology and need for more space rated as three of the top drivers. Given that the consumers are repeat buyers, they tend to look into innovation. Similar to first-time buyers, repeat buyers also use reliability, dealer services and resale value as filters in making brand choices.

Choo and Mokhtarian (2003) mentioned that household income has a positive sign for expensive cars such as high-end while the personal income has a negative sign for small cars. The number of people in the household under age 19 years old has a positive sign and highest magnitude for minivans, with a smaller positive coefficient for mid-sized cars. On the other hand, the number of people age 65 years old or older has a positive sign for larger cars such as large and luxury cars. That is, all else equal, females are significantly less likely to drive pickups (the base alternative) than any other vehicle type. As expected, the urban neighborhood variable has a positive sign for small and luxury cars. The employed variable has a negative sign for mid-sized or luxury cars, and minivans. This result is a clear indication that unemployed people such as homemakers and retired people may tend to drive family vehicles or bigger and more comfortable cars. The sales variable has a positive sign for mid-sized and luxury cars, indicating the need for a comfortable vehicle in an occupation often involving a lot of travel. The coefficient for luxury cars has the higher magnitude of the two, suggestive of the need to appear successful in a sales occupation. An article cited that according to a research of Dr. Michael Dunn of the University of Wales Institute in Cardiff (2009), women are more attracted to men driving expensive cars. Thus, more men acquire high-end cars. On the other hand, in terms of civil status, it showed that purchases change throughout an individual's life cycle once he had a family.

Koppel, et al. (2005) cited that Dohring Company, North America's largest provider of custom market research to the automotive sector, argued that out of 7,995 American drivers planning to buy a new car in the future, 83 percent consider safety as very important consideration when purchasing. Additionally, Dohring Company stated that 74 percent of participant classified safety features namely smart airbags, vehicle stability control and anti-rollover systems would be more important in their next acquisition than they were five years ago. Paszkiewicz (2003) mentioned that the average age for consumers who buy new cars is 47 years old. Furthermore, the probability of buying a new car increases due to a secured financial stability of older people. Meanwhile, in the gender portion of the study, the results suggested that men and women acquire cars differently. Williams (2012) cited that three out of five parents involve the family size in car buying decisions. In relation to income, the study showed that consumers who purchased a car belong in the highest income quintile.

## **METHODOLOGY**

### **Subjects of the Research**

The participants in the study incorporated 100 people, male or female, single or married. Also, the respondents are living within the area of Batangas province, aged 18 and above, with a salary range of ₱30,000 and beyond. The quantity of participants is selected by means of quota sampling. Quota sampling method is used taking into account that Honda Cars Batangas consists of an outsized number of target customers since the stated dealership is the only Honda car dealership situated in Batangas.

Honda Cars Batangas employees are also participants in the study particularly, Mr. Ardie Villena, the Sales Executive and Ms. Rose Marie Andaya, the Research and Development Specialist. The employees are selected to help

the researchers broaden the knowledge and information essential to come up with the finest marketing plan to disentangle the hitch.

### **Data Gathering Procedure**

This study used an online survey which formulated in the Google docs and are collected, tabulated, analyzed and interpreted using quantitative analysis. The proponents used percentages, weighted mean, level of agreement and Pearson correlation coefficient. On the other hand, the questions from the interview were analyzed through content analysis.

## **RESULTS AND DISCUSSION**

### **Interview Results**

Based on an interview with Mr. Ardie Villena, Honda Cars Batangas uses methods to market its cars. Mr. Villena also stated that having low sales depends on each model. For instance, in CR-Z, sales are low because it does not fit for family use. On the other hand, Ms. Rose Marie Andaya mentioned that HCBT's target customers are the ones who want value for money and can afford. She also told that most of the buyers of APOC are with family. Moreover, Ms. Andaya said that HCBT also conducts marketing activities outside. Currently, they are not accepting trade in cars but their sales executives provide extra assistance for those clients who want to sell their old cars.

### **Survey Results**

The succeeding table displays the customer profile of respondents in terms of demographics.

**Table 1. Demographic profile of the respondents**

Category		Number of Respondents			
Age	18 to 25	39	Monthly Income	30000-39,999	60
	26 to 35	17		40,000-59,999	31
	36 to 45	18		60,000-99,999	4
	46 above	26		100,000-150,000	5
Gender	Male	49		250,000 above	0
	Female	51			
Civil Status	Single	54			
	Married	46			

*Relationship of Respondents' Demographics in Buying High-End Cars*

The results showed that the relationship of respondents' age in buying high end cars is significant. Respondents with an age range of 46 years old and above ranked first of those who are willing to buy a high-end car (Paszkiewicz, 2003). Thus, as the age increases, the preferences varies and the interest in acquiring high-end car also increases. This segment of consumers shows high interest in acquiring high-end cars since they are financially stable that they do not look at the price of the car, but for the quality of it. Meanwhile, in terms of gender, women are more attracted to men driving expensive cars thus on the proponents' survey results; males are more willing to buy high-end cars than females (Dr. Dunn, 2009). It is a clear indication that one of the major factors of males in buying high-end cars is the influence of the attention that males would get from females. Additionally, in an article written by Rufus (2010), it was cited that males spend 19 percent more. With regard to civil status, married respondents want to acquire high-end cars. An article by Williams (2012) suggested that three out of five parents involve kids in car-buying decisions, which is the reason they are looking for a greater quality, safer, and bigger car. On the other hand, the relationship of monthly income is clearly significant. Paszkiewicz (2003)

suggested that individuals who can afford high end are those that belong to high-income quintile which refers to respondents earning ₱150,000 and over.

Based on the results, the proponents suggest that the target market of HCBT's high end cars are those individuals earning a monthly income of ₱100,000 and over, mostly male which is the five percent portion. Additionally, target market incorporates individuals within 46 years old and above. Moreover, married individuals are the preferred consumers based on the Study of (Choo & Mokhtarian, 2003) whereas household income has a positive sign for expensive cars than personal income or the top executives and entrepreneurs.

### **Respondents' Preference in Terms of 4Ps**

#### *Product: Safety*

Dohring report (2005) states that drivers consider safety as the most important consideration when buying cars considering that there are countless accidents happening, it is important to prevent it somehow through acquiring cars with more safety features.

#### *Price: Reasonable Price*

Klein and Leffler (1981) cited that consumers can use price as an indicator of quality as the result shows.

#### *Place: Attractive Showrooms*

The main indicator of the respondents is based on the five senses. Thus, they tend to focus on what they see, hear, smell, and feel on the dealership' showroom.

#### *Promotion: Good Reputation*

Reputation matters most to auto buyers because it serves as an indicator that the product is trustworthy to invest money.

## **PESTLE Analysis**

PESTLE Analysis was done by the researchers to set the limitations needed in making SWOT Matrix Confrontation Analysis.

Based on political and legal factor, the implementation of Lemon Law in the Philippines protects new car owners from factory defects (Sy, 2014). Economic factor incorporates growing economy wherein more Filipinos can afford high-end cars (www.gov.ph). Social factor includes car a status symbol for having a good life. Technological factor suggests Honda, as a brand, has always been committed to innovating technology and challenging boundaries. Environmental factor comprises Philippines, as a tropical country can make car engines overheat easily fortunately, Honda developed various engines in each country to suit weather and climate constraints.

### *SWOT Matrix analysis*

In the “area of offense” the dealership may advertise all of its strengths to capture the opportunities in the future. In the ASEAN 2015, foreigners from Southeast Asian nations are probable consumers of Honda and more people will have the capability to buy since there will be a free flow and the absence of trade and tariff. In the region, IV-A booming industry creates opportunities for Honda to offer cars for company use. The dealership may also offer discounts and promos to catch the attention of industries. In relation to the increasing population of region IV-A, HCBT may make an upturn in its target market and higher the chance to increase its sales. In the area of defense, Honda may increase its distribution centers in different parts of the country since its number is limited. Moreover, the dealership may use the trade-in together with auto loan as a marketing strategy. This strategy is a win-win approach given that the dealership will earn additional income, and customer will be able to buy a car. In the areas of adjustment and

survival, HCBT may offer new models at lower price wherein more people can afford.

#### Trade-In

Trade-in Program is the strategy that proponents proposed for Honda Cars Batangas to help increase its sales of high-end cars based on the variables used and SWOT confrontation matrix analysis. It is a marketing strategy which enables buyers to encourage to acquire a new car and getting rid of old cars.

Currently, HCBT is not accepting trade-in cars but its sales executives provide extra assistance for clients who want to sell their old cars. Within this line, the proponents suggest considering the pertinent trade in value as depends on the car's condition and to build a pool of second-hand buyers. This strategy is a win-win approach for HCBT considering that high end will be more affordable to clients since the trade in will be deducted to the value of high-end cars making it as the consumers' down payment which means there will be lesser monthly amortization for customers.

#### *I. Sample Computation*

**Table 2. Honda trade-in value**

Model	Honda City 2009	Honda Civic 2009
Original Price	721,000	858,000
Fair Market Value	408,000	400,000
%	20%	20%
Honda Trade-In Value	144,200	171,600

The table represents the trade-in value of two Honda cars namely, City and Civic. The fair market value of the two cars after five years are ₱408,000 and ₱400,000 respectively. According to an article published in [www.theaa.com](http://www.theaa.com) in 2012, entitled: *Depreciation*, an average new car will have lost its value at an average of 20 percent per year. Moreover, the remaining value that can be traded-in is 20 percent. Thus, original price multiplied by 20 percent is equal to Honda trade-in value. These values will serve as a down payment of the high end car

considering HCBT taking in the car and selling it to the pool of second-hand buyers.

**Table 3. Comparison of before and after trade-in**

Model	Before Trade-In Monthly Amortization	After Trade-In Monthly Amortization
Accord	60,000	36,245
Pilot	75,000	46,364
Odyssey	80,000	50,659
CR-Z	55,000	33,954

Using the trade-in value of Honda Civic 2009, Table 3 clearly indicates the huge gap between the monthly amortization of before and after trade-in. The reason behind this is Honda gives greater value on the car being traded-in because the value of Honda cars decreases gradually compare to other brands.

The figures under the before trade-in column is based from the 2014 official price list of Honda. On the other hand, after trade-in monthly amortization is based from the 9.5 percent interest rate. The trade-in value is deducted from the original price of APOC. The residual value is applied for an auto loan with 9.5 percent annual interest rate with 10 percent down payment and payable within 60 months.

## **CONCLUSION**

Based on the results of the study, the researchers concluded that:

The age, gender, civil status, and monthly income are the major indicators of individuals in buying high-end cars. As the age increases, the interest and capability in buying high end also increase. Males have a higher probability because of the attention that males would get. Married individuals have a greater prospect given that the household income is larger than personal income and these individuals involve their family in buying decision. Monthly income earning of ₱100,000 and above can acquire high end considering the price. Therefore, these individuals are the target market of Honda Cars Batangas. In relation to the marketing mix, the researchers realized that there are certain segments of

customers who prefer certain things. Based on the use of variable, PESTLE analysis and SWOT Confrontation Matrix Analysis, the proponents proposed a trade-in.

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