

## Honda and the US motorcycle market

Case taken from The International Business Environment, second edition (Palgrave, 2006), by Janet Morrison

It had been accepted that Honda's penetration of the US motorcycle market had been based on a deliberate strategy to target the bottom end of the US market, with the 50cc Supercub. However, research by Richard Pascale in 1984 revealed a different story. He found from speaking to Honda's executives that they were confident that the Honda 50 was a brilliant design, but they had had difficulties in raising production capacity in Japan. When they went to the US in 1959, they set themselves a target of exporting just 6000 machines per year for several years, leaving the actual timescale unspecified. They reckoned on 25 per cent of each of their four products: the 50cc Supercub, and the 125cc, 250cc and 305cc machines.

The dramatic success of the 50cc came about through 'accident, good luck and the Honda US executives' willingness to respond to events and learn from the market' (Barwise, 1997). They concentrated first on selling the larger bikes, as they thought they were more suitable for the US market, where everything was bigger and more luxurious. However, these machines started to break down, as they were being driven harder and longer than in Japan. The Honda executives themselves used the Honda 50s to ride around Los Angeles on errands. They attracted attention, including a call from a Sears buyer. While they were apprehensive that the small bikes would dent the macho image of their machines, they felt compelled to sell them when their bigger bikes were struggling. Surprisingly, the retailers buying the Honda 50 were not motorcycle dealers, but sporting goods stores.

Honda enjoyed an initial design advantage in Japan, along with an efficient production line. But its seemingly unplanned success in the US demonstrates that successful strategy may emerge, rather than be the result of deliberate strategy. For Honda, successful strategy was a combination of opportunism and design.

Kay concludes that the lesson of Honda is: 'that a business with a distinctive capability that develops innovative products to exploit that capability and recognizes the appropriate distribution channels for such innovations can take the world by storm' (Kay, 2004).

Sources: Barwise, P. (1997) 'Strategic investment decisions and emergent strategy', *Mastering Management*, Part 15, Financial Times/Pitman, pp. 562–71; Pascale, R.T., 'Perspectives on strategy: the real story behind Honda's success', *California Management Review*, Spring 1984, pp. 47–72; Kay, J., 'Driving through the spin on Honda's success', *Financial Times*, 16 November 2004.

### Case question

What do we learn about emergent strategy from Honda's success with the Honda 50 in the US?

@ Honda's main website is <http://www.honda.com>

@ Its motorcycle website is <http://powersports.honda.com>