

Teaching Notes

Case Study: *Honda Tackling the Emerging EV Market in America - Strategic Initiatives in Canada*

About This Case Study

Case Study Company: [Honda](#)

Honda Motor Co., Ltd., a Japanese automotive giant founded in 1948 by Soichiro Honda, has been a stalwart in the global automobile, motorcycle, and power equipment manufacturing industry. Renowned for its reliability and affordability, Honda carved its niche in North America with popular models like the Civic and CR-V, becoming synonymous with practical everyday transportation. Operating globally with headquarters in Japan, Honda's Canadian subsidiary, Honda Canada Inc., has been a formidable presence since its establishment in 1964. With a commitment to high-quality, fuel-efficient, and environmentally friendly vehicles, Honda Canada holds a significant 10% market share in the Canadian automotive industry. The company's diverse portfolio includes automobiles, motorcycles, power equipment, and marine engines, catering to a wide range of consumer needs and preferences.

Honda's entry into the Canadian electric vehicle (EV) market is a pivotal aspect of its strategic initiatives. Despite being a latecomer in the evolving EV landscape, Honda's historical legacy, global success, and commitment to environmental sustainability set the stage for an intriguing exploration of its journey in navigating the Canadian EV market. As the automotive industry undergoes a profound shift towards EVs, Honda's story in Canada unfolds against the backdrop of changing market dynamics, policy frameworks, and the growing significance of EVs in North America.

Case Summary

This case study, initiated in December 2023 and subject to ongoing updates, adopts a fact-based approach to scrutinize Honda's strategic endeavors in the Canadian electric vehicle (EV) market. Centered on extensive secondary data, this study delves into Honda's historical

trajectory, its position as a "latecomer" in the Canadian EV landscape, and the intricacies of its evolving strategy. By weaving together key industry insights, market dynamics, and policy frameworks, the case study sheds light on the challenges and opportunities Honda faces as it navigates the transformative terrain of electric mobility in Canada.

Emphasizing a comprehensive exploration, the case study aims to dissect Honda's historical legacy, its current position in the Canadian automotive market, and the unfolding narrative of its foray into electric vehicles. By examining the company's past strategies, technological pivots, and its response to changing consumer demands, the study provides a detailed analysis of Honda's unique position in the Canadian EV race. The expected outcome of this case study is to provide students in business education with a nuanced understanding of the factors influencing Honda's strategies, the competitive landscape, and the broader implications for the North American automotive industry. It is important to note that this case study is crafted independently based on a variety of secondary data and sources and has not been reviewed by the company. The case study was published in January 2024 and was updated in October 2024 with new major developments of the company. As the industry continues to evolve, periodic updates will ensure the relevance and accuracy of the information presented.

Keywords

- Automotive Industry
- Canada/North America
- Japan/Asia
- EV Strategy
- ESG
- SWOT Analysis
- Second-Mover/Late-Mover
- Real Options

Teaching Objectives

This case is recommended for courses related to Strategic Management and International Business and Global Strategy. The potential key teaching objectives include:

- To analyze Honda as a global company in its strategic initiatives for the emerging Canada EV market distinct in North America
- To evaluate Honda's current technological and production capacity building as a late second mover in the Canadian auto market.
- To compare EV strategy in competition and collaboration with other players in the industry (e.g. battery development, building charging stations in North America) using the 5-force model.
- To examine the significance of other relevant factors affecting the decision to expedite EV introduction in its portfolio, such as policy changes. Is ESG a relevant consideration?

Suggested Teaching Plan

Pre-Discussion Session

It is recommended that instructors provide the case study to their students and participants at least 3 days before the discussion session, in order to allow them to understand the case and prepare for the discussion. The discussion questions are already attached to the case study. Instructors can also encourage students and learners to do some following business concepts and frameworks:

- Porter's 5 forces
- Second or late-mover advantage or disadvantage
- ESG
- SWOT Analysis
- Real Options

Instructors can utilize their own materials to provide extra reading to students or additional information sections to give students some understanding before delving into the case study content.

Discussion Session Plan *(for a 90-minute session)*

***Notes:** It depends on the level, program and the students, the discussion plan for this case can be tailored accordingly, in terms of time, focus, and how to operate the session.

Duration	Key Learning & Discussion	Supporting Information and Important Notes
10 min.	Introduction + Recap (Optional)	<p>Instructors and facilitators introduce the case and background information.</p> <p>It is optional to recap the contents of the case study. The instructor can do a recap, to define the situations and the problems that the case features.</p> <p>The recommended flow is as follows:</p> <ul style="list-style-type: none"> ● Company: What does the company do? What are its mission and values? Who is the decision maker for the company in this case? ● Context: What is the industry? What are the markets of focus? Is there any cultural implication? ● Theory / Concept: Porter's 5 forces, Second or late-mover advantage or disadvantage, ESG, SWOT Analysis, Real Options.
5 min.	Setting up groups (Optional)	<p>Before delving into the discussion, instructors can set up smaller groups of students. One group can consist of 4-6 students.</p> <p>Possible ways to operate groups include:</p> <ol style="list-style-type: none"> 1. Each group goes through all discussion questions of the case study, then shares opinions and discusses with other groups to gain different points of view. 2. Each group focuses on one discussion question. After the group discussion, they share with other groups the findings from their question. 3. Students discuss the questions in groups for around 5 minutes before each discussion question. <p>This discussion session plan is suitable for the setup (1) or (2) of group discussion.</p>

		Otherwise, if instructors do not choose to set up groups and instead encourage individual participation, they can jump into each discussion question right away.
25 min.	Discussion - Round 1	<p>In groups, students discuss assigned questions.</p> <p>Besides the content of the discussion questions, instructors can encourage students to focus on decision-making points: <i>If they were the protagonists in the situation, what are the possible options? What kind of factors would they need to be aware of to make an informed decision? What would they do?</i></p>
40 min.	Discussion - Round 2	<p>After the previous round of group discussion, groups share with the whole class their answers to discussion questions and other relevant opinions, if any.</p> <p>Instructors facilitate, give feedback, provide relevant theoretical bases, and summarize after each discussion.</p>
10 min.	Closing the case	This part centers around the learning objectives of the case. Instructors review what has been discussed, key takeaways from the case company, and the provided theories and concepts.

Discussion Questions

1. a. How can Honda leverage its global network and experience to navigate complex EV ecosystems in countries such as Canada and Japan, which might have distinct market forces and policy landscapes?
b. Articulate the significance of local government policy to Honda's regional EV market development strategies.
2. What specific factors should Honda weigh to determine whether it can achieve a second-mover advantage in Canada? How can Honda mitigate the potential disadvantages of being a latecomer to address the augmenting local market interests?
3. a. To what extent has Honda pursued a "real options" approach, delaying full-scale EV entry in Canada to test various models and technologies while monitoring market developments?
b. What has Honda done so far to enable itself to exercise this approach? Consider the costs and benefits of this strategy.

4. How can Honda address potential bottlenecks in production capacity and secure reliable supply chains for critical EV components, particularly considering concerns about resource extraction and ethical sourcing?
5. How can Honda ensure its EV strategy in Canada aligns with and strengthens its ESG commitments in Canada and its home country of Japan? Can Honda leverage its ESG alignment to attract the Canadian market?

Question 1a:

How can Honda leverage its global network and experience to navigate complex EV ecosystems in countries such as Canada and Japan, which might have distinct market forces and policy landscapes?

Possible Answer:

Honda can strategically leverage its global network and experience to navigate complex electric vehicle (EV) ecosystems in countries like Canada and Japan with distinct market forces and policy landscapes through the following key approaches:

Global Best Practices Integration

- **Utilize Successful Strategies:** Honda can leverage its successful strategies from global markets, especially in regions with established EV markets, to integrate best practices. This involves adapting proven business models, marketing approaches, and product strategies to suit the specific needs and preferences of the Canadian and Japanese markets.

Government Relations and Policy Alignment

- **Proactive Engagement:** Honda should proactively engage with local governments in Canada and Japan to understand and align with their evolving policies and regulatory frameworks related to electric vehicles. This involves participating in industry discussions, providing insights based on global experiences, and advocating for supportive policies.
- **Tailored Compliance:** Understanding and complying with local regulations and incentives are crucial. Honda can ensure that its EV offerings align with emission standards, safety regulations, and any financial incentives or subsidies offered by the governments to encourage EV adoption.

Product Localization and Innovation

- **Adapt to Local Preferences:** Honda can localize its EV products to cater to the unique preferences of Canadian and Japanese consumers. This includes considering factors such as size, range, charging infrastructure, and design preferences. Tailoring features and specifications based on local demand ensures market relevance.
- **Continuous Technological Advancements:** Staying at the forefront of technological advancements is essential. Honda can continue to innovate in areas such as battery technology, range improvement, and smart connectivity, aligning these innovations with the specific requirements and advancements in the Canadian and Japanese EV markets.

Collaboration with Local Entities

- **Strategic Partnerships:** Forming strategic partnerships with local entities, including government agencies, industry associations, and research institutions, can provide valuable insights into regional dynamics. Collaborative efforts can enhance market understanding, contribute to the development of localized solutions, and foster positive relationships.
- **Infrastructure Development Collaboration:** Collaborating on the development of charging infrastructure is crucial. Honda can work with local governments and private entities to invest in and expand charging networks, addressing one of the key factors influencing EV adoption.

Customer-Centric Approach

- **Tailored Marketing and Education:** Honda should adopt a customer-centric approach by tailoring marketing strategies and educational initiatives to address specific concerns and preferences prevalent in each market. This ensures that consumers are well-informed and comfortable with adopting EVs.

Agile Market Response

- **Adaptability:** Honda's global network can support an agile approach to market response. Regularly monitoring consumer trends, policy changes, and competitive landscapes allows Honda to make timely adjustments to its strategies, ensuring adaptability to evolving market conditions.

By implementing these approaches, Honda can effectively leverage its global experience to navigate the distinct EV ecosystems in Canada and Japan, fostering market success and contributing to the sustainable growth of its EV initiatives in these regions.

Question 1b:

Articulate the significance of local government policy to Honda's regional EV market development strategies.

Possible Answer:

The significance of local government policy to Honda's regional electric vehicle (EV) market development strategies is paramount. Local government policies play a crucial role in shaping the landscape within which Honda operates, particularly in countries like Canada and Japan. The following points articulate the significance of local government policy in influencing Honda's regional EV market development:

- **Regulatory Compliance and Incentives:** Local government policies dictate regulatory standards for emissions, safety, and manufacturing. Honda needs to align its EV offerings with these regulations to ensure compliance. Additionally, understanding and capitalizing on government incentives, such as subsidies or tax credits for EV manufacturers and consumers, can significantly impact market demand.
- **Infrastructure Development Support:** Government policies related to EV infrastructure development, such as charging stations and grid enhancements, are critical. The level of government support for these initiatives directly influences the feasibility and convenience of EV adoption. Honda's regional strategies need to align with and potentially contribute to these infrastructure development plans.
- **Advocacy for Sustainable Mobility:** Local governments often advocate for sustainable and environmentally friendly mobility solutions. Honda's EV market development strategies should align with these sustainability goals, emphasizing the positive environmental impact of EVs. Collaborative efforts with government initiatives can enhance Honda's image as a responsible and eco-conscious automaker.
- **Partnerships and Collaboration Opportunities:** Engaging with local governments provides opportunities for partnerships and collaborations. By actively participating in government-led initiatives, Honda can contribute to the development of policies that support EV adoption. Such collaborations can enhance Honda's influence on the direction of EV development within the region.
- **Market Access and Entry Conditions:** Government policies can influence market access conditions, trade regulations, and overall ease of doing business.

Understanding these factors is crucial for Honda to plan its market entry strategies effectively. Adapting to local entry conditions ensures a smoother integration into the regional EV market.

- **Influence on Consumer Perceptions and Adoption:** Government endorsement and support for EVs can positively influence consumer perceptions. Policies that encourage the adoption of EVs, such as preferential treatment in parking or access to certain lanes, can contribute to increased consumer acceptance. Honda's regional strategies should consider leveraging these policy-driven factors.
- **Future-Proofing Strategies:** Anticipating future policy changes is essential for Honda's regional EV market development. Governments may introduce new regulations or incentives over time. Honda should stay abreast of evolving policies to adjust its strategies accordingly, ensuring alignment with the changing regulatory landscape.
- **Community and Stakeholder Relations:** Engaging with local governments fosters positive community and stakeholder relations. By actively participating in policy discussions and demonstrating alignment with government priorities, Honda can enhance its reputation and acceptance within the local community.

Local government policy is a pivotal factor shaping Honda's regional EV market development strategies. By closely aligning with and adapting to these policies, Honda can navigate regulatory landscapes, leverage incentives, and contribute to the growth of the EV market in regions like Canada and Japan.

Question 2:

What specific factors should Honda weigh to determine whether it can achieve a second-mover advantage in Canada? How can Honda mitigate the potential disadvantages of being a latecomer to address the augmenting local market interests?

Possible Answer:

To determine whether Honda can achieve a second-mover advantage in Canada's electric vehicle (EV) market, the company must consider specific factors and develop strategies to mitigate potential disadvantages. Additionally, incorporating a SWOT analysis can provide a comprehensive view of Honda's position in the Canadian EV market.



SWOT Analysis Template | Source: [Word Stream](#)

Strengths

- Established brand reputation and customer loyalty.
- Global R&D capabilities and technological expertise.
- Diverse product portfolio across automotive and power equipment.

Weaknesses

- Late entry into the Canadian EV market.
- Potential resource constraints in adapting to rapidly evolving EV technologies.

Opportunities

- Growing Canadian EV market with supportive government policies.
- Collaboration opportunities for charging infrastructure development.

Threats

- Intense competition from established and emerging EV manufacturers.
- Shifting consumer preferences and regulatory uncertainties.

Factors to Consider for Second-Mover Advantage

Market Understanding

- Factor: Understanding the current state of the Canadian EV market, including consumer preferences, competitor strategies, and infrastructure development, is essential.
- Strategy: Honda should conduct thorough market research to identify gaps, unmet needs, and emerging trends. This knowledge will inform product development and marketing strategies.

Consumer Perception and Adoption

- Factor: Analyzing how Canadian consumers perceive and adopt EVs is crucial. The level of awareness, concerns, and preferences will impact market entry.
- Strategy: Honda can implement targeted marketing campaigns to educate consumers, address concerns, and position its EV offerings as attractive alternatives. Collaborating with local influencers and organizations can enhance brand credibility.

Technology and Innovation

- Factor: Assessing the technological landscape, including advancements in battery technology and connected features, is vital for competitiveness.
- Strategy: Honda should leverage its global R&D capabilities to introduce innovative features in its EVs. Partnerships with tech companies or startups can accelerate technology integration.

Regulatory Compliance

- Factor: Complying with Canadian regulations, emission standards, and EV-related incentives is critical for market entry and acceptance.
- Strategy: Honda should proactively align its EV models with Canadian regulations and leverage available incentives to make its offerings more attractive to consumers.

Charging Infrastructure

- Factor: The availability and accessibility of charging infrastructure influence consumer adoption. Latecomers need to address this aspect strategically.
- Strategy: Honda can collaborate with government initiatives and private partners to contribute to the expansion of the charging network. Offering innovative charging solutions or partnerships can enhance convenience for Canadian EV drivers.

Mitigation of Potential Disadvantages

Agile Product Development

- Mitigation: Adopt an agile product development strategy to quickly respond to market demands and technological advancements.

- Strategy: Utilize modular platforms and design principles that allow for efficient updates and adjustments to new market dynamics.

Collaborative Partnerships

- Mitigation: Form strategic partnerships with local entities, suppliers, and governments to gain insights and facilitate a smoother market entry.
- Strategy: Collaborate with Canadian companies for components, utilize local expertise, and engage in joint initiatives supporting EV adoption.

Brand Positioning and Marketing

- Mitigation: Build a strong brand image and differentiate Honda's EVs in a crowded market.
- Strategy: Develop a compelling narrative around Honda's commitment to sustainability, reliability, and innovation. Highlight the advantages of its EV models compared to competitors.

Customer Support and Service

- Mitigation: Establish a robust customer support and service network to instill confidence in consumers.
- Strategy: Invest in training service personnel, ensure readily available spare parts, and offer attractive after-sales services to enhance customer satisfaction.

Question 3a:

To what extent has Honda pursued a "real options" approach, delaying full-scale EV entry in Canada to test various models and technologies while monitoring market developments?

Possible Answer:

Honda has exhibited elements of a "real options" approach in its strategy for entering the electric vehicle (EV) market in Canada. The company seems to have taken a cautious and adaptive stance, delaying full-scale EV entry to assess different models and technologies while closely monitoring market developments.

Indicators of Honda's "Real Options" Approach

- **Historical Pivots:** The case study highlights Honda's historical shifts in its approach to electric vehicles, from early experiments with the EV Plus in the late 1980s to a strategic focus on hybrid electric vehicles (HEVs) and fuel cell vehicles (FCVs) in the 2000s. This indicates a willingness to pivot based on evolving market conditions and technological advancements.
- **Strategic Shift in 2020:** In 2020, Honda announced a renewed commitment to EVs, aiming to launch 10 battery-electric models by 2025. This shift in strategy indicates a deliberate move towards embracing EVs as a significant part of its future lineup.
- **Diverse EV Portfolio:** The introduction of diverse EV models like the Honda E (a small urban EV), the Prologue SUV, and the exploration of solid-state battery technology showcases Honda's willingness to explore various options rather than committing solely to one approach. This aligns with the principles of real options, allowing the company flexibility in adapting to changing circumstances.
- **Global EV Strategy:** Honda's global EV strategy, aiming for carbon neutrality by 2050 and selling only EVs and FCVs globally by 2040, reflects a forward-looking approach. This aligns with the essence of real options, as the company positions itself to make strategic decisions based on future market dynamics.
- **Investment in Canadian EV Production:** The case study mentions Honda's plan to invest US\$14 billion in EV production in Canada, including the introduction of the "Honda 0 Series." This investment signals a commitment to the Canadian EV market while keeping the flexibility to adjust production based on market responses and technological advancements. Additionally, Honda announced in April 2024 a US\$11 million EV value chain in Ontario, Canada, including an EV plant, battery plant, and material processing facilities, with production starting in 2028. The project, in partnership with POSCO Future M and Asahi Kasei, aims to produce 240,000 EVs annually and create over 1,000 jobs

Honda's approach to the Canadian EV market reflects elements of a "real options" strategy. The company appears to be strategically delaying full-scale EV entry to explore different models, technologies, and partnerships, demonstrating a dynamic and adaptive approach in the face of evolving market conditions.

Question 3b:

What has Honda done so far to enable itself to exercise this approach? Consider the costs and benefits of this strategy.

Possible Answer:

Honda's strategic actions, reflecting a "real options" approach, showcase a commitment to flexibility, adaptability, and responsiveness to market changes. While upfront costs are considerable, the benefits encompass a robust position in the evolving EV landscape and the ability to capitalize on emerging opportunities, demonstrating Honda's proactive and adaptive approach to the dynamic electric vehicle market in Canada.

Diversification of EV Portfolio

ACTION	COSTS	BENEFITS
Honda has diversified its EV portfolio with models like the Honda E and the Prologue SUV.	Incurred research and development costs for multiple models.	Mitigates the risk of investing heavily in a single EV model, providing flexibility to adapt to changing market demands.

Exploration of Solid-State Battery Technology

ACTION	COSTS	BENEFITS
Honda is actively exploring solid-state battery technology for future advancements.	Research and development costs for cutting-edge technologies.	If successful, solid-state batteries could offer a competitive edge in terms of increased energy density, longer range, and faster charging.

Strategic Investment in Canadian EV Production

ACTION	COSTS	BENEFITS
Honda plans to invest US\$14 billion in EV production in Canada, including the "Honda 0 Series."	Substantial upfront investment with associated risks.	Strengthens Honda's position in the Canadian market, facilitates quick adaptation to market changes, and aligns with government initiatives.

Global EV Strategy

ACTION	COSTS	BENEFITS
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Honda has committed to achieving carbon neutrality by 2050 and selling only EVs and FCVs globally by 2040.

Transitioning to a fully electric lineup involves substantial investments.

Positions Honda as a leader in sustainable mobility, aligning with evolving consumer preferences and regulatory trends.

Question 4:

How can Honda address potential bottlenecks in production capacity and secure reliable supply chains for critical EV components, particularly considering concerns about resource extraction and ethical sourcing?

Possible Answer:

Leveraging Porter's Five Forces, Honda can address potential bottlenecks in production capacity and secure reliable supply chains for critical EV components. By strategically managing supplier relationships, exploring alternative materials, and prioritizing ethical sourcing, Honda can navigate the complexities of the EV market and ensure a stable and sustainable supply chain for its electric vehicles.

Supplier Power

- Situation: Concerns about resource extraction and ethical sourcing pose risks to the supply chain.
- Strategy: Honda can work closely with suppliers, leveraging its global network to establish long-term partnerships. By collaborating with ethical suppliers, the company can exert influence and negotiate favorable terms. Diversification of suppliers can also reduce dependence on specific regions prone to resource-related challenges.

Buyer Power

- Situation: The demand for critical EV components is likely to increase, potentially giving buyers (Honda) less negotiation power.
- Strategy: Honda can strategically plan its production schedules and engage in collaborative forecasting with suppliers to secure stable supplies. Exploring long-term contracts with suppliers can provide a degree of certainty in the face of

increasing demand. Additionally, investing in research and development for alternative materials or supply chain innovations can enhance bargaining power.

Competitive Rivalry

- Situation: Competition for critical EV components may strain the supply chain.
- Strategy: Collaborating with suppliers and engaging in joint research and development projects can foster mutually beneficial relationships. Furthermore, Honda can differentiate itself by focusing on sustainable and ethical sourcing practices, potentially gaining a competitive advantage. Strategic alliances with suppliers may also help in securing priority access to critical components.

Threat of Substitutes

- Situation: Limited availability of critical EV components may prompt the exploration of substitutes.
- Strategy: Honda can invest in research and development to identify alternative materials or technologies for critical components, reducing dependence on scarce resources. Exploring partnerships with academic institutions or industry research organizations can provide insights into innovative substitutes.

Threat of New Entrants

- Situation: New entrants or emerging competitors in the EV market could increase demand for critical components.
- Strategy: Honda can establish strategic alliances or partnerships with suppliers, securing priority access to critical components. By investing in supplier relationships, the company can create barriers for potential new entrants, ensuring a stable supply chain.

Ethical and Sustainable Practices

- Situation: Ethical sourcing is a concern, and consumers increasingly value sustainability.
- Strategy: Honda can differentiate itself by prioritizing suppliers with strong ethical and sustainable practices. Communicating these values to consumers can enhance the brand image. Additionally, collaborating with industry associations or participating in initiatives promoting responsible sourcing can reinforce Honda's commitment to ethical practices.

Question 5:

How can Honda ensure its EV strategy in Canada aligns with and strengthens its ESG commitments in Canada and its home country of Japan? Can Honda leverage its ESG alignment to attract the Canadian market?

Possible Answer:

By strategically aligning its EV strategy with ESG commitments, Honda can not only meet the expectations of environmentally conscious consumers in Canada but also strengthen its brand image and market position.

Environmental Sustainability

- Alignment: Honda's commitment to carbon neutrality by 2050 and selling only EVs and FCVs globally by 2040 aligns with both Canadian and Japanese environmental goals.
- Strategy: Emphasize the environmental benefits of EVs in marketing campaigns, showcasing reduced carbon emissions. Collaborate with Canadian environmental organizations to reinforce Honda's dedication to sustainability.

Social Responsibility

- Alignment: Honda Canada's Foundation supporting various community initiatives aligns with social responsibility goals in both countries.
- Strategy: Highlight Honda's community involvement in Canada, showcasing contributions to local causes and charities. Emphasize job creation and economic impact resulting from Honda's EV investments in Canada.

Governance and Transparency

- Alignment: Honda's global commitment to ethical business practices aligns with governance principles in Canada and Japan.
- Strategy: Communicate Honda's governance and transparency practices to Canadian consumers. Share information on ethical sourcing, fair labor practices, and corporate governance to build trust.

Regulatory Compliance

Alignment: Honda's adherence to Canadian emission regulations and commitment to aligning with evolving regulations align with ESG principles.

Strategy: Continuously monitor and adapt to evolving Canadian regulations. Proactively communicate Honda's compliance and commitment to meeting or exceeding regulatory standards.

Innovation and Technological Advancement

- Alignment: Honda's focus on innovation, evidenced by its exploration of solid-state battery technology, aligns with ESG goals.
- Strategy: Position Honda as an innovator in sustainable technology. Highlight advancements in EV technology, emphasizing features that contribute to a cleaner and more efficient transportation future.

Leveraging ESG alignment as a core element of its marketing and community engagement efforts can contribute to attracting the Canadian market and reinforcing Honda's commitment to sustainable and responsible business practices.

Marketing and Communication

- Approach: Integrate ESG messaging into marketing campaigns specifically tailored to the Canadian audience.
- Benefits: Build a positive brand image by demonstrating Honda's commitment to environmental and social responsibility. Leverage the resonance of ESG values with environmentally conscious Canadian consumers.

Community Engagement

- Approach: Actively engage with local communities in Canada, aligning with Honda Canada's Foundation initiatives.
- Benefits: Strengthen ties with Canadian communities, showcasing Honda as a socially responsible corporate citizen. Positive community relations can translate into increased consumer trust and loyalty.

Collaboration with Environmental Groups

- Approach: Partner with Canadian environmental organizations for joint initiatives and campaigns.
- Benefits: Demonstrate Honda's dedication to environmental causes in Canada, aligning with the values of environmentally conscious consumers and potentially gaining the support of advocacy groups.

Transparency Reports

- Approach: Publish regular reports on Honda's ESG performance, showcasing achievements and improvements.

- Benefits: Enhance transparency, providing Canadian consumers with insights into Honda's ESG efforts. Transparency builds trust and credibility, key factors for attracting environmentally conscious consumers.

Background Theory

Porter's 5 Forces

Porter's Five Forces is a framework used to analyze the competitive environment in which an organization operates. The framework was developed by Michael Porter and it helps organizations to understand the strength of the competition they face in their industry, and how to position themselves within that competitive landscape.

THREAT OF NEW ENTRANTS

This refers to the likelihood of new competitors entering the market. For example, a coffee shop chain like Kopi Kenangan may face a high threat of new entrants if there are low barriers to entry, such as low startup costs or ease of obtaining necessary permits.

BARGAINING POWER OF SUPPLIERS

This refers to the power of the suppliers who provide materials or services to the organization. For example, if coffee bean suppliers have limited availability or unique expertise, they may have more bargaining power and be able to charge higher prices.

BARGAINING POWER OF BUYERS

This refers to the power of the customers who purchase the organization's products or services. For example, if customers have many options for purchasing coffee, they may have more bargaining power and be able to negotiate lower prices or better deals.

THREAT OF SUBSTITUTES

This refers to the likelihood of customers switching to alternative products or services. For example, if customers have many options for purchasing drinks, such as tea or smoothies, they may be less likely to purchase coffee.

COMPETITIVE RIVALRY

This refers to the intensity of competition among existing competitors in the industry. For example, if there are many coffee shop chains competing for the same market share, there may be intense competition and pressure to differentiate through branding, pricing, or other tactics.

Second or Late-Mover Advantage and Disadvantage

Being a first mover isn't always the recipe for success. In many cases, second or even late-movers can reap significant advantages by learning from the pioneers' mistakes and successes.

ADVANTAGES	DISADVANTAGES
<p>Learning from first movers' mistakes You can avoid costly pitfalls the first movers encounter by studying their strategies and identifying their weaknesses.</p>	<p>Established competitors Second or Late movers must face entrenched competition and overcome existing customer loyalty. Building market share can be challenging.</p>
<p>Lower entry costs First movers often bear the brunt of research and development, marketing, and customer education. Second or late movers can benefit from established infrastructure and lower entry barriers.</p>	<p>Limited market space Early movers may have already captured a significant market share, leaving less room for latecomers.</p>
<p>Improved product offering By observing customer feedback and analyzing existing products, second or late movers can offer superior or differentiated products that address unmet needs.</p>	<p>Brand recognition lag Building brand awareness and recognition can take time and resources, putting second or late movers at a disadvantage compared to established brands.</p>
<p>Reduced marketing costs The market's awareness of the product category can be a springboard for second or late movers, allowing them to focus on targeted marketing rather than broad brand awareness campaigns.</p>	<p>Follower stigma In some cases, second or late movers may be perceived as lacking originality or simply copying the first movers, hindering their ability to stand out.</p>
<p>Exploiting technological advancements Second or late movers can leverage newer and more efficient technologies that weren't available to the first movers, leading to cost and performance advantages.</p>	

Examples of successful second or late-movers

- Apple: Entered the portable music player market later than Sony but achieved dominance with the iPod by offering a superior user experience and design.
- Amazon: While not the first online retailer, Amazon disrupted the e-commerce market with its focus on customer convenience and vast product selection.
- Facebook: Entered the social media scene after Myspace but surpassed its competitor by offering a more user-friendly platform and features like newsfeeds and targeted advertising.

Environmental, Social, and Governance or ESG

In today's world, businesses are increasingly expected to operate not just profitably, but also responsibly and sustainably. This is where ESG comes in. Understanding ESG is crucial for students preparing to enter the modern workforce, both from an ethical and practical standpoint.

What is ESG?

ESG stands for Environmental, Social, and Governance. It's a framework used to assess a company's commitment to its environmental, social, and governance practices.

ENVIRONMENT	SOCIAL	GOVERNANCE
This refers to a company's impact on the planet, including its energy use, waste management, pollution levels, and resource consumption.	This focuses on a company's relationships with its stakeholders, including employees, customers, suppliers, and communities. It considers factors like labor practices, diversity and inclusion, human rights, and community engagement.	This relates to a company's internal practices and how it makes decisions. It includes considerations like board diversity, executive compensation, transparency, and ethical conduct.

Why is ESG important?

- Ethical responsibility: Businesses have a responsibility to operate in a way that minimizes their negative impact on the planet and society.
- Risk management: Poor ESG practices can expose companies to environmental, social, and reputational risks, which can negatively impact their financial performance.
- Investor interest: Increasingly, investors are considering ESG factors when making investment decisions. Companies with strong ESG practices are often seen as more attractive investments.
- Sustainable future: Embracing ESG principles can help businesses build a more sustainable future for themselves and society as a whole.

SWOT Analysis



SWOT Analysis Template | Source: [Word Stream](#)

Real Options

In the realm of business and investment, the concept of real options introduces a new dimension to decision-making, allowing managers to navigate uncertainties and capitalize on strategic opportunities. A real option represents the valuable right for a company's management to make or abandon certain choices related to business projects or investment opportunities. Notably, these options are termed "real" because they pertain to projects involving tangible assets like machinery, land, buildings, or inventory, as opposed to financial instruments.

Understanding the dynamics of real options is crucial for corporate managers as it empowers them with the flexibility to expand, defer, wait, or even abandon projects based on evolving economic, technological, or market conditions. Unlike traditional financial options contracts, real options are not exchangeable securities; instead, they encompass the potential choices a business may or may not capitalize on.

Real options analysis is often considered a heuristic, providing a rule of thumb for agile decision-making in a dynamic environment. Despite potential quantitative models, the choice of

valuation model itself involves judgment and a trial-and-error approach. Real options grant companies the freedom to make optimal choices, particularly in three key areas of project management:

- **Project Size:** Options may exist to expand, contract, or alter the project over time based on contingencies.
- **Project Lifetime:** Decisions to initiate, delay, abandon, or sequence project steps fall under this category.
- **Project Operations:** This involves considerations of process flexibility, product mix, and operating scale.

Example: McDonald's Corporation

To illustrate the concept of real options, consider the McDonald's Corporation contemplating the expansion of its restaurants in Russia. This decision represents a real option to expand, involving calculations of capital outlay and considerations of potential risks, such as country and political instability. The scenario may also present a real option to wait or defer, considering upcoming events like elections that could impact the business environment.

Sources of the Case Study & Teaching Notes

- [Honda Global](#)
- [Honda Canada](#)
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