

# **Research On the Localization strategy of Honda Motorcycle Business In Vietnam: Based on a Comparative Analysis of Capability Building With Foreign-affiliated and Local Companies**

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The Vietnamese motorcycle industry has grown with the entry of foreign-affiliated companies, and currently has the fourth largest sales in the world. By 1990, Taiwanese made SYM, Japanese-made Suzuki, Honda and Yamaha have entered the Vietnamese motorcycle market one by one. Also in the same year, had an overwhelmingly high domestic market share, but in 2000, a numerous of assembly local companies were born using KD assembled Chinese parts due to the successful import of low-priced Chinese motorcycles. At that time, low-priced locally products had highly competitive cost, sold in large quantities. As a result, local motorcycle making companies have rapidly led the domestic market share.

In 2002, Honda Vietnam developed and sold a high-quality with low-priced motorcycle, the Wave  $\alpha$ , by thoroughly utilizing global resources and capabilities centered/located in Asia to counter the low prices of local companies. After recovering the market share, Honda Vietnam has been continued the capability building for market adaptation. In recent years Honda Vietnam has held more than 75% of the market share.

This analysis is focused on the Vietnamese developing motorcycle industry, the current situation, and the problems of market competition. It will also clarify the characteristics of Honda's global management, Asian globalization, localization strategy, and the characteristics of capability building for market adaptation. In addition, a comparative analysis of differences in globalization and localization strategies between Honda Vietnam, Yamaha Vietnam, and SYM with local companies for market adaptation is conducted successful factors of Honda Vietnam's competitive advantage is analyzed from various angles.

The structure of this study consists of an introductory chapter, 7 main chapters and a final chapter. The introductory chapter focuses on the research background, research subjects and methods. Chapter 1 reviews the previous research and conducts the setting of hypotheses. Chapter 2 analyzes the current situation and characteristics of the motorcycle industry in Vietnam as well as clarifies the problems. A case study of two local companies, SUFAT and DETECH MOTOR is conducted. Chapter 3 analyzes the expansion trends and localization characteristics of the Honda motorcycle business in Vietnam, considering the development of Wave $\alpha$ , with high-quality and low-priced product. Chapter 4 considered the characteristics of the globalization and localization of the Honda motorcycle business in Asia. Chapter 5 is a comparative analysis of the globalization and localization of Yamaha and SYM in Vietnam. Chapter 6 compares the capability building of Honda Vietnam with Yamaha and SYM in Vietnam and local companies in Vietnam for local market adaptation by four activities such as sales, production, parts procurement, and development. And it analyses the effect of those activities on QCD (quality, cost, delivery). Chapter 7 is testing the hypothesis and clarifies the success factors of Honda Vietnam's competitive advantage. The

final chapter summarizes the contents of each chapter, describes conclusions of this study and some remaining issues.

The main purpose of this study is the analysis of factors of competitive advantage of Honda Vietnam. It also clarifies the capability building of local market adaptation through globalization and localization. For this purpose, literature research, statistical data analysis of each country, interview survey, etc., were used. For comparative analysis of the capabilities building of Honda, SYM, Yamaha, and local companies in Vietnam, statistical analysis methods (SPSS) were also used. In addition, based on the comparative analysis of the capability building for each company, the relationship between Honda Vietnam's capability building and QCD were analyzed and evaluated.

The conclusions of this study are summarized as follows.

(1) Honda Vietnam will utilize the resources, capabilities, and experience of Asian nations to develop high-quality and low-priced products that are locally produced. Honda Vietnam measures against counterfeit products in the area according to government policies. Moreover, by promoting the localization of four capabilities and the capacity building for local market adaptation, we can meet customer needs and succeed in gaining a high market share.

(2) In the Honda motorcycle business, through globalization and localization in the Vietnamese market, four activities are localized for local market adaptation is built, and QCD capability is continuously improved. Comparison between foreign-affiliated and local companies, it has built the largest sales network in Vietnam, which makes it easier to approach customers, by improving its in-house production of core parts to differentiate itself from other companies. While utilizing global resources, we have increased the number of local suppliers, implemented cost reductions, and increased customer satisfaction for many purchasers based on a full-line strategy from low to high selling prices. As a result, Honda Vietnam was able to continuously improve QCD capabilities and gain a highly competitive advantage.

(3) Statistical analysis by multiple regression model based on time series data (1997-2021) on Honda Vietnam the market's competitive advantage (Y sales volume) is analyzed by a multiple regression model explained in the capacity building of three activities (X2 production, X3 parts procurement, X4 development). According to the results of statistical analysis, multiple regression models have a high correlation coefficient and anova analysis is also highly significant. The coefficients for capacity building of the three activities for competitive advantage all have positive signs, and the capability building theory has been verified. In particular, the two activities of production and parts procurement have a high significance probability of coefficients, are a core factor in the capability building theory, and can be said to be a major factor in increasing the sales volume.