

## Chapter 15

# Honda Power Products: Ensuring the Future of a Leading Brand in a Turbulent Market

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### EXECUTIVE SUMMARY

*The International Commercial and Industrial Investment Company, S.A.E (ICII) is a trading company specialized in high-end power products and construction equipment. Honda power products accounts for almost 25% percent of the company's sales. Since the introduction of Chinese products into the Egyptian market, Honda sales have been increasing, however at a decreasing rate. ICII is facing a number of challenges related to Honda's decreasing market share. The main challenges are configuring a marketing strategy to ensure its viability in a turbulent market and selecting growth alternative that ensures its sustainability in light of the changing market conditions.*

*Ahmed El Sayad, CEO of the International Commercial and Industrial Investment Company, S.A.E (ICII), a member of El Sayad Group, picked up the phone and called for an emergency meeting with his sales manager, Fathy Mahmoud, after reviewing the latest report of the company's performance for the year 2007. "There is something we could do to stop losing market share. The*

*Chinese products are flooding the market with low-priced low-quality products," said El Sayad.*

*"But we are making good money and our annual profits are increasing," was Mahmoud's reply.*

*"This should not be our only concern; we have a reputation and a position in the market that we have to protect. I am calling for an urgent meeting now to find a solution for this," said El*

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## **Honda Power Products**

*Sayad who upon putting down the phone started thinking, “This company has a legacy that we need to preserve,” Looking back at how this business group, which was established by his grandfather, has started and has rapidly become the leader of the power products’ market in Egypt.*

## **ORGANIZATIONAL BACKGROUND**

### **El Sayad Group**

El Sayad group was established by Awad El Sayad as a medium size family business in 1935. Since then, El Sayad Group had a huge impact on both commercial and industrial sectors in Egypt. It has grown significantly through directly investing in companies which were completely owned by El Sayad family or as anchor investors in privatized, private and non-governmental organizations.

The business group has started out with the department store “Tredco El Sayad” which sells home appliances and electronic equipments, but there were also some side business in exports and imports. After the adoption of the open-door policy in Egypt by President Mohamed Anwar El Sadat, in the seventies, the group found an opportunity in this new economic climate. As a result, they expanded in their marketing and distribution plans. They also succeeded to become the exclusive agent of numerous reputable firms that supply the Egyptian and Arab markets with equipments and machinery. Among these accomplishments was becoming the sole distributor of the Honda power products. In the following years the group invested heavily in privatizing several giant manufacturing firms such as fertilizers, chemicals, cables, textile and construction, a way to ensure diversification of investment and minimizing risks. As a result, the group became, over the past 20 years, one of the biggest business entities in Egypt. Due to globalization, and to further ensure their growth and sustainability, the group started expanding outside Egypt in several Arab countries and es-

tablished its first subsidiary in Syria: “El Sayad Trading-SYRIA.”

The International Commercial and Industrial Investment Co. S.A.E.(ICII), a subsidiary of El-Sayad group, was established in 1987 as a limited liability company to handle all the import business sector for the Group. ICII built a trustful name and worked on its market position by increasing market share of its products year after year. It succeeded in becoming the agent of many worldwide brands such as:

- Honda for Power Equipment. (Japan).
- Honda Marine.
- NSM Saccardo.
- Leroy Somer.
- Markon Sawafuji.
- Passap for knitting machines (Switzerland).
- Landini for deep well pumps (Italy).
- Exen for construction equipment (Japan).
- Visa for big size generators (Italy).
- Komatsu Power for construction equipments.

The Honda department represents a major part of ICII’s operations. In the year 2007, The Honda power products’ department constituted almost 24 percent of the total number of employees, 24 percent of the company’s total sales and 23 percent of its total value of imports (see Figures 1, 2, 3).

### **Honda**

The Honda name has always been renowned for delivering products with dedication and excellence while focusing on performance and innovation to exceed customers’ expectations. Honda is now producing diversified products such as cars, including the Civic, which sold around one million cars over the world as well as the Formula 1 car. It also manufactures motorcycles, engines, and power equipment. Honda has always been heavily investing in research and development, and has

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