

Toyota: The Beast in the East

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Abstract:

This paper will provide a brief history of the Toyota Motor Corporation. Secondly, will also offer insight into the business description of the company and its business strategy as well. Thirdly, the aim is to offer a detailed SWOT analysis to examine the company's strengths, weaknesses, opportunities, and threats. Fourthly, this will be followed up by illustrating Toyota's products and services to provide basic insight into this process to help the reader understand the breadth of the work their experts are engaged in. Fifthly, the focus will center on Toyota's key competitors to impress how challenging and competitive the auto industry is, and what the company is doing to meet these challenges head on. Sixthly, this will be followed up by a simple highlight of some of the key technologies Toyota is utilizing to give it the edge in the industry against its rivals. Seventhly, the paper will conclude by examining Porter's Five Force Analysis juxtaposed to the effectiveness of Toyota's IS strategy and financial strategy. The overall purpose of the paper is to help the reader become acquainted with the inner working of the Toyota Motor Corporation, and to determine if they are impacting their industry at a high level. To analyze the strengths and weaknesses and devise ways they can improve in the highly competitive industry.

Keywords: Toyota, auto industry, competitors, rivals, products, services.

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Introduction

In 1933, Toyoda Kiichiro founded the Toyoda Automatic Loom Woks, Ltd. which would later become the Toyota Motor Corporation, and subsequently, the Toyota Motor Company, Ltd. In 1936, the company would release its first production car known as the Model AA sedan. In 1958, the company would release both the Toyopet sedan and Land Cruiser 4x4. However, it was not until 1965, with the re-release of the Toyopet (known as the Corona), that the company would experience its first successes in the United States. This decade would also witness Toyota merge with companies such as Hino Motors, Nippondenso, and Daihitsu, and in 1968 release the Corolla, one of the company's most successful vehicles in its illustrious history. In 1984, the company would partner with General Motors, and five years later roll out the luxury Lexus car. In 1997, the company would release the Prius, the first mass-produced hybrid in the world. In the 21st century, Toyota would continue to expand its brand, and become one of the most dominant companies in the world.

Toyota is a multinational corporation and is the world's biggest automaker. Toyota has proven itself to be a formidable brand in the car industry. It has over 522 subsidiaries. Its cars are very reliable, low cost and fuel efficient. Thus, the rationale for studying the Toyota brand is based on its overall rating in comparison to its competitors in the field.

This paper will discuss the specific research method that was used when examining Toyota, alongside Porter's Five Competitive Force analysis. It will compare the results with Toyota's current corporate strategy and discuss the effectiveness of this strategy by presenting the company's past three years' performance data (both financial and market share), and conclude illustrating the company's IS strategy and its effectiveness in achieving the company's goals and objectives.

Business Description

With markets in Europe, Japan, South Korea, and the United States, the auto industry is highly competitive. Each company in this industry is competing against one another to establish itself in these geographical areas of the world to win over the hearts and minds of their potential consumers. The Toyota Motor Company is one of those companies. In its 90-year history, Toyota has proven itself to be one of the most reliable car companies in the world. In fact, as of 2022, Toyota ranks second only to Volkswagen AG globally. Toyota's 2022 operations in the United States prove how invaluable the company is. For instance, in 2022 alone, Toyota sold 2,332,262 vehicles; over 4.5 billion electrified vehicle sales; produced 1,144,722 vehicles; directly invested \$31.1 billion; employed over 354,317 people; have 10 plants (14 in North America); 31 million vehicles built; over \$37.1 billion dealer investment; 1,517 Toyota and Lexus dealers; created 470,100 jobs; purchased \$14 billion parts and materials; donated \$65,126,586; exported 434,894 U.S. built Toyotas to 67 countries; spent over \$1 million globally every hour on R&D; and, has 14 sites with certified wildlife habitat conservation programs.

Toyota is a large corporation; therefore, its business divisions consist of its employees that are grouped together based on the product and services they provide around the following divisions that Toyota calls companies: Innovative R&D and Engineering Company, Toyota Compact Car Company, Mid-size Vehicle Company, CV Company, Lexus International Company, Power Train Company, & Connected Company

Business Strategy

Toyota is the Beast in the East. It not only leads the other automobile companies in Japan but is also one of the leading companies in the world. Their ingenuity and creative approach

towards addressing the growing consumer demand in the highly competitive auto industry has been nothing short of remarkable. Toyota has relied on its reputation as a company that produces reliable, low cost- and fuel-efficient vehicles. Toyota has done an outstanding job of emphasizing the significance of quality at a low-cost. This is something that makes the Toyota brand significantly different from its competitors in that they have sacrificed short term gain for long term gain. Toyota believes that they can lower their prices and still produce quality products. This sound business strategy has separated Toyota from their competitors, and why they continue to attract investors and consumers (UK Essays, 2018).

SWOT Analysis

Strengths: Toyota's strong market presence means that it can tap into the these far regions of the world. In addition, they spend billions of dollars annually on global advertising because they know customers in need of vehicles are expanding (Madoh, 2019). This means that a significant percentage of the world's targeted population are being exposed to their brand. Brand recognition has been key to their success (Nkomo, 2019). Toyota also sells high quality, cost- and fuel-efficient vehicles that are very reliable. The company's customers are some of the most loyal in the industry. Their pricing strategy of $\text{price} - \text{cost} = \text{profit}$ distinguishes them from their competitors who utilize standardized industry formula which focuses on $\text{cost} + \text{profit} = \text{selling price}$. This makes Toyota unique. Finally, with 522 subsidiaries, Toyota's total assets are valued around \$201 billion.

Weaknesses: For a long time, Toyota's organizational structure consisted of a small network of individuals who were responsible for making corporate decisions. This created an environment in which the company had a reputation of being hierarchical and secret. They have since made some changes, yet they have been unable to come out from under this

stigma. Toyota has underused its existing plants and facilities. The company has made some innovative changes with respect to their Hybrid vehicles; however, they still lag behind their competitors in their rollout of fully charged Electric vehicles. This is an area they can improve in.

Opportunities: As mentioned, Toyota can invest in Electric vehicles to meet the growing demand of future trends. They will decrease their reliance on gasoline and the release of carbon emissions into the atmosphere. This will allow them to stay on par with their competitors in an area they are currently behind in. Toyota can continue to reduce its prices to ensure they attract consumers who cannot afford the prices that their competitors use. Toyota would have a chance of monopolizing this corner of the market and it will not significantly hurt their profit margin either. In addition, Toyota has plants in 27 countries, yet there is still room for expansion in other areas of the world such as in Latin America, Africa, and Europe. Toyota is in a great position to capitalize on these regional opportunities (Ghemawat, 2005).

Threats: Toyota's main competitors are Volkswagen, Hyundai, General Motors, Ford Motor Company, and Honda. Despite this, however, Toyota ranks 1st vs its competitors with the exception of Volkswagen AG who just recently surpassed Toyota to take the crown in 2022. Toyota's R&D sets are apart from its competitors; however, companies are making progress, and the market share is slowing growth in profitability. The global pandemic, uncertainty in the global economy, and companies who have shifted to electric cars create challenges for Toyota that they must address in the future. Finally, natural disasters are always a threat that must be considered.

Major Products and Services

Since Toyota was founded in 1933, the company has expanded its brand to include products beyond vehicles that the company has built its reputation on. Today, this includes products in materials handling equipment, textile machinery, automobiles, and automobile related products such as engines, car air-conditioning compressors, stamping dies, and batteries. Toyota designs, manufactures, assembles, and sells passenger vehicles, minivans and commercial vehicles, and related parts and accessories (finance.yahoo.com). All these components help make up the Toyota brand which spans the globe.

Key Competitors

The ideas behind the Toyota Production System have basically diffused and are understood by our competitors. But the know-how regarding how to implement it in specific factories and contexts has not. I believe that Toyota Group companies are better at implementing the ongoing kaizen associated with the Toyota Production system.

Michio Tanaka, Director of International Purchasing, Toyota Corp., June 10, 1996

Toyota's key competitors like Volkswagen, Hyundai, General Motors, Ford Motor Company, and Honda are well aware of the production systems that contribute to the success of its rival. What distinguishes them from one another is their inability to replicate their rivals' models of success (Dyer, 2000). This is not to suggest that these companies are not successful, because they are. Compared to Toyota in an overall rating test, they are lagging in critical areas. Toyota is faced with challenges today that did not exist decades ago. Therefore, their experts must respond to these challenges to outpace their rivals. Despite the competitors' advancements, Toyota still takes the lead with its reputation for reliability, longevity, and sales (Table 1 & Table 2). The odds are that when you purchase a Toyota, it is going to be around for some time. Cars like

Honda have Toyota beat in terms of speed; however, if durability, reliability, and low maintenance are what you are looking for, then Toyota may be the brand to spend your money on.

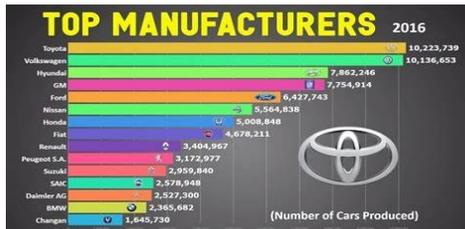


Table 1.

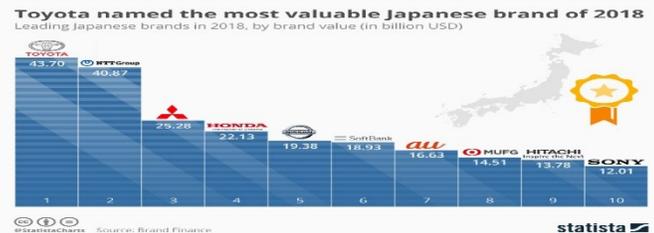


Table 2.

Key Technology

Toyota has made some key technological advancements in areas that have contributed to its success. For many years, Toyota has been using automation to improve the quality of production. This has allowed for production to be more expeditious in its processing and when it needs to be delivered as well. The Toyota Research Institute has already begun applying artificial intelligence (AI) methods to develop the necessary materials to drive clean energy transition (UK Press Releases, 2023). As vehicles make the shift from gas, hybrid to full electric, this move equips Toyota with the tools they will need to compete alongside their rivals. The company has poured close to \$8 billion into digital transformation which focuses primarily on autonomous vehicles, automatic and electric vehicles designed to enhance the overall efficiency of its mobility services (Toyota Motor Corporation—Digital Transformation Strategies, 2022). These tech advancements have prepared Toyota has prepared for an uncertain future.

Porter's Five Forces Analysis

Toyota's competition in its industry is intense, therefore, they have been successful at cutting prices low to attract customers. This has given them the advantage that their rivals have been unable to replicate. Toyota has been fortunate to have suppliers that have been beneficial for their short- and long-term interests. Some of their suppliers have even embedded themselves within the company making it mutually profitable. Toyota has specialized in pricing their products to attract customers. This has contributed to the buying power of their customer base. In this highly competitive industry, Toyota's rivals make it desirable to substitute products. They employ buying strategies to keep potential and actual customers in the fold. Finally, Toyota has been able to safeguard itself from rivals who can replicate its model despite having knowledge of it.

Conclusion

Toyota current corporate strategy is in alignment with the results of Porters Five Forces Analysis and how it is applied to the company. This proves the effectiveness of Toyotas' strategy as further attested to by its three-year performance data. Table 3, and its IS strategy towards helping Toyota achieve the company's goals and objectives.

Annual Data Millions of US \$ except per share data		2022-03-31	2021-03-31	2020-03-31
Revenue	Ltd	\$279,277.6	\$266,817.2	\$275,365.9
Cost Of Goods Sold	Ltd	\$226,129.7	\$210,392.9	\$225,605.8
Gross Profit	Ltd	\$53,147.89	\$46,424.31	\$49,760.19
Research And Development Expenses		-	-	-
SG&A Expenses	Ltd	\$26,486.2	\$24,765.47	\$27,275.78
Other Operating Income Or Expenses		-	-	-
Operating Expenses	Ltd	\$26,486.2	\$24,765.4	\$27,275.7
Operating Income	Ltd	\$26,661.69	\$20,658.84	\$22,474.41
Total Non-Operating Income/Expense	Ltd	\$8,854.031	\$6,905.296	\$1,027.99
Pre-Tax Income	Ltd	\$35,515.73	\$27,564.13	\$23,502.38
Income Taxes	Ltd	\$9,931.67	\$6,109.774	\$6,287.556
Income After Taxes	Ltd	\$25,584.06	\$21,454.36	\$17,214.83
Other Income		-	-	-
Income From Continuous Operations	Ltd	\$25,584.06	\$21,454.36	\$19,709.43
Income From Discontinued Operations		-	-	-
Net Income	Ltd	\$25,584.06	\$21,454.36	\$19,709.43
EBITDA	Ltd	\$42,876.42	\$36,115.17	\$37,243.93
EBIT	Ltd	\$26,661.69	\$20,658.84	\$22,474.41
Basic Shares Outstanding	Ltd	1,399	1,398	1,399
Shares Outstanding	Ltd	1,399	1,421	1,423
Basic EPS	Ltd	\$18.27	\$15.10	\$13.64
EPS - Earnings Per Share	Ltd	\$18.27	\$14.86	\$13.42

Table 3. <https://www.macrotrends.net/stocks/charts/TM/toyota/financial-statements>

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