

# Toyota and mercedes benz marketing comparison



Toyota Company and Mercedes Benz Company are two major car brands which are common in all parts of the world. These are among the top automakers globally and they directly employ thousands of employees worldwide. These firms have thrived for decades due to their reputation of developing high quality and efficient motor vehicles. However, they use different strategies to achieve long term profitability since both develop vehicles which cater for the needs of different market segments. Mercedes is known to produce cars which cater for the high end market while Toyota is known for developing cheap fuel efficient cars modeled for the middle and low class citizens. However, Toyota also caters for the high end market through production of some luxury motor vehicle brands.

This paper evaluates different aspects of both Toyota and Mercedes Benz in order to reveal strategies used by both multinationals to establish a global presence and achieve profitability. Both firms are seen to use similar strategies to motivate employees through non-monetary and monetary motivation forms. They also have similar organizational cultures which encourage innovation and effective leadership. Differences between the two firms include the target market segments and nature of products developed by both firms. Toyota aims at producing cheap fuel efficient cars for the middle and lower class brackets while Mercedes strives to produce luxurious and safe cars for the upper end market. It is important for both firms to alter their strategies to reflect the market demand especially regarding safety, environmental conservation and fuel efficiency.

## **Introduction**

The automobile industry is one of the largest industries in the world. This industry develops, designs, manufactures, sells and markets different automobiles across the world. The automobile industry is one of the most effective revenue earners, with production of motor vehicles estimated to be over 70 million in 2007. However, these earnings dropped in subsequent years mainly due to the effects of the global financial crunch. Production of motor vehicles in 2009 fell to 60 million, which was a more than 13% decrease. However, this industry still plays a major role in many countries' economies, due to its large revenue earning capacity. There are over 800 million vehicles in roads all over the world, and more than 200 million of these are found in the US. These vehicles require maintenance, fuel and service, while the owners have to pay insurance for them. This translates to a very large revenue stream, which incorporates governments, insurance firms, the motor repair industry and other firms which indirectly or directly get revenue from the automobile industry.

Toyota and Mercedes Benz are two of the largest automakers in the world. They have both been in existence for several decades and they are present in all parts of the world (Georgano, 2000). Both automakers can be said to have achieved success in the years they have operated and it is important to assess strategies which have resulted in their market growth and profitability. This will enable us understand strategies which contribute to the success of multinationals. This paper aims at analyzing the differences in production and marketing strategies which are used by both Toyota and Mercedes Benz. These two companies are relevant case studies since they

are both multinationals with a market presence in different parts of the globe, yet their parent companies are in Asia and Europe respectively. The discussed issues will be summarized at the end.

## **Toyota**

### **Profile**

Toyota is the largest vehicle manufacturer in the world and it has its headquarters in Japan. It is also one of the largest multinationals in the world, and it employs over 300, 000 employees globally (Toyota Website, 2010). The company began operating in 1937 after Toyoda its founder acquired the company from his father. In addition to vehicle manufacturing, the firm also develops robots and provides financial services. The firm ventured into production of small cars from late 1930s and it subsequently began producing SUVs and trucks. During the 1980s, import tariffs forced Toyota to build manufacturing plants in US in order to tap into the American market and reduce production costs. It subsequently entered into ventures with companies such as General Motors and these helped the firm strengthen its capital base. By the late 1990s, the firm was among the global leaders in automobile production and it began producing hybrids due to demand for environmentally-friendly cars (Halberstam, 2005). It later set up plants in the UK and was listed in the London and New York Stock Exchange in 1999. By 2005, the company was recognized as the leading automaker by Forbes magazine.

Although Toyota is the largest automaker, and has enjoyed relative success, it faces numerous challenges stemming from the global financial crisis as well as challenges in production lines. In 2009, the firm recorded losses

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amounting to more than \$4 billion and these were attributed to the global financial crunch. During the end of the same year, the firm faced vehicle recalls in the US and more than 5 million cars were recalled due to production defects involving the braking system. The firm was subsequently fined more than \$16 million as a result of delays in publicizing the defect.

## **Production strategy**

Toyota production strategy involves the use of two major strategies which are “ Just In Time Production” and “ Lean Manufacturing”. Lean manufacturing is a principle which only recognizes the use of resources when they involve creation of value to consumers (Liker, 2004). Processes which consume resources but do not achieve this objective are eliminated as they are seen as wasteful. Just In Time is a principle which only allows movement of inventory or resources when they are about to be used in a process, and this is performed to reduce transport costs (Fogg, 2000). In terms of market segmentation, Toyota develops cheap cars which are fuel efficient and it targets the middle class segment of society. This is an important segment which is normally ignored by many automakers. Due to an increase in fuel costs, these vehicles have proved to be very popular with consumers across the world. There is also a market-driven demand to manufacture environmentally-friendly cars and Toyota has taken advantage of this to develop different hybrid automobiles.

## **Organizational culture**

Toyota Company heavily relies in teamwork when undertaking operations within its various manufacturing plants. Employees are encouraged to work in team in order for them to be innovative. They are also given

independence when carrying out tasks and this also helps them to be innovative (Mugisho, 2007). In Toyota, employees are encouraged to improve the current systems and processes through increasing efficiency and employees are not fined for making mistakes when experimenting on processes. In addition, its management is usually present in assembly and manufacturing plants, and managers work with employees as equals. This motivates employees to perform better. In addition to this, employees are motivated through different non-monetary and monetary motivation forms which lead to an increase in their output.

### **Marketing strategy**

Toyota targets both the high end and low end market when marketing. It then develops brands which cater for the needs of both market segments. For the lower end market, it creates fuel efficient cars which are cheap and easy to maintain. The company makes sure that spare parts are easily accessible, and this increases their demand. For the high end market, it develops luxurious cars such as the Lexus which cater for the exquisite tastes of people in this market segment. In addition, Toyota adjusts its models to cater for current market trends and an example is the development of hybrid cars to cater for environmentally conscious consumers. Toyota undertakes marketing in different regions and it mostly uses electronic, print and Internet media to advertise its products. Its website is also very informative and it gives insightful information about a variety of products. However, the firm generally relies on its popular brand name to attract customers to its products.

## **Mercedes Benz**

### **Profile**

Mercedes Benz is another multinational which manufacturers coaches, buses, automobiles and trucks. It has its head quarters in Germany and its parent company is Daimler-Benz (Mercedes Benz Website, 2010). Mercedes created the first car which ran on petrol in 1886 and the first model which was launched into the market was launched in 1901, which makes it the oldest vehicle manufacturer currently. The company entered into a partnership with Studebaker-Packard Corporation in 1958 and this was done to facilitate distribution. Studebaker later experienced losses and was forced to close, leaving Mercedes Benz with access to its US network. Throughout the years, the firm has grown due to a strong reputation which involves durability and quality of products it produces. In 2007, the brand was a market leader in terms of quality, surpassing even Toyota. Mercedes is famous in the market by having many safety and technological innovations installed in its models. However, its challenges include developing fuel efficient motor vehicles and lowering the carbon dioxide emissions by its automobiles.

### **Production strategy**

Mercedes Benz has many assembly or manufacturing plants in different parts of the world. It uses a similar production system to that of Japan, but the difference is that emphasis is placed on safety and technological innovations when developing models. It also applies the “one man one engine” principle, which ensures that engines produced are very strong and efficient (Peng, 2008). Mercedes Benz caters for clients who prefer luxury

cars and who need four by fours, SUVs, coupes and sports cars. However, Mercedes Benz faces challenges in developing fuel efficient cars since most of its automobiles are fuel guzzlers. In addition, most of its products are not environmentally friendly since they release relatively high carbon dioxide emissions to the atmosphere.

## **Organizational culture**

Mercedes Benz heavily relies on technology and machines to perform many production processes. Since the firm relies on safety and technological features to attract consumers to its products, machines are frequently used to develop and install such features in various. Although Mercedes has fewer employees, it motivates its employees through generous compensations and benefits as well as opportunities to advance the careers of employees. In addition to this, efficient leadership ensures that managers in different parts of the world make decisions which are consistent with the objectives of Mercedes and its parent company (Bratton et. al., 2004).

## **Marketing strategy**

Mercedes relies on production of luxurious models for the upper social classes. This is a market segment which is aware of its needs and prefers automobiles to be tailored to suit their unique needs. Usually, luxurious products are not aggressively marketed due to the characteristics of population segments which consume them. However, Mercedes Benz ensures that the market is aware of any new models through advertising either electronically, through the Internet or using print media especially automobile magazines. In 2010, the company altered its marketing strategy and emphasized more on safety as opposed to environmental conservation <https://assignbuster.com/toyota-and-mercedes-benz-marketing-comparison/>



or luxury. These safety features included attention assists, lane assists, night view assist and blind spot detection features among others.

## **Similarities and differences between marketing strategies of Toyota and Mercedes Benz**

There are various similarities between Toyota and Mercedes Benz companies' strategies since both are automobile manufacturers. However, there are also differences between the two companies since both target different market segments. These similarities and differences will be briefly analyzed below;

### **Similarities**

One similarity in Mercedes and Toyota production is that both focus on employee motivation since they have realized the role motivation plays in increasing productivity. Both firms motivate employees through a variety of non-monetary and monetary motivation forms. Another similarity is that both firms use similar advertising strategies which include print, electronic and Internet media to reach their markets. Finally, both multinationals have a strong influence from the parent office although country managers are allowed to make certain decisions which relate to their individual markets.

### **Differences**

There are also differences between Toyota and Mercedes Benz production. The first is that the former targets the middle and low end market while the latter targets the high end market. As a result, Toyota markets its products more aggressively than the Mercedes Benz since the latter is a luxury good with a defined market. Another difference is that Toyota focuses on

producing automobiles which are cheap, efficient and which are fuel efficient while Mercedes Benz produces automobiles which have strong safety features and technological innovations. Toyota also focuses on developing environmentally friendly cars while Mercedes prefers producing cars with higher safety ratings.

## **Theories applicable**

### **Comparative advantage theory**

This theory explains the ability of firms or individuals to produce similar goods at lower opportunity costs than competitors. In order to enjoy absolute advantage, firms should have access to resources necessary to produce comparative advantage (Gielens & Dekimpe, 2001). Toyota has recognized this strategy and it uses cheaper labor which is available in Asia for its labor intensive operations. Many manufacturing and assembly plants are in Asia since labor is relatively cheaper, and this ensures that production costs are reduced. This in turn makes it possible for Toyota to maintain the production and sale of affordable cars.

### **Product differentiation theory**

This theory is part of the Porter Five forces and it involves making unique products which the market identifies with in order to boost demand and sales (Bolton & Myers 2003). Toyota and Mercedes Benz both make unique products which appeal to their different target market segments. Mercedes appeals to the upper classes due to its luxurious nature and safety record while Toyota appeals to the middle and lower class market due to its affordable price and fuel efficiency. This uniqueness has enabled consumers to relate to these products depending on their preferences and tastes, and <https://assignbuster.com/toyota-and-mercedes-benz-marketing-comparison/>

this has led to long term profitability by both Mercedes and Toyota (Goetsch & Davis, 2000).

## **Motivation theory**

This theory applies to human resource management in organizations. It explains that for employees to be highly motivated, both non-financial and financial motivation forms should be used. It further explains that once employees are sufficiently motivated, their output will rise and the organization will perform better (Beach, 2007). Toyota and Mercedes Benz have already recognized the role played by employee motivation and it has been discussed that they use various ways to achieve this. This is one of the reasons that both firms have been performing very well, especially considering that employees are the most useful resource in a firm.

## **Summary and conclusion**

The various production and marketing strategies which are used by Mercedes Benz and Toyota have been discussed in detail. It is clear that both automobile manufacturers are multinationals with a strong global presence although their target markets are different. Toyota targets the middle and low income market while Mercedes Benz targets the high end market. However, they implement similar strategies to motivate their human resource and these include non-monetary and monetary forms of motivation. In terms of marketing, both firms use print, electronic and Internet media for advertising. They also rely on their brand names for attracting customers and maintaining customer loyalty. Mercedes is known by the market for producing safe cars which have the latest technology while Toyota is known

for manufacturing cheap cars which are fuel efficient. Toyota is also famous for manufacturing environmentally friendly cars.

The motivation, product differentiation and comparative advantage theories have explained the strategies and reasons for success for both Toyota and Mercedes. It is important for both automakers to embrace new market trends in order to ensure that they both enjoy profitability in the long run. Mercedes should manufacture cost friendly and environmentally friendly cars while Toyota should manufacture cars with higher safety ratings. This will ensure that the needs of all market segments are addressed by both automakers.