

# Swot analysis of automobile manufacturer toyota



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Today's business world can be now be described as a fiercely aggressive market and so the goals of establishments is to compete and survive through establishing unique and distinctive capabilities in order to gain a competitive advantage by utilising their core competencies. Here the competencies actually describe the fundamental and unique knowledge processed by the organization. The business enterprises in today's developing nations operate in a severe regulated and more complicated working environment. The next strategic plan of the organization would be to utilise the core competencies along with the background and the environmental influence. These capabilities which are distinctive make the organization to initiate competitive advantage among the business world. Today's market is showing a different aspect of market where phases such as performance and quality of the product is mainly considered by the customers rather than the price. In such a kind of business market, the process of new product development and its effective management is the major essence of the said competitive management.

## **TOYOTA BACKGROUND**

Toyota Motor Corporation is a famous Japanese multinational corporation and can be taken as the second largest producers of trucks, automobiles, robots, buses and financial services as well. Kiichiro Toyoda is the founder of Toyota who was popular for inventing the automatic loom. The spirit of creation and research was inherited by Kiichiro from his father and thus he spends his entire life in the spirit of manufacturing cars. Many years of hard work finally made Kiichiro in completing the A1 prototype vehicle in the year

of 1935, which is said to be the beginning of creation of Toyota Motors Corporation.

The company's first Type A Engine manufactured in the year 1934 was then used in the first Model A1 passenger car manufactured in the year 1935 and the G1 truck which was later manufactured in the year 1935 all which actually led to the AA Model passenger car in the year 1936. In addition to the car business, the company works on textile business as well where they made automatic loom and which is now working fully computerised and their electric sewing machines are available all over the world. The company now has a number of factories around the world where they manufacture and assemble vehicles within the local market for distribution. Toyota factories are located in countries such as Australia, United Kingdom, Canada, Czech Republic, Poland, United States, France, Philippines, Vietnam, China, Thailand, Malaysia, Mexico, India, Pakistan, Indonesia, Japan, Mexico, Venezuela, Argentina, Brazil, South Africa and Turkey. Apart from the above countries, the company's headquarters is located in Toyota, Aichi, Japan.

## **SWOT ANALYSIS**

### **STRENGTHS:**

The company is one of the world's best known brands with their experience which cannot be overemphasised in the terms of manufacturing. Strength is that their product list is diverse with wide variety of segments for the customers to choose from which could fit their lifestyle where the list includes Land Rover, Jaguar, Ford, Aston Martin, Volvo, Mercury and Mazda. Toyota is also known as the supportive of societal causes which supports the fight for Breast Cancer. They are the moving assembly line pioneers which <https://assignbuster.com/swot-analysis-of-automobile-manufacturer-toyota/>

made their production very affordable as well as faster and efficient. The company's international exposure makes the company the second largest automaker in the world.

### **WEAKNESS:**

The complexity of the organization made the company's organizational structure a bit inefficient. This actually affected the ability of the organization to manage their international network of companies, branches and subsidiaries. This weakness in the organizational structure actually shows the future of Toyota in a hectic situation financially since the current situation of the company is still with outstanding financial debts. Even though the company is not in a situation to be bankrupt, it can be seen that the Toyota Management is currently in a tight spot and thus need to make sure that it doesn't go tighter anymore. Increasing competition also made the company sales to go down and somehow the company failed to overcome the challenges.

### **OPPORTUNITIES:**

Toyota Company according to their corporate responsibility to be environment friendly, made the opportunity to keep cleaner engine emissions. They further had a chance of create a great image in the public with the help of environmental group works in order to keep the environment clean. There is one great viable prospect for the company where they already started investing in solar power. The company have a chance to regionalise and specialise their worldwide operations which could enhance their transnational linkages. The company's existing innovation capabilities

on automobiles will make them have an opportunity to make good scope in the market other than the competitors.

## **THREATS:**

Very tight competitive rivalry is being running in the automobile industry and so Toyota faces the same as any other organisations. The company is also affected by risks of prices change of the raw materials like fuel, rubber, glass and steel. The economies in the Pacific, Europe and US are also showing slowdowns. Analysis shows that these are active threats to the company financially. Foreign competitive activities have been largely been affected by the company due to the overall position in the industry world wide.

## **TOYOTA PRODUCTION SYSTEM**

The production technology which Toyota has is to be taken as a great asset of the company and the production method what the company follow is discussed in this segment. The key elements of Toyota's success are described as follows:

### **Production:**

The production of the company is actually based on the time available and the effort for the manufacturing plants in order to produce the calculated number of items. There are two calculated types of manufacturing which are low and over production where low production is limited to the requirement of the company and over production is where the company produces products in sufficient and extra and stock the extra products in order for sale at a later time. Over production is normally preferred when the company is running out of time or when time isn't available later for production. The

over produced stock will be stocked in order for future sale, which is not actually a loss for the company and the sale is not actually affected.

The above picture shows the flow of the production system in Toyota. The Just in Time factor can be seen as the important factor in the production cycle. The Lean production system is the actually shown system in the image.

### **Lean Production:**

The lean production system follows a key pattern of cycle which is described below.

### **Reduced Setup:**

This is a factor which is actually dependant on the time and cost of the company. In order to achieve the same, the workers are trained perfectly with an aim of completed the proposed work within the time being with minimal cost.

Pull production and flexibility is calculated as another advantage of the process.

Proper training is provided to the employees along with a good working atmosphere in order to organize them to perform as required.

The product quality is another major part considered as to make sure that the over production at limited time will not affect the product quality.

Supplier will be the next segment which is another important segment where the company should make sure that the supplier remains constant as the

lack of supplies or any problems with the supply will affect the company's production rate.

Multi skilled employees should be developed by the companies by giving the employees the proper training they required and providing them with the perfect working atmosphere which makes them easy to work and perform well in order to make the company's production rate higher. Hence the company should make sure that they hire the skilled employees they needed.

### **Strategies:**

Customer is the starting point of strategy where the main aim is that the company should be in good contact with the customers which will indeed help the organization to introduce more and more products in to the market place. Hence a good relationship is derived from the service and product quality given by the company and so it makes that the strategy should be based to attract the customers to the products or the company. The product need make the requirement of production of products and so the demand of the product can also lead to the company standards to increase. Thus the manufacturing technology is also depended on the production. The most recent technology used will make the production better than the previous technologies applied to the production. Supply chain is the segment where the next strategy is to be applied since the products should be delivered to the proper markets after production. This role is actively played by the supply chain where the end of the chain will be a customer. Steps starting from production till the customer end will flow on properly if the supply chain is strong enough.

The below table will show the lean production system which Toyota is following.

### **Time Quality Management:**

Time Quality Management is a segment which focuses the organizational functions. The main aim of the segment is to make the best out of the company within the minimum time available.

### **Testing:**

This is the segment where the manufactured products are checked for the proper quality in order to make sure they are perfect to meet the required standards. Avoiding this segment will make the product quality differ and thus affect the reputation of the firm. Product testings are normally conducted within a specific department of the company.

### **Whole Sale Production:**

The Whole Sale Production of a company depends on several factors such as morale, safety, delivery, quality and cost of the product. Whole Sale Production refers to the production of the products in huge quantity or says large scale other than normal. This is normally done only if the product demand and supply is high.

## **COMPETITIVENESS OF THE AUTOMOBILE INDUSTRY**

Automobile industry is actually considered to be involved in manufacturing, designing market and the product sale. There are several factors which affect the said system. They are given below:



**Efficiency:**

Outsourcing

Manufacturing

Environment

Demand

Supply

Turns

Documents

Technology

Cost

**Production:**

Supply

Demand

Flexibility

Technology

Time

**Cost:**

Distribution cost

Tax

Shrinkage

Costs of supply

Wages

### **Business operation:**

Waste reduction

Project time

Outsourcing

### **Business control:**

Logistic

Lead time

Hub

Cost of goods

Fill rate

Forecasting

### **Inventory management:**

Cost

Finished goods

Raw material

Inventory ratio

### **Regulations:**

The business environment exerts several rules and regulations to be followed in order to stay according to the policies that come from environmental, social and political impacts. The main aim of the company exerting such rules will be to stay in the specific pathway in order to be in a safe way. The Toyota Officials saying about the rules are as follows: “ These rules and regulation must reduce the profit. But the company have to fit into the environment and respect each and every factor of the environment and the government. If the company is able to follow the rules and regulations then the company will have safe time and the company can bring a good reputation will bring more customer impression”.

### **Benchmark:**

This is the segment where the organization makes decision about the quality and expected standard requirements. The step by step process of Benchmarking will provide more standardised product and indeed bring standards to the company. Benchmarking according to Toyota is as follows: “ this is mainly to improve the company. The bench mark will be different for each company. This is set by the company itself and it will bring changes to the protocol. So basically it is a protocol to improve the standard of the company”

## **Customer Service:**

Customer Service is an important segment within the strategy as the process of strategic analysis look in the customer satisfaction within the service and product. Satisfaction shows the growth in business opportunities. Since customer service should be well organized and planned, the customer reactions should be monitored and the company actions should be accordingly as required. This will indeed help the company to understand the customer requirements and thus the company can work out for the same within the time being. Customer service department should be specifically trained sufficiently as they can be considered as one side of the organizational frontline as mingling with the consumers of the own products.

## **Market Shares:**

Investment in Toyota depends on the proposal presented to the stake holders and when they make sure that the company can benefit from the proposal makes a good impression. The later part will be to discuss about the proposal and let to know how the company could make profit from the new idea.

## **Sales:**

The sale of the product will actually depend on factors such as production, distribution, product standard, demands, etc. Several strategies are developed in order to increase the sales of products and most of them concentrate on product awareness to the public, where advertisements are a major part of the segment. Once advertisements are done with the sale, the next role is of increasing the product demand. This is only possible by providing quality products and services to the consumers. What Toyota says <https://assignbuster.com/swot-analysis-of-automobile-manufacturer-toyota/>

about sales are as follows: “ The distribution is important for the sale. Each and every part of the market should reach the product. For that we need a good distributor who knows the market well”.

### **Employees:**

Multi skilled employees should be developed by the companies by giving the employees the proper training they required and providing them with the perfect working atmosphere which makes them easy to work and perform well in order to make the company's production rate higher. Hence the company should make sure that they hire the skilled employees they needed.

### **Production Level:**

Once the company is able to produce the products to the demand level, it shows that the company will be normally able to enter goods into the market at the right time. The main roles played in the segment will be of the technology and the employee skills. Newer technologies make the production smooth and easy and also save time as well. Production rate can be increased with modern technologies. The production level to be considered by the company will actually depend on the product demand and thus can be decided to be low or high level of production.

## **FUTURE OF TOYOTA**

What Toyota says about their future plans are as follows: “ The main aim of the company is to stabilize it and bring new strategies to go high in the automobile market. This can be done in various steps by doing the analysis on the market and improve the standard of it by looking what the company is

lacking. The next step is to see how our competitors act on us. Study each and every move of them and try to improve than them”

Customer service is another segment where the company is currently focusing at since the customer satisfaction leads to the overall organizational value. Customers are always given the first priority by the company.

The technology factors and the time factors to be scheduled by the company in order to make the future growth stable since the competitor strength should be noticed and changes are necessary in order to make the company value greater than them in the business market. Toyota is currently facing several problems with the vehicle standards. This is an issue where the company is looking to make changes through in order to provide better customer service. The company introduced several new strategies in order to fix the problems as well. But in future changes are necessary in order to survive. There are two segments were Toyota future relies. They are given below:

Technology: What Toyota says about technological advancement is: “ If the technology is latest then the rate of production will be high. The production can be high level and low level. This will depend on the demand rate of the goods”

Competitors: What Toyota says about competitors are: “ If the competitors are strong then the company should be very careful and use the best resources which they have. So the company should know the strategy which they have to work on and it will be easy for them to market level”

In the first three months of 2007, Toyota together with its half-owned subsidiary Daihatsu reported number one sales of 2.348 million units. Toyota's brand sales had risen 9.2% largely on demand for Corolla and Camry sedans. The difference in performance was largely attributed to surging demand for fuel-efficient vehicles. In November 2006, Toyota Motor Manufacturing Texas added a facility in San Antonio. Toyota has experienced quality problems and was reproached by the Japanese Government for its recall practices. Toyota currently maintains over 16% of the US market share.

## **CONCLUSION**

Toyota Company is great in its core competencies and they are able to utilise them over to gain advantage over their competitors. The Toyota way of production is actually a philosophy term where they have a list of principles to be followed which make them differ from that of the competitors. All the current affairs of the company will indeed turn into the sustainability challenge of the company and gives them a big heap in the business. Also the investor relations in the company make them a big heap in the market since the ideas of innovation by the company actually have a big part to be dealt by the share holders of the company.

The company is one of the world's best known brands with their experience which cannot be overemphasised in the terms of manufacturing. Strength is that their product list is diverse with wide variety of segments for the customers to choose from which could fit their lifestyle where the list includes Land Rover, Jaguar, Ford, Aston Martin, Volvo, Mercury and Mazda. Toyota is also known as the supportive of societal causes which supports the

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fight for Breast Cancer. They are the moving assembly line pioneers which made their production very affordable as well as faster and efficient. The company's international exposure makes the company the second largest automaker in the world.

Toyota Company according to their corporate responsibility to be environment friendly, made the opportunity to keep cleaner engine emissions. They further had a chance of create a great image in the public with the help of environmental group works in order to keep the environment clean. There is one great viable prospect for the company where they already started investing in solar power. The company have a chance to regionalise and specialise their worldwide operations which could enhance their transnational linkages. The company's existing innovation capabilities on automobiles will make them have an opportunity to make good scope in the market other than the competitors.