

Toyota faces fierce competition from all angles marketing essay



Since Toyota products have a reputation for reliability, the resale value of their vehicles tends to be much higher than many other producers. The most serious threat to Toyota is widely considered to be Honda Motor company. However, Toyota has done some substantial work on their products and price points to stay competitive against Honda. Below are some comparisons between Honda and Toyota products, and the price points for a base product, and fully loaded.

Consistently, Honda seems to match Toyota on the lower levels of price, but on higher priced and equipped models, the prices on Honda vehicles seem to be substantially higher than on comparable Toyota products. This would seem to favor Toyota, giving them a better image of Value and a better price on the same top quality merchandise.

Porters Generic Strategy

Differentiation- it involves creating a perception about a product that it is superior than the competitors' products. And hence a premium price can be charged.

Cost Leadership- It focuses on being the lowest cost producer of a product so considerable profits could be earned even though the price charged is not above average

Focus- utilizing either a differentiation or cost leadership strategy in a narrow market segments possibly just one market.

Toyota pursues differentiation strategy and cost leadership economies of scale are relevant. A dual focus on differentiation and cost leadership is often

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required across the value chain in various segments. Toyota seems to pursuing both a differentiated business and low cost strategy, which is hybrid strategy.

According to Porter (1980), a company which fails to make a choice between differentiation and cost leadership essentially implies the company is stuck in the middle. A company which is stuck in the middle lacks competitive advantage and hence leads to poor financial performance (Porter, 1980).

However, there exists disagreement between scholars on the aspect of this analysis. Kay (1993) and Miller (1992) have cited examples of companies like Toyota and Benetton, which have adopted hybrid strategy and yet are successful.

However after gaining a high market share in US, Toyota created Lexus in 1989 for the luxury segment in the market, which was dominated by BMW and Mercedes-Benz. This brand of cars pursues differentiation strategy.

Competition for Toyota

Direct Competition

Toyota has immense competition from the Japanese, American, German and South Korean auto makers. However Toyota is striving very hard to set itself apart from the competitors.

Three of the main companies that are direct competitors to Toyota are:-

- Ford.

- Hyundai.

- Honda.

The Hyundai Company is a branch of Hyundai Automotive Group in South Korea. Its headquarters is in Seoul, South Korea. In 2005, the sales of Hyundai and KIA Auto Group were the sixth largest manufacturers of vehicles in the world. In Ulsan, South Korea, Hyundai has the world's largest automobiles which produce 1.6 million units annually

Honda's heritage began as a small Los Angeles store in 1959 eventually manufacturing motor cycles, ATV's marine engines and automobiles. With the establishment of Honda technical research institute by Schiro Honda the company opened a \$44 million auto plant in Alabama (2000). Honda was awarded the bestselling car in America in 2001.

Ford Motor Company is based in Dearborn, Michigan, which manufactures and distributes automobiles in more than 200 markets across 6 continents. The company has employed more than 300,000 people and 108 auto plants worldwide. The company's affiliated automotive brands include Lincoln, Land Rover, Mazda and Jaguar.

Indirect competition includes Motorcycles & mass transit. Consumers who look for cost effective transportation would choose the above mentioned modes of transportation posing. This poses indirect threat to the company as Toyota mainly targets average income group of customers as against luxury segment which is only targeted by Lexus.

Competitive advantage of the company

The rise of the Japanese car manufacturers to positions of global dominance in the decades following the second world war is well known. In recent years, despite the well-publicised troubles of some companies such as Nissan, other Japanese car makers, most notably Toyota, have sustained and even increased their global competitive advantage.

In October 2000, Fortune published its annual rating of the most admired car makers in the world. Toyota was ranked first in the list, which included 14 manufacturers such as Ford and General Motors.

The competitive advantage is based on a

Corporate philosophy – Toyota has unique set of rules and attitudes that govern the use of resources in the company. The philosophy of Toyota to empower its workers forms the centrepiece of its human resource management which in turn fosters innovation in the company by encouraging participation of employees, and likewise promoting levels of high employee loyalty.

Although Honda has immense reputation for manufacturing high-quality cars, but it has been unsuccessful in overcoming Toyota's advantage in human resource management

Toyota Production System: Toyota's president, Toyoda Kiichiro and, later Ohno Taiichi, the real architects of the (TPS), developed a highly efficient production system later characterised as 'lean production'. Toyoda's methods paralleled those of Henry Ford several decades earlier, although

Toyota's approach to both product development and distribution proved to be much more consumer-friendly and market-driven.

Efficient Supply chain relationships and distribution networks: In both Japan and Korea Toyota, has been able to rise above western cultural and institutional barriers of Asian models of supply chain networks. They hence been able to realise advantages of production and customer satisfaction in the US.

Conversely, Asian manufacturers who have not been able to surpass the cultural barriers have been adopted western models, for e. g. Daewoo, have performed poorly in US market.

In large, this advantage of supply chain management is attributable to the precision in which Toyota has been able to co-ordinate the activities of its network of 300 components suppliers.