

# Toyota brand essay sample

[Business](#), [Company](#)



Toyota is a globally known brand with factories, assembly plants and showrooms all over the world. Since making its presence known to the U. S. market in 1957 there was no turning back for this automotive manufacturing firm. Its primary business is in manufacturing and sales of automobiles such as cars, trucks, SUVs, vans and hybrids. The focus of this study is the investment presence and impact of Toyota in the United States. As of this writing Toyota has at least ten facilities in America directly related to auto manufacturing. Overall Toyota has invested \$18. 3 billion into the U. S. economy since its inception fifty years ago. Combined vehicle production now stands at 870, 570 and the company employs 28, 783 people.

Focusing on the manufacturing aspect of the company it is important to note that Toyota manages to keep everything in-house from the manufacturing of components to the assembly of the vehicles. This is made possible by subsidiaries such as Toyota Motor Engineering & Manufacturing North America, Inc. This group is primarily responsible for Research and Development, engineering design and even some manufacturing activities. Another major group is the Toyota Auto Body Company or TAB, Inc., and this subsidiary produces sheet metal components, steering columns, catalytic converters, coated catalytic substrates etc. Another one is the Bodine Aluminum, Inc., a group responsible for the manufacturing of engine brackets and carrier covers, cylinder heads and cylinder blocks.

### Price and Cost

Toyota different types of vehicles but the most popular is a car known all over the world as the Toyota Corolla. The sticker price for the 2010 Corolla

model starts at \$15, 500. On the farther end of the price range is the more expensive vehicle type the SUV. An example of which is the Toyota Land Cruiser with a sticker price that starts at \$66, 000. These are not cheap products and therefore it does not also cost cheap. In fact this company focuses all its energy not only in designing and building high-quality cars but also to stay very competitive by reducing operational costs.

According to figures released by Toyota in the United States since the first manufacturing plant was established in America up to fiscal year ending 2009, the company already spent a total of \$22. 3 billion when it comes to parts, materials, and components (Toyota. com, 2010). This does not include labor cost and maintenance costs for the various facilities under the manufacturing umbrella (Hino, p. 133). This is a staggering amount even for a company as successful as Toyota.

Based on the prices mentioned one can already have a general understanding of the kind of customers that will buy Toyota cars, especially the Corolla model. Customers are middle-class and they want to get the best value for their money. But according to those who spent a great deal of time and effort studying this company, Toyota's success cannot be understood simply by looking at the usual metrics such as manufacturing cost, the price of the good and the type of customers willing to buy the said product.

According to them the success of Toyota can be traced to customer loyalty. In fact, “ More than 70 percent of Toyota's customers return to buy another Toyota automobile.” (Lawfer, p. 24). And this is significant because most automakers only have a 30 percent repeat purchase rate (Lawfer, p. 24).

Thus, the demand curve of the product is also influenced by how customers perceive the value of Toyota cars.

Nevertheless, Toyota is always gearing towards cost-efficiency. High prices of oil and other commodities will continue to increase the cost of production. The company's fixed costs include expenses related to real estate because their manufacturing facilities use up land; the employees, and the maintenance costs of their facilities. Their variable costs included the raw materials needed to build components, parts, and materials.

#### Factor Markets & Supply Curve

When it comes to operational costs and factor markets Toyota was quick to realize that its major competitors such as Ford, General Motors, and Chrysler had a hard time achieving cost-efficiency, meaning that it was a challenge to increase their profit without sacrificing the quality of their product (Liker, p. 88). On the other hand Toyota was able to increase efficiency by reducing waste such as: 1) overproduction; 2) waiting; 3) unnecessary transport; 4) over-processing; 5) excess inventory; 6) unnecessary movement; 7) defects; and 8) unused employee creativity (Liker, p. 89). Those who are aware of these practices were never surprised to find out that in fiscal year 2002 Ford Motor Company suffered a \$5 billion loss while in the same fiscal year Toyota had a net profit of \$5 billion (Lawfer, p. 24). Nevertheless, Toyota does not have any major influence in the factor markets related to the production of automobiles.

One has to consider the current financial crisis and the increasing price of petroleum products the short run supply curve will not slope upwards suggesting that Toyota will try to find out if it is prudent to produce more units considering that there is a slowdown in the economy. In the long run however, a more optimistic economic forecast and the improvements in technology in terms of manufacturing more cost-efficient vehicles will create a supply curve that slope upwards and the company will be able to increase its profitability.

### Competition

The Big Three competitors: GM, Ford, and Chrysler are engaged in a perfectly competitive market. Toyota is not yet number one and yet many are in agreement that the Big Three are learning from Toyota (Peng, p. 291). This is proof of its influence in the auto industry. This means that Toyota will continue to strive to be the most cost-efficient, to produce more high-value cars and to increase brand loyalty among customers. The decision-making process within the company will always be geared towards becoming number one in the auto industry (Peng, p. 291). Decision making is also tailor-made discover ways to improve the manufacturing process.

### Regulation and Changes

The most important regulation in recent years is the one concerning zero emission levels and pollution. The U. S. Federal Government, particularly the U. S. Environmental Protection Agency is strengthening its drive to force car manufacturers to develop technologies that will help produce low-emission

vehicles or LEV (ACEE, 2010) Since the very beginning Toyota and the rest of the automotive industry were designing and manufacturing cars based on the traditional engine design which uses fossil fuel to run the cars. In this regard, overall design as well as engine technology was all tied into the framework of the combustion engine. But the law reducing emission from vehicle exhaust will compel manufacturers like Toyota to think out-of-the-box and to manufacture LEVs.

There will be additional investment when it comes to research and development. Afterwards additional costs will be needed to build new factories that will manufacture a new type of car. Moreover, it does not require a rocket scientist to realize that electric cars can be a major solution not only to the stricter emission standards imposed by the EPA but also as a solution to the problem of fossil fuel. The United States government is well aware of the country's dependency on petroleum products exported from other countries. Therefore, the Federal government will encourage and require the U. S. auto industry to join in solving the energy as well as the environmental problem facing the country. Thus, the competition will heat up not only when it comes to LEVs but also on the creation of a more cost-efficient and hopefully more marketable electric cars.

Aside from the tougher laws on emission levels and awareness when it comes to the link between pollutants in the air and respiratory problems another major event that significantly affected the automotive industry is continuing rise in the prices of petroleum products. This resulted in greater clamor for energy efficient cars. As a result Toyota became one of the

pioneers when it comes to the development of hybrid cars. A hybrid is a car with at least two modes of propulsion (Fuhs, p. 73). In the case of the Toyota Prius there is a combustion engine and an electric motor that helps the car achieve a very good miles per gallon rating (Fuhs, p. 62) This means less dependence on fossil fuel but at the same time preparing the way for electric cars and other systems that will use zero gasoline or petrol.

The company has shown resilience and its commitment to succeed in the U. S. market. It will continue to find ways on how to improve their product and to beat the competition. The changes in the market will only make it a stronger and more efficient organization; it will always be ready for new challenges that may come its way. It has already proven its commitment to adapt based on the success of the Toyota Prius.

Toyota will try to maintain its strong position in the U. S. auto industry. This can be achieved through continuous innovation as well as adhering to the principles that enabled them to grow from an obscure company fifty years ago to a global conglomerate. This includes lean production systems – always asking how to improve the process (Mann, p. 169). If Toyota will continue to inspire its people and reward its customers then the challenges up ahead will only serve to stoke the fire of excellence.

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