

# Toyota and lexus pestel analysis



The purpose of this report is to conduct a strategic appraisal of Ebrahim Khalil Kanoo Group and assess the implications for the strategy of the company. To conduct these analysis two main stages will be taken into consideration. Firstly the external environment of the company that will focus on its wider environment by applying a PESTEL framework and Porter's five forces that will lead on to identify key opportunities and threats facing the company. Secondly the internal resource capability analysis that will focus on the companies Recourse Audit and its value chain followed by a linkage of its Core Competency by applying the VRIN analysis, that will lead to an indication of the key strengths and weaknesses of E. K. Kanoo Group.

For over a century, the Kanoo family has been one of Bahrain's leading merchant dynasties. With business connections spanning the Arab world and South Asia from the days of antiquity – even before the invention of the motor car the Kanoo name has for generations been a byword for trust, service, and dependability.

In 1920, there were only two cars on the island of Bahrain, both owned by the Ruling family.

Therefore in 1952 Ebrahim took the chance to established himself as a leading importer of automobiles and spare parts under the name Green Auto Stores, securing in 1966 the sole authorized distributorship in Bahrain of Toyota automobiles, industrial vehicles and related services. The Toyota Motor Corporation was founded in 1937 by Kiichiro Toyoda. The first vehicle, the Toyota AA, was produced in 1936 whilst the company was still associated with Toyoda. The brand as we know it became established as an

independent company in 1937 and changed their name to Toyota. They opened their first factory in 1938 but it had to be cease production during World War II.

In 1974, Ebrahim's sons, Mohamed and Fuad, assumed responsibility for the day-to-day operations and strategic direction of the business, steering it into a new era. They formed the E. K. Kanoo Group of Companies. Focus was initially exclusively on the Toyota franchise, and this resulted in the establishment of one of the most sophisticated and successful automotive businesses in the region.

In 1989 Toyota launched their new luxury product line Lexus and in 1990 the company was offered to become the sole distributorship of Lexus automobiles.

Toyota is currently one of the largest corporations developing hybrid vehicles for the commercial market.

Today, with more than 50 years of commitment to service excellence, E. K. Kanoo is universally acknowledged as one of the island's automotive pioneers of Toyota and lexus, developing and exceeding expectations in the automotive business.

The next generation of the Kanoo family are now fully involved in the business and are building their careers, and expanding the business, in the founder's footsteps.

Further diversification expansion took the group into other business areas, building new companies with the same commitment to trust, commitment and dependability such as Kanoo IT, security 1, Kanoo Power solution.

#### Kanoo IT in 1999

In 1999 Kanoo IT was launched as a division of Ebrahim K. Kanoo B. S. C.(c) which deals in A commitment to first-rate ICT product and service support that is reflected in its partnership with the leading hardware and software brands throughout the world.

The changing face of the ICT industry drives Kanoo IT's strategy to provide industry leading products and services to its clientele in Bahrain. The company has geared itself to meet this challenge by offering an innovative range of products and allied services and being sensitive to the precise needs of today's customer

#### Security 1 in 2006

In 2006 Security One was launched as a division of Ebrahim K. Kanoo B. S. C. (c). Which deals in a division of the Ebrahim K Kanoo Group of Companies that stands on developing and providing specialized solutions in the areas of Security, Fire, Safety and Automation requirements for all Governmental, Commercial, Residential and Industrial projects.

In involvement with the foremost and established international product manufacturers in Security business, it has created a strong Competence Center in Bahrain with an professional experienced team of consultants and certified engineers, aimed at providing the most innovative and cost

effective solutions, coupled with excellent customer support and after sales service.

They develop, deliver and support the most mission-critical applications to meet the most stringent customer service requirements

Kanoo Power solution in 2006

In 2006 the Kanoo Power Solutions was launched as a division of Ebrahim K. Kanoo B. S. C.(c) which deals in power products for industrial applications. It is the Authorised Distributor in the Kingdom of Bahrain for Exide Technologies and Chloride UPS Systems who are pioneers in their respective fields.

Exide batteries have a design life ranging from 5 to 20 years and are available in both AGM and Gel technology. Exide Technologies is a Global leader in stored electrical energy solutions for all major critical reserve standby power applications and needs. Standby power applications include communication/data networks, UPS systems for computers and control systems, electrical power generation and distribution systems, as well as a wide range of other industrial standby power applications.

## **Toyota & Lexus PESTEL Analysis**

The first stage of the external environment analysis is through the PESTEL framework that helps E. K. Kanoo managers understand the big picture of the political, economical, social, technological, environmental and legal issues that they are operating within. (reference)

Based on our research it has been recognised that they share the same analysis as the mother company in Japan but differ in some areas.(To be added)

Political factors: impact on many vital areas such as the environment of the workforce, the humans' health and the quality of technology such as hybrid system.

Based on our research, Toyota have positive political impact. By producing the environmental friendly cars which use less gasoline and reduce dependency on petrol, Therefore, the country itself reduce the dependence of the petrol. On the other hand EKKanoo and its customers benefit from this issue as prices of full are much lower than Japan and the US.

The dependence of the natural gas and oil from the foreign source will directly and indirectly affect one country economy growth and also the national security.

Growth in the infrastructure development sector following the announcement of Qatar hosting the 2022 world cup and Qatar Bahrain causeway will revise the economy.(Economical factor)

The social unrest continues to weigh heavily on the country's political stability. People are not in a position to comfortably invest in expensive products.

Economical factors: This includes interest rates, taxation charges such as the road tax, insurance tax, economic growth, inflation and tax incentive. In other words, the costs have to pay more for car users.

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Economy is also another impact to almost all countries around the world. The consumers start to choose the hybrid car based on the benefits of fuel savings over time which means the “ paid back”.

There had been a slight decline in sales of non-luxury automotive brands due to the political unrest and economic slowdown (2009-2011), but the figures this year reflect a positive outlook and the growing sales numbers will carry forward in 2013. Market share for Toyota has increased over 2011 which was lost due to shortage of stock and end of cycle models.

High projected oil prices in 2013-17 will contribute to financial surpluses. Neighbouring GCC investments will increase due to huge petrodollar surpluses.

Major projects have been declared to commence and be completed by 2013 & 2014. These projects are residential as well as industrial; with the potential of increased population and commercial activities that would generate higher sales of vehicles and equipment.

Appreciation of Yen currency does not help in maintaining competitive pricing.

Social factors: This factor takes into consideration all events that affect the market and community socially. Thus, the advantages and disadvantages to the people of the area in which the project is taking place also need to be considered. These events include cultural expectations, norms, population dynamics, healthy consciousness, career altitudes and global warming.

Due to the climate change become a serious topic nowadays, Therefore EKK is importing vehicles from Toyota which adapt with GCC standards and environment also Toyota should produce a vehicle which it will not bring pollution to the environment.

Very low dependence on public transportation system in Bahrain, therefore people prefer to own cars.

Technology factors: New technologies create new products and new processes. Technology can reduce costs, improve quality and lead to innovation. These developments can benefit consumers as well as the organizations providing the products.

Toyota plaza is one of the largest service centres mechanism in the world for Toyota and Lexus.

Enterprise Recourses Planning (ERP) which have the latest version of oracle system.

Legal factors: Organizations also have to adjust their products and ways of operating to the different regulatory and legislative framework that govern each of the products areas and countries in which they are active. Other than that, the programs also need to take into consideration. Organizations have to follow all the rules and regulations which are set by the governance even if there is new technology involvement,

Electrical cars from Toyota which the company cannot import due to country economic growth issues.



Changes of country importing rules and regulations can affect.

Number of automobiles allowed into the country and yard parking cost.

Environmental factors: include the weather and climate change. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. In Bahrain one of the GCC countries which have hot climate over the year.(to be changed).

E. K. K have signed contracts with recycling companies to recycle all after service materials such as oil, tiers, spark plugs and packaging boxes.

All imported cars are installed with an friendly environment exhaust system that reduces the amount of air pollution.

## **Porter's 5 forces**

As for considering the competitive issues the organisation faces Porter's five forces helps identify the attractiveness of the industry it operates in and helps it understand the strength of the current competitive position.

(reference)

### **Power of suppliers**

The bargaining power of suppliers is low. There are various types of suppliers in the vehicles industry, including the cooling system, electrical system, braking system and fuel supply system distributed across the globe.

EKKanoo became the sole distributor of parts and extended their car

warranty to 4 years/150, 000 KM with a 3 year free service package and built a good network of service and parts centres throughout the region.

However, most vehicle manufactures own many interchangeable suppliers, and also have the ability to produce the components by their own in the short time. Thus, the suppliers do not own the power to change the price.

#### Power of buyers

The Bargaining power of buyers is high. Bahrain market continues to be price driven for most of the customers segments. Today, buyers have a lot of information channel, such as the internet, where can easily find the proper vehicle. And, the preferences of the private consumers are important to the vehicle corporations. If automobile Company increases one type, they can also choose other type or the cheaper one. Customers look for more discounts, free service packs and better financial schemes or they can easily find the substitutes. Such as used cars, trade in or exporting from other countries.

#### Threat of new entrants

The entrants cannot enter to the automotive industry easily, as automobiles are special products that require a large amount of money on the design, monopolize the market, electronic functions, and safety issues. And another important issue is the brand loyalty in the car market. Vehicle firms always benefit the brand value, and decrease the consumer sensitivity about the price.

As EKKanoo has been the first automotive industry on the island and Toyota stands for Quality, Safety, Durability and Reliability; a benchmark in the automotive world customers have a strong belief in the brand and feel that Toyota is the most reliable brand in the automotive market and feel that it has become more advanced technologically with refined interior which reflect unrivalled elegance and exclusiveness.

Therefore Toyota stands out as a high value brand and Low cost of ownership is associated with the brand.

#### Rivalry among competitors

The competition in the auto industry is strong. The top eight auto companies have occupy large part of global revenues, and these automobile manufacturers strengthened the globalization and consolidation across the worldwide range.

Korean brands are proving to be a potential threat with the introduction of attractive design and features at competitive prices. This reflects their increase in market share over the years.

Competition among the Japanese brands is intense, American brands will take advantage from the appreciated Japanese Yen and Chinese brands have started to show their presence in the market.

With new models being launched in 2013 for the Toyota line up, Toyota would be able to dominate the market and emerge as the leading brand. Toyota will face intense competition from Nissan, Hyundai and Kia in the passenger segment, youthful and sporty brands will have more opportunity.

Nissan poses to be the major threat for Toyota in Bahrain as they have an aggressive pricing strategy which is helping them to dominate the market. This is reflected in the increase of market share of Nissan over the years. Korean products have a more youthful and sporty design with added technological features at a competitive price.

The main competitors of Luxes in Bahrain are BMW, Mercedes, Audi and Infiniti.....

#### 5. Threat of substitutes

The threat of the substitutes is high. There are a lot of substitutes in the automobile industry. When the price of the vehicles rises, the substitutes will emerge, there are many types of equipment that can take the place of vehicles, such bus, subway, bicycle and even walking. In Bahrain it is Low because of the hot clement it is hard for people to walk and ride bikes, low public transportation services as it's a small island.

## **Internal Environment Analysis**

### **Resource Audit:**

The next stage is to carry out an analysis of E. K. Kanoos internal resource capability by applying the Threshold and Distinction capability framework that will maintain a briefing of the resources available to the company and how they help them achieve competitive advantage and superior performance.

**Threshold Resources:**

Based on the analysis of E. K. Kanoo business field its Threshold Resources are the need of capital, showrooms, service garages, storage, logistics, land transportation, customers, suppliers, technical equipment, shop and garage equipment and staff personal to achieve its competitive advantage and superior performance within the market.

**Threshold competences:**

Marketing – E. K. Kanoo has a high strategy of innovation therefore the need of marketing is highly recommended to launch its new automobiles, spare parts and accessories , for example handling the launch of 2013 models.

IT systems – Updated technologies and IT experts are crucial for the running of the business as without these, the organisation would not succeed as they have innovated the organisation with the Oracle system that will be explained farther along in the report .

Distribution – E. K. Kanoo has managed to lower the cost of distribution which is also a vital part of its business by having its storage spaces next to the automobile market and within its service centres.

Competitor research – Having an insight on what competitors are doing helps E. K. Kanoo achieve constant marketing innovation to continue making progress over its competitors.....?

Customer relations – One of E. K. Kanoo distinct features is its “ Online and mobile Personalised Service” that is arranged by the customer relations management department that is computerized System for Identifying,

Targeting, Acquiring, and Retaining the Customers, helps in Profiling , Understanding Their Needs, and in Building Relationships With Them By Providing the Most Suitable Products and Enhanced Customer Service and also Integrates Back and Front Office Systems to Create a Database of Customer Contacts, Purchases, and Technical Support, Among Other Things. This Database Helps The Company in Presenting a Unified Face to Its Customers, and Improve The Quality of the Relationship.

Recently they have introduced the customer online service appointment booking system that will ...?

Allowing customers to provide direct feedback and recommendations to them to increase company innovation and customer satisfaction?

### **Distinctive resources:**

Location – E. K. Kanoo has expanded from operating in the capital only to operating all around the Kingdom of Bahrain.

Recruitment – Staff are recruited based on the company’s needs and is also task oriented, targeting experienced people with high talent and thus target staff working for well known companies such as .....?

Price -.....?

Scale of business – Moving from selling random automobiles only to covering all customer needs from all types of Toyota and Luxes automobiles, offering service packages, spare parts and accessories plus innovation by introducing .....?

Brand image -.....?

### **Distinctive competence:**

Supplier advantage – Amazons ability to source a different range of suppliers. Starting with Ingram books, the largest book distributor in the US, before going live online. After which Amazon built many different types of distributors, from the seller customers to book publishers. Building relationships with well known manufactures and brands along the way easing the launch of Kindle.

Three pillar strategy – Selection; by offering a wide selection of both luxury and passenger automobiles , Price; committing to price leadership with no sacrifice to quality by offering free shipping and on time delivery, Convenience; by dedicating many resources and building a customer relation management team to understand its customers’ needs and wants.

Technology – E. K. K enhanced its technology by launching the online service appointment and rent a car option on its website.

### **Value Chain Analysis:**

Analysing the value chain will help describe the categories of activities within E. K. Kanoo which together creates its’ retail service.

### **Support activates:**

Firm Infrastructure: E. K. Kanoo corporate headquarter is based in Manama the capital of the Kingdom and its showroom is placed in the middle of the automotive marked district, as E. K. Kanoo is a sales and after sales business they built a good network of service and parts centres throughout the region

and expanded the service branches all over the main cities of Bahrain to reduce customer traffic and time consuming.

**Human Resource Management:** Employees are an expensive and vital resource. EKKanoo manage recruitment and selection, training and development, rewards and remuneration. They consider their employees as HUMAN CAPITAL and this is mostly focused on the technical side as the select technicians based on specific sanders that enhance them to be sent for a two years secondment to the mother company in Japan to improve their talent management and implement it within the organisation. They also follow the team 21 technical training scheme the development of this new team curriculum was necessary to keep carnet with changes in the automotive industry and to take advantage of advanced training technology to better serve customers satisfaction, achieving high efficiency and quality work process in each service shop, is the main global of restructuring service training.

The mission and objectives of the organisation is the driving force behind the HRM strategy.

**Technology Development:** Technology is an important source of competitive advantage. Companies need to innovate to reduce costs and to protect and sustain competitive advantage. Therefore EKKanoo implemented its own Enterprise Resource Planning team that installed the Oracle system to the organization by linking it from its headquarters to all branches and department all threw the kingdom that could be modified based on the departments requirements as pear enhancement report that shows



departments needs objectives of their requests besides to advantages and how it will impact the business, billet one of the largest and most advanced Toyota and Lexus service centers in the world called the Toyota plaza that is installed with the most advanced technology equipment that assures health and safety to both the environment and staff, increases service quality, equipped with the latest accidents repair and chassis alignment technologies, the most advanced painting systems and quality control techniques are utilized in the Toyota Plaza. Kaizen continual development that calculates the utilization performance of all technical support that are engaged in the technical work field.

Customer Relationship Management (CRM) ( ? ), and many other technological developments.

Procurement: This function is responsible for all purchasing of goods, services and materials. The aims to secure the lowest possible price for purchases of the highest possible quality. Toyota motors will be responsible for outsourcing (components or operations that would normally be done in-house are done by other organizations), and e-Purchasing (using ITand web-based technologies to achieve procurement aims).

### **Primary activates:**

Inbound Logistics: E. K. Kanoo invests in Research and Development to enable them to find new ways to improve their customer experiences and, taking into account customer feedback to understand their wants and needs before ordering any new vehicles.

**Operations:** Operations include organizing and ordering the parts and accessories for new cars, and the final tune for a new car's engine. E. K. Kanoo are known for their reliability which comes from efficient operations. Therefore they always take into consideration the number of sales staff and technicians that are required to be trained to achieve organization and customer satisfaction during the sales and after sales process.

**Outbound Logistics:** The goods are now finished, and they need to be sent along the supply chain to wholesalers, retailers or the final consumer. Toyota motors manage their own Showrooms in different countries. Toyota motors make their product easily assessable.

**Marketing & sales:** In true customer orientated fashion, at this stage E. K. Kanoo prepares the offering to meet the needs of targeted customers. Therefore they focus strongly upon receiving the ordered vehicles, coordinating the logistic yard, marketing communications, promotions mix and showroom display.

**Service:** This includes all areas of service such as final checking, after-sales service, complaints handling, training and so on. E. K. Kanoo value their customers Support Activities.