

External analysis of the automotive industry



External Analysis of the Automotive Industry The greatest threat to Toyotas existence is the unprecedented economic crisis of 2009 that has adversely affected the global automobile industry due to slowing demand but I think it will still be able to survive. On the other hand, the greatest opportunity for Toyota Motor Corporation is in hybrid vehicles such as the Prius. Toyotas main corporate guiding principle as contained in its mission and vision statement is contribute to the sustainable development of society through innovative products which do not harm the environment (Cho, 2009, p. 1). The firm has concentrated and accelerated its development of hybrid vehicles by providing customers with attractive and appealing cars people truly want, the chairman added (ibid.). The big opportunity for Toyota is to capitalize on its excellent goodwill and customer loyalty with the production of reliable automotive vehicles. Its Prius model is still regarded as the best-ever car among 300 models that are eco-friendly (Ikematsu & Honma, 2010, p. 1).

However, the current fiasco over the Prius recalls (500, 000 units recalled so far) due to sticky pedals and unintended acceleration has put Toyota in a bad light and together with the 8 million other Toyota models recalled worldwide, has put into question Toyotas manufacturing expertise and its priorities. Previously, the two earlier heads of Toyota (Sakichi and Kiichiro Toyoda, grandfather and father, respectively, of current president Akio Toyoda) had always emphasized the customer first in all its corporate decisions. This means Toyota has acquired a very excellent reputation for quality, performance, comfort, good mileage and a low price. But some independent analysts are of the opinion Toyotas present troubles are self-inflicted as it had strayed away from its original founders mission statement

of serving the customers first. Priorities during Toyotas early years were always safety, quality and sales (a distant third) but the current presidents obsession to surpass the achievements of his predecessors by becoming the worlds number one maker (achieved in 2008 by eclipsing GM) led to quality problems.

Instead, the obsessive drive to become number one caused Toyota some missteps that had greatly eroded its great brand name and excellent reputation for quality craftsmanship in the minds of consumers and other stakeholders. The year 2008 also saw the company posting its only second loss (but biggest) ever in its corporate history to the tune of US\$4. 8 billion. It had jumbled its priorities and put sales first and relegated safety and quality to the backburner. Toyota today is going back to its roots by again emphasizing the customer as first by focusing itself on providing high-quality vehicles at an affordable price (Toyoda, 2009, p. 1) and not on becoming number one in sales worldwide. It will no longer sacrifice quality and safety at the expense of revenues and profits (Asacker, 2010, p. 1).

The company identified two growth areas as excellent future opportunities and these are in eco-friendly cars (hybrids) and investments in emerging market economies like China, India and Brazil (Toyota, 2010, p. 1) which have strong demand. This is also in line with aims to localize production (on-site, hands-on experience) to add value to the local communities in which it operates in. The company accelerated the development and production of hybrids and Toyota is working on improving fuel efficiency even at high speeds by using automatic transmission in its models (Hitokoto, 2010, p. 1). It is also using improved electric batteries that provide faster re-charging and higher power output by tying up with the leading hybrid-car battery

maker in the world which is Tesla Motors, Inc. (Toyota, 2010, p. 1).

The two greatest threats to Toyota today is the stiff competition that has eroded profits due to price wars by offering rebates, preferred financing rates and longer term warranties that is costly to the car makers (Investopedia, 2010, p. 1) in an increasingly mature market and the expected third-wave of consolidations within the industry (Hitokoto, 2010, p. 1). In addition, Toyota like other auto makers, is subject to rising steel prices which is becoming an oligopoly controlled by Corus Steel (bought by the Tata Group) and Arcelor-Mittal. However, Toyota is expected to survive the current crisis because it is a leader in hybrids with its Prius model.

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