

Toyota: swot analysis, bcg matrix and porter's five



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Toyota is a Japan based company which was established in 1937 by Sakichi Toyoda and is the world biggest automobile manufacturers, Toyota has achieved a record sale of 9 million cars in five continents. Toyota is also ranked in the top ten 500² companies. Toyota is one the world's most renowned auto manufacturers and they are proud of this accomplishment and they believe it is only because that their customers are satisfied by them.

http://www.toyota.com.cy/experience/the_company/index.aspx

Strategy of Toyota

Different strategies of Toyota are explained as under

Growth Strategy

In order to achieve an outstanding growth strategy, company must find, evaluate and select a strategy to enter and to capture a market. Toyota entered in American market in 1967 along with a range of cars and after that Toyota launched other brands such as lexus and scion. Toyota became a successful car manufacturer company mainly because of an effective and diverse marketing process which has enabled them to attract customers and enlarge its product range to other market segments.

One of the other main reason why Toyota managed to do very well in America is because of 1973 oil crisis. When Toyota entered in American market it was not considered a threat because everyone use to say that Toyota cars do not appeal American people. But due to the oil crisis people realized that Toyota cars are highly fuel efficient and much more reliable.

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Marketing Strategy of Toyota

Toyota is a global brand and the economic crisis which started in 2009 has hit Toyota. Therefore, Toyota is now marketing and making fuel efficient cars such as the new Auris hybrid and others. On top of that Toyota is very heavily marketing there 1 litre cars such as Toyota iq and aygo and this happened due to the the economic crunch that now people don't have much spending power.

<http://ayushveda.com/blogs/business/toyotas-marketing-strategy/>

Environmental strategy

In modern era, all the developed and under developed countries are more concern with the environment and are trying their best to promote cars which are more environment friendly and throw less co2 emission out. As a global car manufacturer Toyota is playing its role in minimising the co2 effect on the environment of the world. This is the reason Toyota has launched hybrid cars, the ultimate eco car, electric vehicles, plug in hybrid, fuel cell vehicle cars which consume less fuel and also discharge less co2 emission. So basically, Toyota is making cars which are user friendly and also environment friendly. www.toyota.com

To critically evaluate the strategy of Toyota, some analysis of internal and external analysis required to be done and they are explained as under.

SWOT analysis

This analysis is a great tool for doing an audit of an organisation and its environment. It is the first step for marketers to take to focus on key issues. Swot stands for strengths, weaknesses, opportunities and threats. Strengths <https://assignbuster.com/toyota-swot-analysis-bcg-matrix-and-porters-five/>

and weaknesses examine the internal factors of a company whereas the opportunities and threats are the analysis of external factors.

SWOT analysis of Toyota

Strengths of Toyota

- Toyota is global organisation, which enjoys great reputation among its customers and possesses a very strong international position in 170 countries.
- Financial side of this company is extremely strong in 1997 company managed a sales turnover of £131, 511 million and growth of the company was 29.3%.
- Due to its high quality, an environment friendly product Toyota has a very strong brand recognition.
- Toyota has managed successfully penetrate into the main markets of the world which includes USA, China and Middle east countries.

http://wiki.answers.com/Q/What_is_the_swot_analysis_of_Toyota

Weakness of Toyota

- The production plants of Toyota are located in US and Japan due to which they are not in a very favourable position to take advantage from global efficiency gains.
- The company has suffered a lot of criticism due to the recall made in 2005 and 2010.

http://wiki.answers.com/Q/What_is_the_swot_analysis_of_Toyota

Opportunities for Toyota

- Toyota was the first company to develop a hybrid car (hybrid- vehicle runs on gas and electric) which was the Prius model. At that time oil prices were at their extreme so at that time Toyota has given something to the market.
- Toyota is looking forward to expand belligerently into new segments of existing markets for example by the launch of Toyota Aygo the company is targeting the youth of the world.
- Another opportunity for Toyota is to produce small city cars which will be more fuel efficient and also easy to drive plus will produce less c02 emission because now a day governments of all under developed and developed countries are showing great concern about the environment.
- Toyota enjoys good market share in Europe, UK and America the company should target developing countries such as Pakistan, India and Srilanka where demand is very high for great fuel efficient cars.

http://wiki.answers.com/Q/What_is_the_swot_analysis_of_Toyota

Threats to Toyota

- Toyota faces very high competition by Honda and by other German car manufacturers. Especially in today's global market the trend of intense marketing campaign is increasing which will simply increase pressure on Toyota.
- The position of US dollar is very consistent so the exchange rates are playing a major role in the profit and loss of the company.

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- The recession that has hit the world almost a couple of years ago have caused major issues for Toyota because car sales have declined rapidly ever since the recession started.
- Market trend is changing for example the trend of large families coming to an end and with it the need of large cars.
- Consistent increase in fuel prices has also bought a significant decline the car sales of Toyota Company.

http://wiki.answers.com/Q/What_is_the_swot_analysis_of_Toyota

BCG Matrix

The Boston consultancy group matrix is a chart which was created by Peter Henderson in 1970. The purpose of this design is to help companies with the manufacturing units and product lines. The base of this tool in the product life cycle theory and it helps companies to decide on which areas they should prioritize.

BCG Matrix for Toyota Prius

This tool can also be used to analyze the launch of a product in the market. In this matrix two factors determine the success of a product. Market share and market growth are explained individually in the diagram. With the help of this tool an outstanding marketing strategy can easily be determined.

Market Growth of Prius

The Toyota prius was launched in Japan in 1997 and it was made available to the world in 2001. By the end of 2003, a new model of the car was launched and due to its modern hybrid technology it was sold 160, 000 times throughout the world. It was mainly because at that time the prius was the

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only hybrid car and Toyota made maximum profit out of that. Up till now Toyota has managed to sell around 1 million hybrid cars and most of them are prius.

To analyze the market growth of this product, given below is the monthly sales figure of U. S from 2000 to 2007.

From the table above, we can clearly see that prius sales have increased dramatically over thye years. In 2000 number of cars sold was just 5, 562 whereas the cars sold in 2007 excluding the month of December were 167, 010 which is almost 30 times more the number of cars sold in 2000.

The table given above, we can clearly view that Toyota prius was the best selling car in US with a great margin. Toyota has just 5. 3% more sales than September 2007 but it has overall 50. 7% more sales then the last year October. We can also see an outstanding growth in the market of hybrid cars which is almost 30% which means that it is a very fast growing market.

Market Share of Toyota Prius

If we look at the market share of Prius, it comes on top of the hybrid car market share. The prius has a massive 53. 7% market share and this is because Toyota has sold three times more cars than the runner up. This is the reason why prius was the market leader in 2007. The prius has sold approximately 190, 000 cars which comes up to a market share of 57% and this is a clear proof that prius is a market leader even on yearly basis.

Conclusion

After this detailed bcg analysis it is concluded that prius is a star product. It has a booming market share in the high demand market of hybrid cars. All this makes prius a star product and a product which has a lot of potential in the future years. In the BCG matrix chart the prius have its position in the top left because it has an outstanding market share in a dynamic and fast growing market. Therefore, prius is a star product.

This information can be used by Toyota to set up a plan for business and thus the investment the company make in the product can also turn into a cash cow.

Porter's five forces analysis

This is the most successful tool in analyzing the strategy of an industry.

According to wiki

" this is a framework for the industry analysis and business strategy development developed by Michael E Porter of Harvard business school in 1979. it uses concepts developing industrial organisations economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market.

<http://www.themarketers.in/?p=446>

Porter's five forces analysis includes critical analysis of five aspects which are as follows

Threat of new entrants.

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Bargaining power of customers/ buyers.

Threat of substitute products.

Bargaining power of suppliers.

The amount of rivalry between competitors.

Five forces analysis on Toyota

Detailed analysis of porter's five forces.

Threat of new entrants

In auto industry all the big companies face threat of new entrants who enter into market to take their place. Toyota also faces same problems and the recent launch of TATA nano is a big threat for Toyota and for other auto companies. Because TATA nano is the cheapest car in the world which will definitely dominate in the under developed countries of the world and also TATA nanao and Peugeot has worked together to make that car so Toyota needs to come up with a strategy which will help them target the medium to lower medium class of the world. (Jhonson, s scholes and wittington. 2008)

Bargaining power of customers

Bargaining power of customers vary from place to place. In European countries customers have outstanding bargaining power which is mainly due to the competition and because of their purchasing power. On the other hand in countries like Pakistan people don't have much choice and manufacturers charge reasonably high prices. (Jhonson, s scholes and wittington. 2008)

Threat of Substitute product

In developed countries such as America or other European countries this threat is high for Toyota because there are a lot of other car manufacturers in these countries who sell their products with different deals such as now a day Citroen is selling most of their cars with 0 deposit and on no interest basis for up to three years which is a big threat for Toyota in UK. Because due to the economic crisis the world is facing people are more interested in saving money. (Jhonson, s scholes and wittington. 2008)

Bargaining power of suppliers

Because Toyota is a strong brand therefore, this threat is comparatively low to them in comparison with other manufacturers because brand confirms suppliers a higher value to their product. (Jhonson, s scholes and wittington. 2008)

Rivalry among competitors

This element also varies for area to area. As mentioned earlier in European countries there are a lot of manufacturers available so the rivalry among competitors is very high. For example in Pakistan Toyota has one main rival which is Honda but in UK Toyota has Honda, Peugeot, Nissan, ford, rover and also other companies which makes rivalry extremely intense. (Jhonson, s scholes and wittington. 2008)

Problems with Toyota

Even though Toyota is one of the best car manufacturer company in the world but they have faced many problems over the years in different parts of

the world. Some of them are related with products and some are even with the brand itself. A few of these problems are summarised in detail

Toyota brand problem

Toyota is a major brand and its sub-brands are Lexus and Scion but Toyota sells and manufacture most of its cars under the name of Toyota which is not a very healthy marketing strategy. For example, the problem Audi had in 1990 with its 5000 range (problem was acceleration which resulted in fatal acceleration accidents) which resulted a significant decline not just in the sale figure of Audi 5000 but due to that problem sales figure of Audi 4000 and Quattro were also declined to a great extent just because these too vehicles were manufactured by the same company. Despite of all the promotional and marketing activities held by Audi in between 1990-2000 the company has still not fully recovered and has not find its proper place in the market.

Unfortunately, Toyota has not learned anything from this mistake and they keep on launching all cars under the same brand without paying much attention to sub-brands. Due to the recent problem of rapid acceleration in Toyota cars customers are beginning to show less interest in the brand and now it is believed that nest decade will be very tough for Toyota. So, Toyota really needs to promote its sub brands and to pump marketing investments in them.

Toyota's Brand Problems Begin At Its Core

Brake problems in Toyota Prius

In 2010, braking problems were reported with Toyota prius in America by many customers, four of them were involved in crash. The problem was that customers were finding it difficult to brake on an even surface. Which resulted in major accidents and as a result Toyota had to do a major recall in America which resulted in a significant decline in sale and due to which Toyota has launched its market share throughout the world.

<http://news.bbc.co.uk/1/hi/8497471.stm>

Rapid acceleration problem of Toyota

Toyota had to do a major recall in 2004 which was basically companies biggest in which company had to recall 3.8 million vehicles. In the beginning Toyota said that the problem is with the floor mat but after few crashes the company actually decided to go for the recall decision.

<http://www.leftlanenews.com/a-closer-look-at-toyotas-sudden-acceleration-problem.html>

Acceleration stuck

In the last decade Toyota has given us quality products such as Camry, corolla and Tercel. But then in 2010 a problem came in Toyota a vehicle which was reported as the acceleration gets stuck which is causing difficulty in stopping the vehicle and could result in major accidents. As a result, Toyota has not just recall the selected models on a national model but also stopped production for these vehicles. This decision of Toyota is really admired by Dr. Edward Deming who is called the undisputed father of quality management and he said that quality is better than quantity and by doing a <https://assignbuster.com/toyota-swot-analysis-bcg-matrix-and-porters-five/>

recall national level Toyota has proved that they care about their customers and are willing to give them something extra. Some say that this incident will hurt Toyota and result in a decline of sales Toyota over the years but some say that this will benefit Toyota in coming years because once the problem is rectified than people will be more eager in buying Toyota vehicles especially over American cars because they know that they will be getting quality.

http://www.associatedcontent.com/article/2656835/toyota_is_facing_a_major_problem.html?cat=27

Recommendations

By looking at the problems Toyota had over the years it is concluded that Toyota should take its business more seriously as they are the market leaders. The company should properly test every product several times before launching it in the market.

Invest in sub brands

Toyota should now invest heavily in its sub brands. This will bring stability in the sales of Toyota as if anything goes wrong with Toyota car customers will not stop buying the sub brands products and this will result in keeping the market share stable.

Make hybrid technology cheaper

Toyota is investing in hybrid vehicles which cause less co2 emission and also environment friendly but these vehicles are extremely expensive and not in the range of majority of people. The future main threat for auto mobile manufacturer is TATA nano which is the world's cheapest car so if Toyota does not want to lose its market share than Toyota really needs to look

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ahead and come up with something which is a lot better than quality than TATA nano and the best way to beat nano is to come up with cheap and small hybrid car.

Identify market trends and target markets

The market trend is changing very quickly, now people don't travel in groups everyone prefer to keep their own cars so Toyota needs to make more small cars. At the moment there are just three small cars from Toyota which are Toyota aygo, iq and yaris which is a pretty small number from the world's biggest auto manufacturer. On top of that these cars are not fun to drive they don't offer good road grip and comfort and on top of that they are pretty expensive. So, if Toyota wants to do well in future they really need to re think their strategy and they should make hybrid cars much cheaper and make small cars more reliable and fun to drive. Toyota is very well located it has plants in Japan, Europe and America so they can manage to produce cheap quality cars. From Japan, they can target asian countries which include Pakistan, India and Sri lanka because these countries are showing rapid growth and people has high purchasing power. From European production plant, Toyota can target European countries which are a very big market and Toyota enjoys great market share in these countries. American production plant can be used to target America and Canada and other small countries in that region. In this way Toyota can easily produce cheap quality cars and supply them to these countries as they are very well located.