

# Analyses of toyota motors internal and external environment marketing essay



The report aim is to recognize the business surroundings and several types of the automobile industry. To investigation the Porter five forces and further analysis of the Toyota motors internal and external environment by SWOT and PESTLE analysis.

## **2. Introduction and history of Toyota motors**

In 1937, Kiichiro Toyoda founded the Toyota motors. Toyota was established in Japan by setting up parts plant in the origin country and around the world. In 1964 the American operations was set up first in Canada and the manufacture of automobiles like cars and trucks were done. Toyota launched a Lexus as luxury car line in 1988 in which high class quality was preferred. First hybrid car Prius was innovated by Toyota and even Lexus SUV were manufactured in 2004. The headquarters of the company is in Aichi, Japan. By 2010 around 306, 254 people were directly employed the multinational company Toyota around the world. Toyota is the world second largest producer of automobiles in the world.

## **3. Literature review**

The venture of twelve million yen which was approximately £300000 Toyota Motor Corporation was founded in year 1937. It has become one of the global manufacturing and second biggest business brand car manufactures. The company operate in six continents by employing around quarter a million of people in the business. For Toyota, United Kingdom is main marketplace for sales and production. Toyota consists of two sectors:-

Automotive sector: – Toyota name given to luxury car line is Lexus. Other car manufactures which are under Toyota are the HINO and Daihatsu.

Non automotive sector: - There are several businesses in which Toyota has entered like communication, housing, financial services, marine vehicles and GAZOO are other business in which Toyota do business.

## **4. Business environment**

Business and Environment are the two separate words which comprise the term Business Environment. The human actions which are done for earning profits like production, goods sales or purchase means word Business in the economic sense. The word Environment means the surrounding aspects. So the conditions which are uncontrollable in nature like economical, social, legal, institutional or political and the organisation functioning affects are defined as business environment. The business environment consists of two parts which are internal and external environment.

### **4. 1 Internal environment**

The internal environment of the organisation is the basic element of the company. The organisation construction and society like human relation, procedure and polices, staff experience and skills are the vital rudiments of the internal structure. Some of the examples of this environment are:-

Toyota's having strong supplier relationships, well-organized distribution system; well experienced inventory specialists are the Just in time illustration of the internal environment.

Toyota superb manufacturing system having outstanding material and register control system which makes it sure that mechanized levels are

highly trusted and admire by the customers to convene their requirement and demand by supplying the parts proceeding to the assembly.

## **4. 2 External environment**

The organisation external environment influences all the trade actions of the company. The firm's external environment is influenced by factors like political, technological, legal and social. Furthermore the external environment divided into two environment macro and micro.

Micro environment: - The ability of marketing management of the corporation is exaggerated by the decision outside the marketing to have successful communication and transactions with the customers. The forces of the company which are affected by the micro environment are top level management, other departments like finance, accounting, research and development, manufacturing, suppliers and purchaser, channel partners and customers, competitors and finally the public.

Macro environment: - Changes occurring in the macro environment were recognised by the Toyota in 2000. As the business and global car manufacturing procedures were changing Toyota realised that modification has to operate in state of the changes where the company can take full benefit of producing the globe first hybrid vehicle Toyota Prius.

## **5. Porter's five forces**

The Porter's five forces are planned to examine and appraise the force of company in the operating industry. If forces study came to decision that profit were to decrease it shows the business is unattractive. The three

horizontal forces which Porter's analysis examines are new entrant's threats, rival's threats and substitute products threats. In US market, Toyota initialised the business with soaring growth. Only 3 cars manufacture in US market in 1950s when Toyota was entering which shared 95% of the total market. The US market was 100 times larger than Japanese market and for the manufactures all the dealers were associated with them. The US companies were having excellent infrastructures and strong financial position. Three different Japanese companies entered in to the US automobile market which was Toyota, Honda and Nissan next to each other. In next four decades these companies found a specific way of establish themselves in the US industry and contend profitably.

## **5. 1 Bargaining power of suppliers**

The products are standardised suppliers are weak purchasers can incorporate backwards because of number of suppliers which result in diffuse or weak customers. The automotive assembly industries are distinct by this description in Japan and US where both the car manufactures have work hard to establish the component business. Networks of suppliers were developed by the Toyota production system which will supply the excellent material quantity and quality required for manufacturing cars at the right time. This shows the weakness of the suppliers in the bargaining power in terms of the company. There has been a major effect on profitability due to the cost of the manufactures inputs like labour, services and raw material.

## **5. 2 New entrants**

Several entry barriers can occur which can be governmental, financial,

intellectual and sales economies. The sales economies was not in favour of <https://assignbuster.com/analyses-of-toyota-motors-internal-and-external-environment-marketing-essay/>

the Toyota but was secluded by the laws of ministry of international trade and industry after world war two. There were no nearly no entry barriers for US and as a result Toyota employees researching exporting. In US entry barrier to the dealer business were low which was a plus point for the Japanese companies. For a car company entry barriers are high. In order to have a minimum efficient sale the new entrants have to acquire a considerable market share.

### **5. 3 Bargaining power of buyers**

The companies dealing in manufacturing of cars in US were able to vertically integrate and they were purchasing large supplies from part companies and enjoyed the power by being concentrated. Manufacturing companies basically operate the supply companies. For example like Mopar was supplying for Chrysler, Delco division for the General Motors. But in Japan the companies supplying parts were sharing the administration and workers with the companies who were manufacturing automobiles which was completely different business approach as compare to US business. In both countries the dealers were fragment and weak. In comparison to US industry, Toyota purchase large volume from parts companies and were vertically integrate. Buyers also enhance their bargaining authority by the right of information from internet. As corporation has a plenty of certain customers which makes by a little proportion of sales, the bargain power with the manufactures would be little which lead to a weak threat for the industry profits.

### **5. 4 Substitute products threats**

As in both countries U. S. and Japan car were the dominant transportation system but threat of public transportation was excessive. There is a slightly <https://assignbuster.com/analyses-of-toyota-motors-internal-and-external-environment-marketing-essay/>

price elastic in new cars giving rise to substitute transportation and value of a specific model is highly susceptible due to presence of close substitute.

## **5. 5 Rivalry**

The complex area in the manufacturing car business is competition between them. The market growth was slow and the firms were kept on increasing.

More intense rivalry in US industry was emerging between the manufacturing companies from 1970's. The firms compete on price and non price dimension. By decreasing down the cost price margins the price competition erodes profits while the fixed cost drive and marginal cost was drive by the non price competition. Absence of differentiation opportunities lead to an increase in rivalry. All the automobile companies engaged in manufacturing produce cars, trucks and SUV's which further rise the rivalry. Strong threat is for profits due to the important market share variations.

## **6. PESTLE analysis**

### **6. 1 Political**

The political environment considerably affects the decision of marketing and the development of new products. The terms of government makes no company or organisation immune and is an important component of general environment. The government legislative laws which tries to protect companies from each another and create more competition and providing more customers values and sometime leads to risky business practises which will endangered the population from pollution and global warming.

## **6. 2 Economic**

Toyota in 2009 the world largest automakers announce to post \$4. 9 billion in operation. In the past Toyota has never posted an annual loss. The company has planned earlier to cut in the pays of factory executives and to dismiss the bonuses to the unit staff. A program has been developed for the assembly workers who want to leave voluntary and voluntary buyouts to North America plant workers.

## **6. 3 Social**

Globally Toyota is the most trusted brand in automobile manufacturing. The vehicles of Toyota are considered as status symbols. By participating in the economic and social development Toyota respect the society and conduct of every country. As a superior corporate member of the world Toyota performs open and fair corporate actions in order to honour the laws of country. Toyota is extensively preferred by the general society. The gratitude towards stakeholder is never forgotten by Toyota. The corporation wish that the workers of the corporation are well conscious of the traffic laws and have safe and pleasant lives.

## **6. 4 Technological**

The vital force that shape and nurture the future is technological environment. Lot of amount has been delivered on technological advance and producing high quality products. In research and development wing Toyota invested \$9. 8 billion by 2009. The first hybrid car Prius and it revolutionised the market because of the winning of twelve engine of the year award. Approach of green friendly has been adopted by Toyota from



consistence of seven years. From 2010 the Toyota Company struck by the global meltdown of the world financial system which severe affect on company growth and sales. For motivating the employee's number of incentives programs were developed to stimulated production but the result was negligible. Toyota corolla model which is available in the market from 17 years has attracted lot of consumers as the car features has been outstanding because of gas expenditure and low maintain cost. Model diversifications and availability of several colours has endorsed customers to implement greater options and threats have been sustained. As technological trends are changing Toyota wants to be symbol of it. But the corporation has bold beliefs in Toyota production system and motto of the founder of the company. The company prefer to continue to step ahead from its competitors and prices of the products as minimum as possible by manufacturing automobile on mass scale and assembly line by adopting system of in time inventory.

## **6. 6 Legal**

By entering US market Toyota has minimum political and legal implications, because the company don't have to deal with unions, minimum financial burden along with retirement and financial plans and the company don't have to splurge funds on health care and legal costs. The company has to operate according to rules set up by the government in the country where the company want to do business. Some of the legislation laws under which the company comes are the competition, consumer protection or taxation and emission laws.

## **6.5 Environmental**

The environmental conservation on global scale has been widely recognised and understood by the company. Toyota believes in providing products which are safe and clean. Development of the proactive policies of the company lead ensures the environmental development performance through earth charter and environmental action plan of Toyota. During the developing a car like designing, production, customer usage and finally the disposal of product all these issues of environmental are considered to be vital for company. Products of Toyota satisfy the international environment standards, execution of the environmental enhanced assessment and consider in producing products for building people and eco friendly products with the full cooperation from its dealers and suppliers.

## **7 SWOT analysis**

### **7.1 Strength**

Having a high research and development activities with a bold global position in 170 countries with which the Toyota tends to be a global player. From 2009 the global share of Toyota rose to 8% and good financial strength has good financial support. Performance of cars and new eco friendly advance to car manufacturing has given a better image to name of Toyota at international level. Toyota has excellent penetration in influential industry of the world like US, China. Delivering of lean manufacturing has maximised the profits like total quality management and manufacturing just in time has highly raised the profits margin for the company and additionally the image. Due to presence of plentiful supply of car manufacturing parts; cost of the material used for manufacturing are low and available globally. Outstanding

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performance has given by the workforce of company due to the regular extensive training programs.

## **7. 2 Weakness**

As a foreign importer Japanese car manufacturing has poor profitability off financial service segment. For the employees post retirement benefits add more expense on the company. There is an oversupply condition in the market of cars so the manufacturing companies have to design model and to make sure that the customers wants them. As Toyota products are mostly marketed in US and Japan therefore the fluctuating economical and political conditions of the countries affect the business. So the company is entering into new markets because of these reasons. The car market is also being reduced due to the fluctuation in exchange rate. For the operation efficiency the company has to continuously produce cars. There is an expensive fixed cost and huge investment in car plants and cost of training and retaining labours. The competitors of Toyota takes the full advantage of global efficiency gain through their strategically locations of manufacturing worldwide. Sometimes the dealers deviate from the principles and actions of Toyota which result in complaints from customers.

## **7. 3 Opportunities**

Due to the continue rise in gas prices the hybrid cars of Toyota are preferred more now days and the new technology of the company keeps on innovating new techniques of fuel efficiency. Other automobile manufactures shows lot of attention in this expertise and at good price Toyota can sell its technology.

Toyota also targets the youth market with special model for them like Aygo

which is convertible and like by the youths. Opportunities in Asian market  
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are growing because of demand of hybrid vehicles. Marketplaces like China and India where the reputation demand for the vehicles is increasing.

## **7.4 Threats**

Due to the present meltdown in the economic condition of the world and global automotive market competition is the main threats for the company. For the car manufacturers recalling their products is an embarrassment and problem for the company. Due to the faulty front suspension system Toyota in 2005 has to recall for repair of 880, 000 SUV's and pickup trucks. There is a tremendous competition in the car manufacturing and the competition is kept on increasing. The company is experience slowdown in the key economies in US and Europe. There is a considerable threat for Toyota because of the economic factors. Profit and raw material cost are keeping on affecting due to the exchange rate fluctuation. Due to the decline of large families demand for large families is also declining. As Toyota has become the number one automobile manufacturing company but still it faces threat from companies like Honda. The company has to fight against the threat of rising cost of steel and other raw materials which has lead to cutting cost of manufacturing and production without compromising the quality of products

## **8 Conclusions**

The products of Toyota better for both society and environment at same times which is quite an achievement for the company. There is a lot of demand for the Toyota products which will lead to profits for the company.

With the innovation of hybrid cars the company has become a symbol of technology which every other car manufactures are achieve to do so. For

maintain its position and reputation in the business new hybrid products  
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have to developed as the future of the auto mobile industry rely on this technology. The future of the company is great because of the new advance technology implementation and the confidence of consumers in the company is rising.