

# Toyotas strategy in europe



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## **Toyotas strategy in Europe – Historical Perspective**

Toyota Motor Corporation was established in 1934 then a department of Toyota Industries by Kiichiro Toyoda.

It is a multinational corporation with its head quarters in Tokyo Japan. Its first product was a Type A engine and later in 1936 it manufactured its first passenger car called the Toyota AA. Today Toyota owns Scion and Lexus brands and is a major shareholder in Daihatsu Motors and minority shareholdings in Isuzu Motors, Fuji Heavy industries and Yamaha Motors. Toyota also has 522 branches all over the world.

In addition to Automobiles Toyota operates financial services through its division Toyota Financial Services and also creates Robots. Toyota Industries and Financial divisions form the larger Toyota Group the largest conglomerates in planet earth.

### **Development and Growth**

Since 1933, Toyota has grown steadily. The then Toyoda Automatic Loom Works created a division for the manufacture of automobiles headed by the founder's son Kiichiro who had earlier travelled to the United States and Europe to learn more on Automobile production. The government of Japan also helped in the growth of the Toyota Company as there was need for domestic vehicle production essentially due to worldwide money shortage due to the war in China.

The Company name was changed to Toyota Motors Corporation to separate it from the founder's family name to mark a happy beginning. Toyota Motor Sales was established in the year 1950 and later Toyopet dealer chain in 1956 which saw its first car export the Crown to the United States. Toyota began expansion in the sixties. Toyota's Brazilian and American divisions were also established. In April 1963 Toyota built its first car outside Japan in Port Melbourne Australia. Toyota has established a worldwide presence.

### **TME Strategy in International Operations**

TME strategy includes creating awareness by increased customer care and upgrading the service centres and also venturing into light commercial and passenger vehicles. By incorporating high quality cars with sophisticated technologies which are environmentally friendly could be a plus to the growth of the market share across Europe and the world at large. Toyotas' establishment as the best car manufacturer in the world also is an added advantage as demonstrated Toyota edging past GM as the world's biggest vehicle producer. It is a quality tag as Toyota seeks to defend its top position. (Annetter, 2000)

### **Current Situation**

The TME faces a number of challenges from the need to protect the environment and the use of Information technology as well the need to improve safety are the main challenges facing TME currently. TME has also made significant achievements by selling 800, 000 Toyota and Lexus in Europe and targeting 1.

2 million and growth of 5% in 2008.

## **Toyota group SWOT Analysis**

Toyota group is the 2nd world market leader auto makers' market. In Europe and America, it has the largest share of the market with more than 30 percent of the market share. The following is the SWOT analysis for the company in the world market: Strengthsa) The Toyota group has an already large established business in the auto market. Since 1934, the group has established itself as a world leader in the auto market.

It has operated in Europe since 1939. In line with its vision, the Toyota group has been striving to be the world leader in the auto industry. Through innovation and strategic marketing, the Toyota group has acquired about 20% of the Europes auto market. b) The Toyota has good market reputation. With strong brands in the market, the Toyota group is well positioned in the market.

In the Europe market Toyota has strived to build a good market reputation. This has worked positively for its brands. It is on this good reputation that the market can embark on introducing new brands in the market. c) The target market is also quite large. The auto market has been recording growth in the recent past and there are future prospects of growth. Therefore the target market is quickly expanding.

Weaknessa) The target market is quiet large and there are fears the demand for the Toyota brands may outdo the capacity of the group to satisfy the demands of the market. It is still not clearly established the rate of growth of the Toyota's brands in the market but there are expectation that the product will record a high growth rate. This means that the group will

need to increase its production capacity in order to match the rate of growth of the market. b) Toyota group has been able to establish a distribution network of its brands in the world that matches the demands of the market. In this case the Toyota group has managed established a distribution network to the interior due to infrastructural development.

c) Banking on the success of the other auto makers in the European market may have negative effects on the introduction of the Toyota hybrid brands in the market since they will be targeting different markets.

Opportunities a) The Toyota group is marketing its products in a growing market. This is a unique opportunity for the corporation. A stagnant market becomes difficult to introduce new products because there are already other companies which are likely to bring in competition. b) The Toyota group can introduce its products in the market in unique way.

With the growing importance of classic motor shows, the corporation has of late been sponsoring motor rallies that are also used to market the company's brands. This will help in introduce the brand in the market in unique way. The corporation can also sponsor other events like sports or engage in corporate social responsibility activities like girl child education to help the target market identify with its product more. c) The group can use a wide range of marketing strategies which will lead to the overall growth of its product in the market.

The European advertising market has been growing at a rapid rate which means there will be an array of opportunities for the growth of the market. There are many advertising strategies for the company in the European

market. Threats a) There are threats of entry of other brands in the market. In this case there are threats of entry of new and existing companies in the European market which will increase the level of competition in the market. There are other companies which are likely to introduce the same model in the market once there is success of the initial brand.

b) There is a threat of change of the current external environment which is likely to alter the nature of the market. For example change in the taxing regime, government laws regulating the industry, and other factors which are likely to impact negatively on the industry. (Siliconfareast. com, 2008)

### **Company analysis**

(i) Strengths Toyota group is among the market leaders in the auto market. For more than seven decades, the group has established a market portfolio that has positioned it well in the auto industry.

Currently the Toyota group has a market share of more than 20 percent of the European auto market. The group has a continent wide operation. This gives the corporation a chance to transfer products which have been successful in one market to the other emerging market. The group is able to build special cars upon request with specific directions given by the customer.

Toyota has good human resource policies which have ensured the growth of the corporation in a recent 2006 survey Toyota group was ranked the 3rd overall greatest place to work. The group has been improving its ranking in the recent past for the last 30 years. All over the Europe the corporation

employs more than 50, 000 employees operating in the group continent wide. (David, 2004)One of the most important factors in the overall growth of the corporation has been heavy investment in technology.

Through innovation the corporation has placed new brands in the market which ensures reduced cost of production. Investment in the new technology has ensured the growth of the corporation in the market. The group has a strong management team with a strong centralized management structure. This ensures that there is standardization of operations procedures in all its departments. The group also has put in place effective corporate management structures which ensure timely disclosure of information on the performance of the Toyota group.

This is important for the overall financial management of the Toyota group. The company's share has been fairing well in the market that has enabled it to have a lead and call more investors to invest in the company. Toyota group, unlike other major companies and groups in the industry, its known for high dividends compared to its major competitors. Since the introduction of the company's share in the stock market, the share prices have been shooting up and this have been contributing to the improved profits to the company.

(Vincent, 2004)(ii) WeaknessToyota group has not been able to standardize its operation in all the departments. For example while the GM and Ford auto makers have strong market share in Africa and other emerging market, its market share in the established market seems to decline. Its European market share is strong enough to guarantee its market

leadership. The Toyota's new models are associated with high prices as compared to GM's Daewoo, Lexus and Nissan Xtrail, this has contributed to reduction in sales as most people would go for most executive and cheap cars.

### **Internal and external analyses**

In the internal environment of the Toyota group, the company has several structures that help it have a smooth running of its businesses. The leadership structure is one of the cornerstones of the company's success; the good leadership in the company has been a result of the company's success.

The company has also involved itself in the use of technology that has on the other hand propelled it to greater heights as a result of high quality and more products produced by the company. Toyota group has well laid policies that enable workers leaders' interrelation and this helps the company to have smooth running and motivated workers. The use of IT has on the other hand helped the company to have a good consumer producer relation and also communication in the company. In the external environment, the company more major threats that are likely to arise besides the currently existing, there are threats of entrance of new companies in the market that are likely to add competition on the currently existing.

In this regard, there are likelihood that customers are going to increase their bargaining powers as there is variety of products in the market to choose from. This will walk hand in hand with the increase of substitute products in the market thus posing a problem to the pricing of the product. As there



would be high demand of low materials, there is likelihood that suppliers would increase the prices of their supplies thus increasing the cost of production that will in turn reducing the company's revenues. This will all be added to the existing competition among the rivalry companies in the market.

According to the SWOT analyses, the company's mini-cars situation in the European market is at critical condition. With high competition from other related companies, Toyota group need to restructure its marketing strategy in order to polish the weaker parts and enhance improved situation of the company in the European market. Strengths and weaknesses in relation to the opportunities and threats

The Toyotas strengths are of great advantage to the company. Its strengths are more strong than the weakness thus giving the company a step ahead of its main competitors. The capability of the company to market its products in competitive market has given the company a challenge and a reason to have an idea of moving ahead of its competitors. In comparison of the company's strengths and weakness in relation to the opportunities and threats, the company is able to overcome all the possible threats for having moved ahead of its competitors enable the company to have a clear view of what steps other companies are taking and therefore reducing the threat.

### **Mission and vision**

Toyota is one of the respected auto companies in the world. It has a variety of products that ensure that the company is fairing well in the market. The company's head quarters is located in Tokyo Japan and looks forward to establishing an outlet in every country of the world.

**Competitive strategy**

There are major competitors in the auto industry that Toyota is competing with. Toyota is a market leader in the industry.

The other competitors are also well established and therefore the level of competition is very high. This has contributed to Toyota laying down a strategy to curb this competition by producing quality and cheaper vehicles.

The company has taken advantage of pricing strategy to curb this main problem. The pricing strategy has on the other hand helped the company products to be the preferential in the market. Human resource has become one of the most important aspects in running a business. Having competent and motivated work force can help the company create a competitive advantage which other companies may find hard to replicate in the market.

This will cost a company a need to have highly skilled and oriented personnel to enhance retaining of market leadership to avoid drifting and falling of the company. Toyota is one of the companies that has the best human resource management and among the best companies to work in (Siliconfareast. com, 2008)

**Recommendations and implementation**

In the regard of the above goal, the company seeks to develop consumer satisfaction strategies based on this. The company will ensure all manufactured products reach the consumer and would give the expected service. It would also ensure that the products are user friendly that will satisfy the consumers' needs. It company will also ensure that the products are available at affordable prices and maintenance cost is also down.

The company would use psychographic and demographic strategies to fulfil this. The Toyota group has a considerable market share in the auto manufacturing industry. It has high potential of growth by far if the planned strategies are implemented and are put in to great consideration. The company has strong reputation in the consumers that the products produced by the Toyota are of high quality and affordable. The competition in the market would only be won by the company with customers' satisfaction strategies that will boost the company's sale therefore increasing their profits.

Toyota is facing stiff competition from other competitors who are well established in the market and have low priced vehicles like GM and Nissan. (Toyota, 2000)Bureaucracy structures could help eliminate variability in results when the leaders in the Toyota Company have different skills, experiences and goals. Max Weber (1995) " Organization management strategies" advocates that the rules themselves should be standardized so that the personnel changes do not disrupt the whole company strategies. Bureaucracy position faster specialized skills eliminating many subjective judgments by managers where rules and regulations are established properly and have a set method to follow to avoid different individuals employing their rules hence causing a drift in the company.

This strategy has helped the Toyota Company to have a step ahead in production and in the leadership min the auto industry. Rise in the interest in developing people through out the organization could be attributed to a number of factors. In organization where people are taking broader ranges of responsibility, managers, in particular are faced with a completely new

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environment. They are responsible for more people often working in strategy-oriented company and therefore, the skills and competencies that previously served them well no longer work.

They have to make fundamental changes and come up with more productive strategies to avoid drift. Having implemented this, the company seems to perform better in the market compared to its major competitors. If the company continues in the same trend, there is a high probability that it would lead in the market in the near future. The problems the Toyota group has been facing are caused by the external and internal factors. The internal factors can be avoided by having a better management and giving departmental leaders freedom to lead their respective departments. This will improve the management of the group and propel it to great heights.

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