

# **TOYOTA'S BUSINESS STRATEGIES IN INTERNATIONAL MARKETS**

**Assist. Mihaela Funaru Ph. D Student  
University of Braşov  
Faculty of Economics and Business Administration  
Braşov, Romania**

**Abstract:** Toyota's success both on the Japanese market and international market due to its desire to make products with high quality. The Japanese believe that nothing is so good that it can not be improved, so they constantly struggle to increase the quality of everything they do. This attitude can be expressed by a single word: "Kaizen". It means „continuous improvement” and is the key word to guide them towards perfection. This paper presents the strategies of Toyota Company in their attempt to gain supremacy in the international market.

**JEL classification: M16**

**Key words: global strategy; international markets; technological innovation; hybrid systems; kaizen**

## **1. TOYOTA MOTOR COMPANY**

Toyota Motor Corporation (TMC) is a multinational company that produces cars, trucks, buses and robots, with headquarters in Toyota City, Japan. Toyota is the largest car manufacturer in Asia and second largest producer.

Toyota is one of the three major Asian car manufacturers competing U.S. producers on the world market, the other two are Nissan Motors and Honda Motor. Also the company provides financial services through its subsidiary, Toyota Financial Services, and works in other fields. Automotive products are sold under the names Toyota, Scion and Lexus. Toyota owns a majority stake in Daihatsu and Hino, and 8.7% of Fuji Heavy Industries, manufacturer of Subaru cars.

In 2005, Toyota together with Daihatsu Motor Company produced 8.54 million vehicles, almost 500,000 less than General Motors in that year. In July 2006 Toyota exceeded sales of Ford cars, but the American manufacturer has regained a month later. Toyota has a significant market share in U.S., Europe and Africa and is the market leader in Australia.

Toyota has factories all over the world, where produces and assembles vehicles for local markets. The company has manufacturing or assembly plants in Japan, USA, Australia, Canada, Indonesia, Poland, South Africa, Turkey, United Kingdom, France, Brazil, most recently those in Pakistan, India, Argentina, Czech Republic, Mexico, Malaysia, Thailand, China and Venezuela.

The first Toyota vehicle built outside Japan was a Land Cruiser FJ-251 built in São Paulo, Brazil, in May of 1959.

The success both on the Japanese market and international market dues to its desire to make products with a quality. The Japanese believe that nothing is so good that it can not be improved, so they constantly struggle to increase the quality of everything they

do. This attitude can be expressed by a single word „kaizen”. It means „continuous improvement” and is the key word which guides them towards perfection.

## **2. TOYOTA’S INTERNATIONAL MARKETS**

### ***A. Toyota’s European Market***

Japanese investors have turned to Europe, a market which they consider vital not only for their products, but also ambitions to become leading global player.

Toyota Motor, the second global car manufacturer, was the one who initiated this trend. The auto manufacturer has eight factories in the “old continent”, in UK, France, Poland, Turkey and the Czech Republic, with a total of 55,000 employees, including a distribution network and a research and a development center in Zaventem, Belgium. Any location it would have operations, the company brings annual profits of million euros from contracts made. It brings an important chain in research and development related to design and safety standards.

In Europe in 2003, the Japanese company under three brands owned Toyota, Daihatsu and Hino, recorded a 4.4% market share.

In 2004 there were 17 production units of Japanese automotive facilities in the European Union, they produce 1.3 million vehicles and 14 research and development centers. It is estimated that these investments have created 200,000 new jobs.

The European market is too important to be ignored, said the Japanese, it is still a strong market that rivals many companies for and it has a unique industrial base.

Japanese companies have started a series of investments in Russia, where domestic market is growing. In June 2005, Toyota began building a plant near St. Petersburg that will produce, starting with the 2007 Camry models.

While the UK benefits from about half of total Japanese investment, Japanese companies begin to move eastward manufacturing facilities to take advantage of lower wage costs and to be closer by the more flexible markets of new EU’s members, that some of them will adopt the euro in a few years. They want to consolidate their positions on the stable, secure and growing markets, but competitive, too. The European market is one of them.

On the European market Toyota Motor Corporation recorded increases in sales from year to year. Its success is owing to adapt its supply to the needs and requirements of the Europeans, based on total quality strategy, innovation and continuous competitive spirit.

### ***B. Toyota’s US Market***

Business activities in U.S. of Japanese automotive and components companies are highly profitable. If in 1980 the Asian brands cars were imported 100%, in 1993, the number of factories located on American soil was 11. Descent into force of the Japanese producers in the U.S. is seen as a second Pearl Harbor. Japanese brand market share increased from 15.3% in 1999 to 20.6% in 2004 and the trend is upward, considering that in 2006 their number of plants is 23. As in Europe, the Japanese have invested heavily in U.S. production sites. GM, Ford and DaimlerChrysler companies have been overcome by the Japanese, especially because of their high adaptability, but also of the lack of a culture of “domestic product” among American citizens.

In 2007, Toyota surpassed Ford in U.S. sales, standing on second place, after GM. At the end of 2007 Toyota manages to become a world leader in car sales surpassing giant

General Motors. Japanese manufacturer has managed to manufacture and sell 9,51 million units compared with 9,26 million units sold by GM. GM leader of the auto sector for 8 decades, had to settle, this time, with the second position after Toyota.

The reason that Toyota becomes the world leader was undeniable the interest that US show to the fuel-efficient vehicles which bear the unmistakable signature of Japanese.

In 2008, Toyota sold more vehicles than GM, 4.72 million vehicles for the Japanese group compared with 4.67 million vehicles of GM, the leader of the American auto industry over the past 76 years.

For 2009 Toyota proposed to sell 10.4 million vehicles, a figure that would set a new record in the automotive industry, the former dating from 1978 when GM sold 9.55 million vehicles in the whole world. However, global economic crisis has hit everyone, including Toyota.

The race between GM and Toyota is not only about the number of vehicles sold. In terms of profitability, GM is significantly behind those of Toyota, which also invests heavily in research and development of new models.

On costs and profits of the auto industry, for each vehicle produced in North America in 2006, GM posted a profit of \$ 2,123 less than Toyota did. Japanese car manufacturer is the most profitable car manufacturer in the world, its profit per vehicle increasing from U.S. \$ 1.175 in 2005 to \$ 1,977 in 2006.

Although the European market is steady for Toyota Company, the market where they sell most Toyota cars remains the North American.

### ***C. Toyota's Australian market***

On the Australian market, in early 2010, the Toyota company has started production of the Toyota Camry Hybrid car. This is a model powered by electricity and gas and it will be produced around 10.000 units annually at the Altona plant in southeastern Australia.

Toyota became the first manufacturer which makes mass production of cars powered by a hybrid system, starting with the Prius more than ten years ago. Toyota is counting on increasing demand for such vehicles with hybrid propulsion in terms of increasing fuel prices and the sharp rise in world temperatures.

### ***D. Other markets of Toyota Corporation***

Toyota made another step towards conquering global automotive market. It expands on the markets of Russia and China, the main weapons are low-cost cars. Toyota's plan is to build three new factories that produce over 450,000 units annually in order to meet market demand in India and China.

Till 2010 Japanese giant plans to hold 15% of the global auto market. In 2010 Toyota plans to sell about 73 million vehicles, up 12% of sales in the last five years.

Japan plans envisage the expansion on the emerging markets like Brazil, Russia, India and China. Toyota is counting on the elasticity of these markets, which, in their opinion, is the key to success for increasing their sales significantly. The main objective is the Chinese market. China currently registered the highest rate of economic growth and the automotive segment is a very large expansion, which makes Toyota to hurry to take over the control of this market.

The most spectacular evolution of the sales took place in China, the most dynamic region for Toyota in 2006. In 2008 Toyota sold in China 62% more cars than in 2006 (in

2006 the growth rate for this region was 68%). Middle East ranked second place among the regions with the largest increasing sales of Toyota cars.

Toyota Motor Corp. will invest 68 billion yen (680 million dollars) in the second production plant in India. The new plant will produce the Corolla model. At the same location will be produced another new model that will be launched in 2010. It will cost around 8000 dollars and the company says that it is aimed at low-cost segment.

### **3. TOYOTA'S STRATEGY IN INTERNATIONAL MARKETS**

Strategies used by Toyota in order to get success on selected markets to develop business and to impose on these markets are strategies most, created by Japanese specialists.

The strategy that generally based both Toyota company and most Japanese companies is KAIZEN strategy which means continuous improvement and the impact that it has on the level of product quality. "KAIZEN" is an integrative strategy, which means a cross-functional strategy that appoints the gradual improvement, management and continuous business activities and the parameters of quality, productivity and competitiveness, with direct involvement of all staff.

The product strategy of Toyota is based on high quality, on developing new innovative technologies, focusing on further research, creativity, but also hard work.

Toyota is a world leader in research and development of advanced automotive technologies. Toyota develops intelligent responses to the challenges of the automotive industry today, while assuming responsibility for future generations.

Regarding the problem of pollutant emissions, Toyota explores simultaneously a variety of solutions for designing less polluting vehicles as well. Toyota has committed to develop hybrid systems as a basic factor in manufacturing clean technology cars, combining different sources of power. It has made significant progress in designing engines that use alternative energy sources. One of the most promising approach is combining two different sources of energy in a single system with the potential to use both. This solution is known as hybrid technology and is the most promising way to achieve Toyota's green machine.

Search for innovative solutions is based on new technological concepts of this company. Unconventional ideas need a way of expression, and future technologies has to be tested in terms of daily life. Therefore, Toyota develops concepts such as the Fine-N engine powered by a fuel cell or CS&S roadster powered by a Hybrid Synergy Drive system.

The fabrication technology of engines is one of the most valuable property of Toyota. Toyota's performance range of engines and advanced design reflects the high standards set by engineers. Toyota's engines are designed for comfort and performance, while constantly aiming to reduce emissions and optimal fuel consumption. So, today, Toyota may offer its clients the following advantages: gasoline engines with advanced technology, variable rate control valves VV-i and VVT-i, D-4D common rail turbocharged engine - now available in D-CAT variant to equip Avensis, unique hybrid propulsion system Synergy Drive.

Safety is a priority for Toyota. Advanced steering systems, brakes, suspension and traction control help keep control of the car. Each is designed with a Toyota extreme care in terms of safety, using advanced computer simulations and crash tests. Body and chassis are designed to absorb energy from impact and provide a maximum occupant protection, besides SRS (Supplementary Restraint System) airbags protection system they used.

Toyota made over time many innovations and improvement in active and passive safety. From the first active suspension system in the world in 1991, to the marketing of Stability Control System Vehicle in 1995, and to the first curtain airbag launched in 1998, Toyota has aimed to improve the security and technology benefits that it offers to its clients.

It can be said that Toyota's main strategy is the total control of the quality using the „zero defects”, continuous improvement of its products.

Toyota makes independent studies on consumer needs, getting the vote of confidence on their part. Also, this is reinforced by the exceptional results of Toyota vehicles in Euro NCAP safety tests. Consumers trust Toyota cars and feel safe in their wheels. This trust is the result of the highest standards of quality which Toyota designs and produces its cars.

The Japanese have turned their attention to markets with significant growth potential. In Europe car manufacturers have invested substantial amounts to build production plants, research centers and design workshops.

Toyota designers from three continents are exploring ideas, visions and desires in order to design advanced machines and new technologies bringing more quality of life.

Toyota opened in 1954 in Tokyo, Japan, Head Office Technical Centre, which was the center of design activities, planning, designing, production of prototypes and evaluation of vehicles. It was responsible for all fields, including planning, designing and evaluating vehicles. In addition, the center is also in charge of security technologies, energy conservation and environmental protection.

In 1973, in Newport Beach, California Toyota opened the design center Caltex Design Research, Inc..

Toyota Europe Design Development is opened in 2000 and is located in Nice, France. The company created the European Laboratory for Design ED for a better understanding of local influences and preferences of current and potential clients. Here, the team has developed successful models Yaris, Corolla, Corolla Verso, Avensis and Land Cruiser.

The company experts were quickly realize that local production of vehicles and exporting them to different countries is not as profitable business as their installation even in areas of marketing.

Very rapid conquest of significant market share in the EU is a direct result of rapid adaptation to the specifics of each area and complying with regulations without trying to avoid or modify them (a characteristic of U.S. firms).

Also, a major component in Toyota's strategy is to build more research and design centers in the proximity of production facilities. These bring specific items of the areas regarding the design and amenities. Unexpected success of the Japanese led to the exportation of vehicles produced in Europe to other markets of the world.

This is the strategy that Toyota has adopted to penetrate foreign markets worldwide. "Think global, act local" is the slogan that guides the company on the global market. Toyota has adopted the strategy of direct investments on the growing and stable markets, as we have demonstrated, and it fully managed.

#### **4. CONCLUSIONS**

Taking advantage of the opportunities of a global market, Toyota has adopted a global strategy, but considering the characteristics of markets in which it acted. The slogan „think global, act local" implies the need to think market and business in global terms, and in the same time to achieve adapting to the local consumers's demands.

Toyota's success both on the Japanese market and international market is due to its desire to make products with high quality, always perfecting and innovating automotive technologies, creating new models, showing concern for consumption, but also for the environment surroundings, focusing on the consumer. Thus, Toyota has committed to develop hybrid systems as a basic factor of the eco-car technology. The company set up design labs in Europe and USA for a better understanding of local influences and preferences of current and potential clients, showing care for their needs.

Toyota's global strategies are considering entering the international growing market, stable, slowly and surely (the European market case).

Also, Toyota took advantage of the opportunities offered by emerging countries with growing economies, lower wage costs and more flexible markets of new EU's member countries.

Japan plans envisage expansion in emerging markets like Brazil, Russia, India and China. The main weapon Toyota uses in order to conquer these markets is the low-cost cars.

Even if global economic crisis has affected the entire automobile industry, affecting Toyota too, the company remains on the top of the most successful multinationals companies of the auto industry .

And even though, lately, Toyota cars registered some manufacturing problems and they had to be withdrawn from the market, the company management has remained in its original principles, namely, honesty and loyalty to customer, care for his safety, asking for public apologies for shortcomings of its cars lately and promising more attention for the quality and safety of future products of their company.

Adopting a global strategy based on the product policy, research and continuous quality improvement, technological innovation, but also respect for consumers around the world, they can say without any doubt that Toyota Motors Company conquered the whole world.

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