

Toyota North America

# Report on Toyota North America

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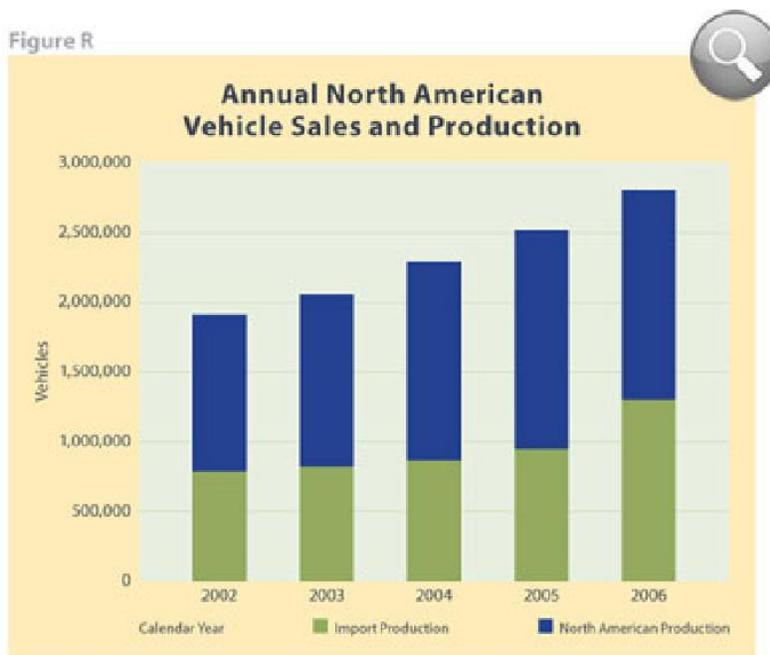
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## Introduction

Toyota Motor Corporation is a Japanese multinational automaker headquartered in Toyota Aichi, Japan. Company had 325,905 employees as of 2010. Toyota Motor Engineering & Manufacturing North America, Inc. (TEMA) is a manufacturer of automobile as well as research and Development Company that is owned by Toyota Motor Company. The company was created in April 2006 by merging Toyota Motor Manufacturing North America (TMMNA) and Toyota Technical Center, U.S.A. (TTC). Its head office is Erlanger, Kentucky.

In North America, company has above 1,750 Toyota, Lexus and Scion dealerships that are selling above 2.5 million vehicles per year. There are 13 manufacturing plants producing more than 1.5 million vehicles per year.



Source: Toyota Website [http://www.toyota.com/about/environment-2007/08\\_corp\\_profile.html#2](http://www.toyota.com/about/environment-2007/08_corp_profile.html#2)

Toyota established operations in North America in 1957 and now directly employs over 40,000 people. Our direct investment here is currently valued at more than \$18 billion, including

sales and manufacturing operations, research and development, financial services and design. In 2006, Toyota spent more than \$29 billion for parts, materials, goods and services from hundreds of North American suppliers and business partners, directly creating more than 41,000 local jobs

Toyota is facing great competition in North America. The sale of Honda is 90% in US. Major competitors of Toyota products in North America include; “Hyundai Motor Co.’s Sonata and KIA Motors Corp. (000270)’s Optima as well as Ford Motor Co. (F)’s Fusion” (Alan Ohnsman, 2011).

Toyota has five main assembly plants in United States located at

- Georgetown, Kentucky;
- Huntsville, Alabama;
- Princeton, Indiana;
- San Antonio, Texas;
- Buffalo, West Virginia.
- Blue Springs, Mississippi.

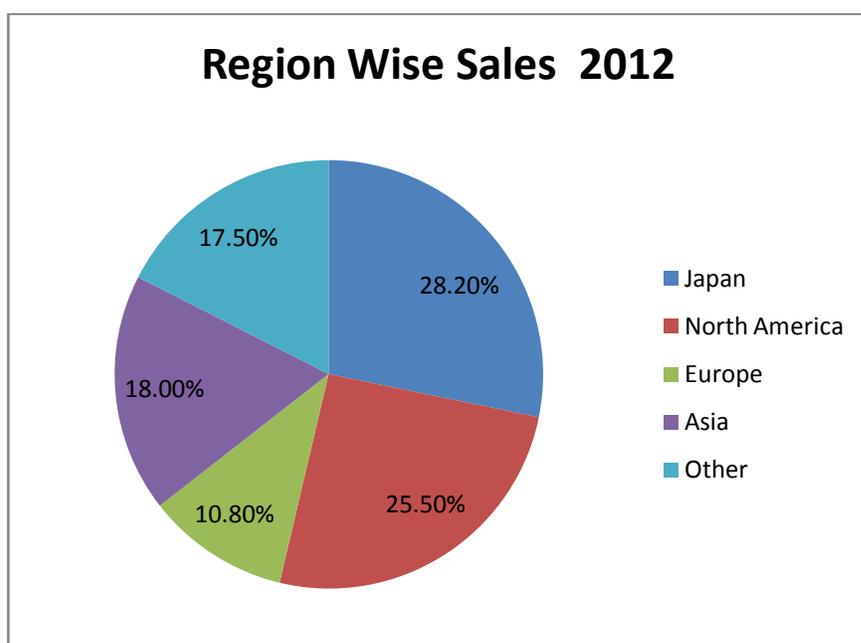
The company is doing well however during last two years a decrease in production and sales has been evidenced. , how are they doing, production, sales increased or decreased over years, employees, production investment, product line etc

## Production and Sales: 2011-2012

The 2012 annual report reveals that consolidated vehicle sales decreased by 159 thousand units, or 7.8% year-on-year. The reason behind this decrease in sales was shortage of supply due to Great East Japan Earthquake during the first half.

The market share of the company in 2011 was 12.9%. 214 thousand units of Lexus brand were sold in North America. 1,275 thousand units of consolidated vehicles were produced. The production also decreased by 4.8% decrease year-on-year. Resultantly, the net revenues were ¥4,751.8 billion which reveal ¥677.2 billion or 12.5% year-on-year decrease.

Because of decreased in production and sales as well as the influence of these losses, the ration of operating income was down ¥153.0 billion, or 45.1% year-on-year.



The above chart reveals region wise percentage of sales during the fiscal year 2012 which show the percentage of North America as 25.5%.

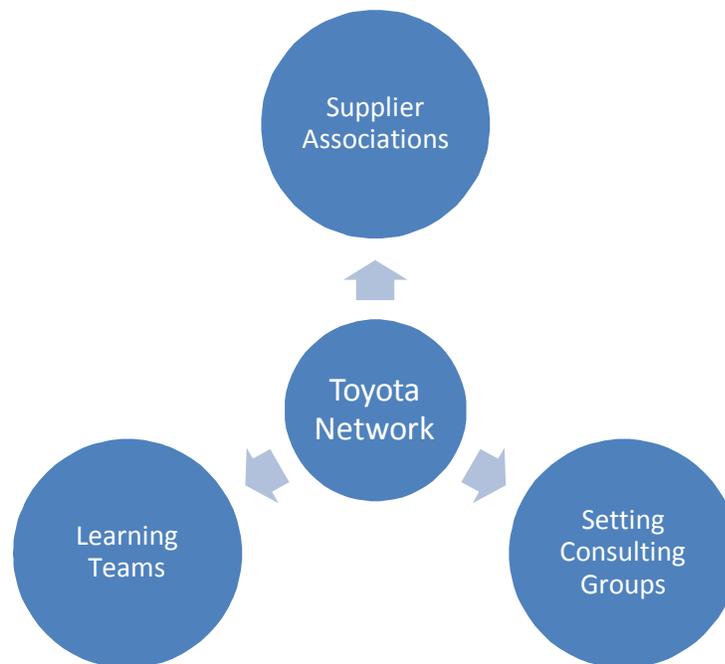
The Toyota North America locally produced 72.6% and 66.8% of vehicles sold during the years 2010 and 2011 respectively.

Though Toyota in North America is facing problems and showing decreased sales however by the launch of its Camry sedans company is expecting to achieve competitive advantage.

## Toyota Foreign Direct Investment

Toyota has adopted a policy in emerging markets. Toyota is increasing its investment in emerging markets to increase production. For example, the company started production in Fortuna, India in 2009. Also the company expanded investment in factories consequently. In 2007, the company started production of Corolla FFV in Brazil and a steady increase has been seen in sales since then.

## Toyota Supply Chain



Toyota has adopted a regiocentric approach. In a regiocentric approach companies offer products in continental regions that are similar in economies and culture. Toyota is offering same products to the countries which have similar economies and cultures. Toyota uses Hybrid segmentation which employees that different countries have different standards and consumers' response to a product are also different. (Méryl Srz, 2012)

The company sells world tourism cars from city cars to SUVs. There is a difference in cars from region to region for example the cars sold in Europe, North America and Asia are different. The car types are adapted according to local demands. By adopting this strategy company has been able to increase its sales up to 50% in emerging markets. (Toyota Annual Report, 2012)

The company is restructuring its local branches by giving more authority to regional managers and chief engineers. By adopting this strategy company was able to improve its development capacity by 30% from 2009 to 2012. To enhance the performance of its supply chain Toyota is developing ties with local sale and R&D units. (JIM LENTZ, 2012)

The focus of improvement in organizational structure is that CE performs the role of overall coordinator to develop vehicles. The CE is responsible for technical development, with the purpose to promote focused technologies as well as long-term development that lead to improved cars envisaged by the CEs. The standard of manufacturing is same in all its branches. To improve quality as well as remain competitive in the international market the parts standardization is conducted with local suppliers. Parts standardization also helps to increase production volume. This strategy helps Toyota to diversify its suppliers, improve efficiency and stable supplies even during emergencies. (Toyota Annual Report, 2012)

## Strategy in US

### *Competitive Prices*

As compared to other regions, Toyota is selling its cars in cheap rates in US. The prices have been set to adapt to the country's economic situation. Toyota Corporation controls all its regional branches however; recently company has announced restructuring of Toyota North

America and decided to give more authority to local regions. The CEO of North America Branch is now in charge of all sales as well as manufacturing.

### **CSR**

Despite just selling cars and collecting profits the company has also been striving to contribute to society by creating jobs, bighearted activities, and environmental stewardship. To take care of environmental safety the company has established North American Environmental Committee (NAEC) as well as working groups linked to it that are serving Toyota's purpose of implementation of corporate principles, establishment of strategy and policy in North America, as well as coordination of Toyota's environmental activities in North America

([www.toyota.com](http://www.toyota.com))

### ***Environmental Strategy***

Toyota has taken different steps to stabilize in North America. For example, in November 2009, a safety campaign was advanced for certain models of Toyota and Lexus brands vehicles regarding floor mat setup of accelerator pedals, and afterward this campaign was expanded to include other models. Recalls were also announced in January 2010 for certain models in North America for complaints about sticking and slow-to-return accelerator pedals.

Toyota North America recently established research and vehicle development in York Township on a 700-acre site. Further the company is constructing an engineering design facility as well as a safety test facility on the previous home of the Ypsilanti Psychiatric Hospital. Taking full responsibility to clean up a Brownfield site, Toyota was able to get a reimbursement aid in the form of tax credits from the state of Michigan. The company conducted a complete list of

trees on site and Toyota successfully prevented more than 500 trees. Further, the site has been designed in a way that it will divert 75% of construction waste from landfills.

## Conclusion

The current report discussed Toyota's foreign direct investment, supply chain and strategy with focus on Toyota North America. Toyota has adopted a regiocentric strategy and focusing to invest in emerging market. Recently company has restructured its regional strategy by giving more authority to regional CEs and Chief Engineers. With the adoption of this strategy the company was able to improve its sales.

Toyota is operating in North America since 56 years and has been able to create almost 365,000 jobs, 1500 dealers. Toyota North America manufactured 50-60% of its cars locally. However during the past few years company showed a decrease in sales and productions due to great East Japan Earthquake.

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