

THE GLOBAL BUSINESS ENVIRONMENT



TOYOTA MOTOR CORPORATION

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Introduction

Toyota Motor Corporation, also known as Toyota, is a renowned multinational automobile manufacturer based in Japan. Founded in 1937, Toyota is recognised to be among the top global automobile manufacturers capable of manufacturing and selling of over 10 million of vehicles each year. The vehicles of Toyota are seen to be produced under five specific brands such as namesake Toyota, Ranz, Lexus, Daihatsu and Hino. The brand is seen to be listed on London Stock Exchange, Tokyo Stock Exchange, Nagoya Stock Exchange, and New York Stock Exchange (Balinado, et al, 2020). At present the estimated revenue of the brand is seen to be over 256 million USD. The following report will focus upon identifying and analysing the overall external as well as internal business environment for the organisation, along with identifying the source of competitive advantage for the organisation effectively.

Analysis of external business environment

PESTLE analysis

The overall impacts of the external factors or parameters of the market, impacting the business operations of Toyota in perspective of the automobile industry sector of United Kingdom (UK), can be explained as below;

External Factors	Opportunities	Threats
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Political	The stability of the political system in UK offers the opportunity for Toyota to grow and develop, without any political tension. In addition, free trade agreements also help easy market penetration for Toyota in UK market.	The new safety regulations as demanded by the government along with the strict emission norms in UK to counter air pollution can add to operational costs. In addition, post Brexit, Toyota faces the huge fees or tariffs imposed on the goods or vehicles exported from or imported to UK (Bailey and De Propriis, 2017).
Economical	UK is one of the strongest economies of the world. In addition, the automobile sector is considered to be one of the key core sectors concerning the economy of UK, having a over 78 billion of turnover, in addition to adding over 15 billion in values for UK economy. This showcases the good investment opportunities that the market has for the organization of Toyota effectively (Stolfa, et al, 2020.).	Although UK has a strong economy, market uncertainties can lead to economic downfall. One such example is scenario of Covid 19, with lower disposable income, issues in supply chains and others. However, the market is growing again post Covid, which delivers an opportunity for the organization to boost sales.

Social and cultural	The wide diversity in UK, enables Toyota with the opportunity to target multiple sections of audiences or buyers through offering of five different brands helping the organization to penetrate new segments in the market. In addition, driving is very popular in UK, with over 75 percent of the households' owning cars which improved the market opportunity for Toyota to introduce new products to the UK market (Upadhyay, et al, 2020). The modern-day customers demand high end technologies such as self-driven cars, feature loaded systems and others which improves the innovation opportunities for Toyota effectively.	The demands of buyers change rapidly which can make innovation challenging for Toyota. In addition, buyers also lack loyalty and may prefer to switch brands considering the widespread availability in the market.
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Technological	Advanced and modern technologies have changed the face of automobile industry market which can provide plenty of opportunities for Toyota. For examples advanced technologies can be used for innovating the products such as the trend of self-driven cars. In addition, use of AI, machine learning can also help in service improvements. The use of AR can be done for the purpose of improving the buyer experiences (Qamar, et al, 2021). In addition, digital technology can also be significantly used for the purpose of enhancing the marketing/promotional efforts for the brand of Toyota effectively.	Technologies need regular maintenance and upgradation which can increase the operational costs for Toyota. In addition, the availability of the technology can also be used by the competitors which can be a direct threat to Toyota.
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Legal	The clear laws and regulations offer a stable and transparent business environment for Toyota in UK market.	Failure to comply with the laws/protocols can lead to legal lawsuits and issues. Poor relations with trade unions can also result in conflicts delaying manufacturing and production.
Environmental	It is important for Toyota to follow the emission norms and protocols and ensure that less emission cars are introduced in the market. In addition, the carbon footprint from overall operations must also be reduced so as to improve the brand value and reputation among buyers in market. Necessary approaches must also be done for promoting community growth and development. One such example is, "Toyota Fund for Better Tomorrow", which is used for helping schools, community projects and local charities (Alkaabneh, 2020)	Failure to fulfil the designated responsibilities towards the society and environment can harm the corporate reputation of Toyota in the market.

Porter's five forces analysis

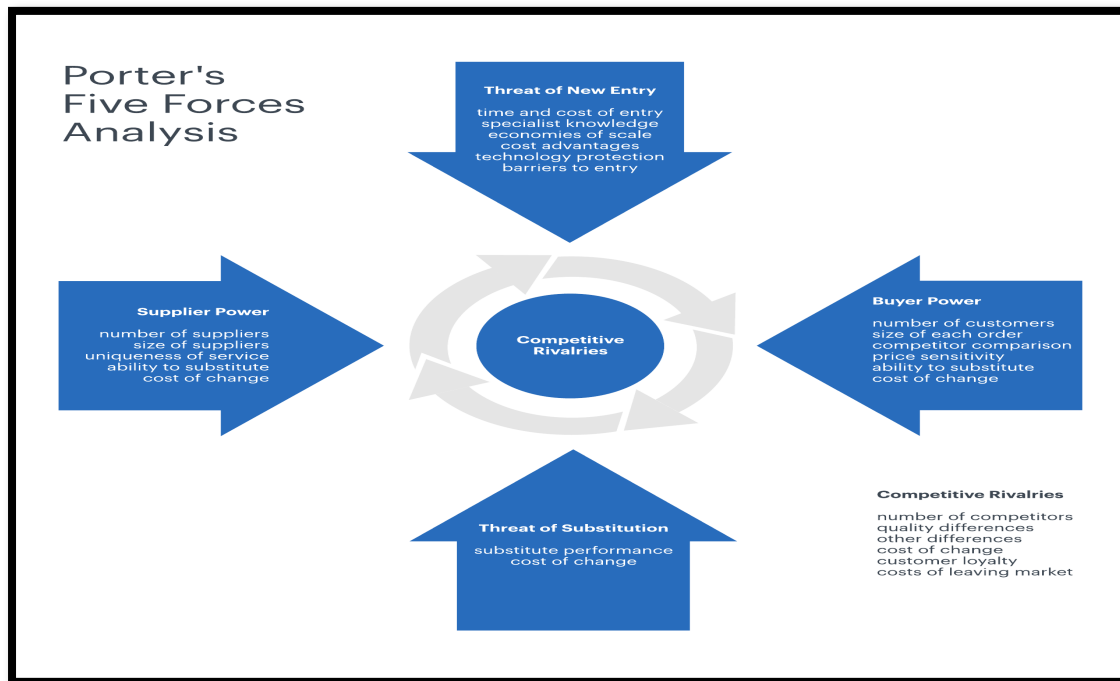


Fig: Porter's five forces analysis (source:)

The overall competitive forces impacting Toyota's operations in UK automobile market, have been explained by Porter's analysis as below;

Supplier power

The overall supplier power considering the perspective of automobile market is very low and thus regarded as weak force. The factors contributing to this include the following;

- Huge availability of suppliers (weak force)
- Lower forward supplier integration (weak force)

The overall large availability of supplies in market, makes the supplier power considerably low in the market. In addition, the suppliers also do not have control of ownerships of distribution materials which usually reach Toyota making the power of the suppliers very low (Alkaabneh, 2020).

Buyer power

The high power of the buyers is contributed by the following factors;

- Low cost of switching (strong force)
- High quality information availability (strong force)

The buyers are spoilt with choices considering the UK automobile industry market. Switching brands is easy and products are widely available in the market. This makes it very important for Toyota to focus upon delivering differentiated values which can draw more customers/buyers towards the brand.

Threat of substitution

The threats faced from substitution is moderate in the market. The major contributors to this include the following;

- Low cost of switching (strong force)
- Moderate substitute availability (moderate force)
- Low conveniences in using of substitutes (weak force)

The substitutes in this context include bicycles, motorbikes, public transport or other specific transportation modes. However the capability of Toyota to offer values for money price tag along with accessibility, affordability and convenience of the vehicles minimises the substitution threat in market (Li, 2018).

Threat of new entry

Threats from the entrants is very weak force. The contributors to this include the following;

- Requirement high investment capital (weak force)
- Cost of brand development and marketing (weak force)
- Cost of supply chain management (weak force)

The new firms entering the market, lacks the high capital or financial resources to compete with established brand such as Toyota. In addition, barriers to successful brand development and supply chains also reduces the overall threats which the new entrants pose for Toyota (Ferràs-Hernández, et al, 2017).

Competitive rivalry

The huge competitive rivalry in the market is contributed by the following factors;

- High aggressiveness and competitive nature of the rivals (strong force)
- High differentiation capabilities of the rivals (strong force)

In the automobile market, Toyota is seen to be facing huge challenge and competition from other brands which focuses upon differentiating via electronics, cost, fuel efficiencies, brand image, style and others. The core competition in this context includes, BMW, Mercedes, Ford, Honda and others.

[Analysis of internal business environment](#)

SWOT analysis

The SWOT analysis for Toyota is presented below;

Strengths • Very strong and developed human resource with over 360000 employees. • The innovative organizational culture helps the organization to bring forth product and process innovation and delivery maximum values to customers. • Toyota also has a very well recognized brand image in the market along with wide diversity in the product portfolio which helps the brand to cater to requirements of diverse customer segments (Nurzaman, et al, 2020) • The use of advanced hi fi technologies has helped Toyota to become one of the leading innovators in the automobile sector • The huge global supply chains is considered to be among the greatest of strengths for the company. • Toyota gives serious competition to the competitors considering the high quality and production capability with over 10 million of cars yearly which is still unmatched in regards to the automobile industry.	Weaknesses • The company has a high supplier dependency considering global markets. • The high recall rates create negative publicity for Toyota in the automobile market. • Toyota has failed to bring the green vehicle technologies to markets where it can matter the most such as India and China (Madoh, et al, 2019).
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Opportunities	Threats
• With global sales of cars increasing, there is a huge prospect for Toyota considering the development of with emerging markets considering exuberating demands for cars. • The green vehicle technologies can also prove to be an innovation landmark for Toyota in future (Athanasopoulou, et al, 2019) • Considering the current awareness about climate change, Toyota can benefit from popularizing its environment friendly vehicles.	• High number of competitors in market such as BMW, Mercedes, Ford, Honda, Volkswagen, Hyundai and others. • With rise in raw materials price the price/cost of end products are also increasing in the automobile sector (Nkomo, 2019). • The company also faces the continuous threats regarding the overall exchange rates.

Value Chain Analysis

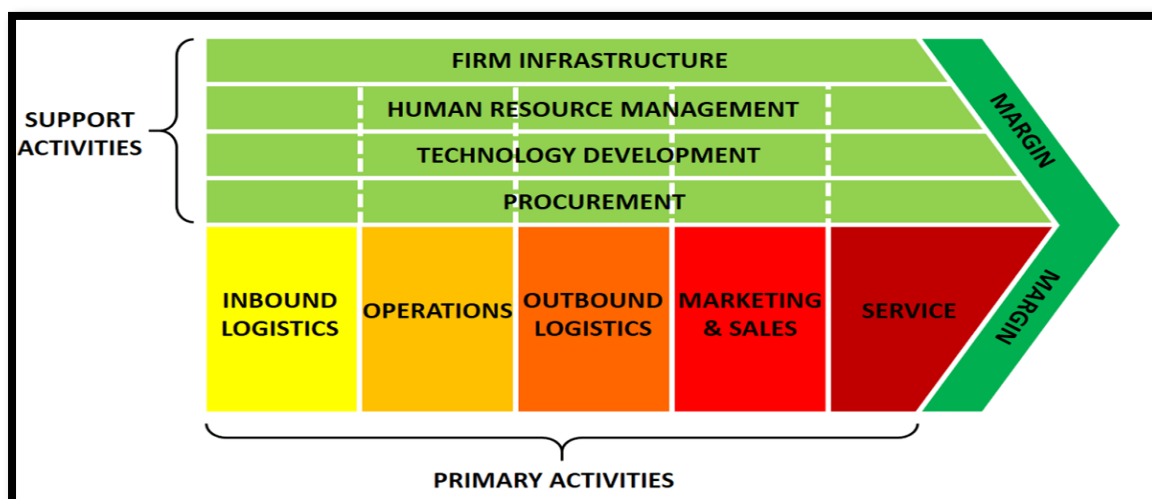


Fig: Value chain analysis (source:)

Primary activities

Inbound logistics

Toyota sources the raw materials from both local as well as international suppliers. The just in time (JIT) manufacturing is followed as per the brand's lean management principle to keep the inventory costs low, proper management of inventory and reduce wastage for reduction in overhead costs (Ricciotti, 2020).

Operations

The well moderated and designed operational process has helped the brand to be capable of establishing the reliable image in market. The Toyota Product System (TPS) is best in its class and integrates lean management so that product can be controlled as per customer requests. Kaizen principle is used for promoting continuous development along with implementing "'Jidoka' for identifying the quality defects (Jylhä, 2021).

Outbound Logistics

Once products are manufactured, they are transferred to the respective retailers or wholesalers and finally to end customers. The process of distribution and logistics is controlled from factories to branches across the globe, so that products are rightfully delivered. Toyota Motor Sales has the responsibility of managing finished products' outbound logistics including technical supports.

Marketing and Sales

The marketing strategy is focused upon the Japanese ways of combining media and print advertising, along with sales promotions, experiences, events, public relations as well as direct marketing with major focus over television advertising. The organisation also has a comprehensive digital marketing strategy to meet the needs of modern customers.

Services

Toyota is known for exceptional level of after sales support and services. The company offers guarantee for 10,000 kms or 36 months which depends upon store offer. The customer-oriented approach helps Toyota to fulfil customer expectations through express maintenance services (Chiarini, et al, 2018).

Support Activities

Infrastructure

Toyota has over 45 overseas well developed and equipped manufacturing units spread across 26 countries across the globe. In UK, Toyota has two manufacturing plants which represents an investment of over 2.75 billion GBP and employing over 3000 staffs. The plant for vehicle manufacturing is located at Burnaston, Derbyshire and plant for engine manufacturing is located at Deeside, North Wales.

Human Resource Management

Toyota has extremely good HRM. The employee reward management programs help the brand to motivate the employees to perform better and deliver better values to customers. Toyota also caters to employee expectations which also increases the retention rate for the organisation (Ricciotti, 2020).

Technology Development

Toyota is recognised for integrating high end technologies in the cars for delivering of exceptional value to customers. This includes Pre-Crash Safety (PCS) systems, self-drive technology, Adaptive Drive Systems, Green Vehicle Technologies which helps the brand to develop high customer value and achieve a competitive position in the market (Morgan, et al, 2020).

Procurement

The procurement activities which usually include purchase of materials, equipment, services or goods are done through outsourcing methods and e buying to reduce time and cost.

Conclusion

The customer-oriented approach of Toyota helps the organisation to deliver better values to buyers. The use of principles such as Lean Management, Kaizen, 'Jidoka' along with the Toyota Product System (TPS), sets apart high standards especially in relation to customer support and services helping to deliver huge customer value.

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