

THE GLOBAL BUSINESS ENVIRONMENT 2

TOYOTA MOTOR CORPORATION

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Introduction

From the analysis presented in assessment 1, it is evident that Toyota motors have a recognised and reputable brand position and image in the automobile industry sector including the UK market. It has been found out that, the automotive industry in UK, is capable of attaining turnovers of over 80 billion, with generating value of over 18 billion GBP for the economy of UK which effectively showcases the overall growth/development prospects for brand such as Toyota in the respective market effectively. However, the recent pandemic of Covid 19 had seriously impacted the overall industry which leads to certain levels of concerns for Toyota operating in the market (Baldwin and Tomiura, 2020). The following report will explore and investigate the core impacts which Covid 19 has on the respective industry especially considering the market of UK. In addition, the critical survival as well as the success factors for Toyota in respective industry will also be analysed and discussed in the following report.

Impact of Covid 19 pandemic on automotive industry sector

Overview of Covid impact on automotive sector

The impacts/influences of COVID 19 pandemic in the current globally cohesive automotive sector can be seen to be significant and swift. Some of the potential longer-term influences which COVID 19 pandemic is expected to be having on the automotive companies across the globe such as Toyota includes the following;

- Prolonged truncations in perspective of the consumer demands as the nations are working via different lock down rules which has sparked a situation of recession globally. This has effectively led to widespread losing of the consumer confidence, which has the power of influencing/impacting the profitability and revenues of automakers such as Toyota.
- Automotive companies such as Toyota may also be forced in diverting the overall capitals to the shore-up operations, along with reducing the funding for research and development (R&D), for initiatives of advanced technologies along with other specific discretionary projects (Belhadi, et al, 2021).

- COVID 19 can also result in the automotive companies being forced in exiting unprofitable markets across the globe with vehicle segments getting accelerated. This can significantly lower the overall outputs owing to the consolidation or rationalisation of the manufacturing capacity.
- COVID 19 has also resulted in suppliers within the automotive industry facing the liquidity issues. This may eventually succumb to the rapid deteriorations of market conditions, thereby causing high disruption as well as catastrophic consequences to the automobile manufacturing system across the globe.
- In addition, post the COVID 19 pandemic, it is also expected that the global automotive industry sector, may essentially require restructuring with the inability of dealers in pivoting quickly to the changed demand conditions in the market.

The impact of COVID 19 pandemic has been huge considering the UK automotive industry sector, which has widely influenced and impacted the business activities of Toyota operating within the perspective of the respective market. This can be explained and analysed further in the following section of the report effectively;

UK automotive sector and Covid 19

The COVID 19 pandemic impacts on the UK's automotive sector has been one of the worst. In 2020 April, the first ever full lockdown month in UK, the registrations for the new vehicles were seen to drop by 97 percent year on year basis. In addition, in 2020, September, the year-to-date registrations of vehicles in UK were seen to be dropping by 33 percent versus that compared in 2019.

With the easing of restrictions as well as subsequently reimposing the restrictions, it has created a certain level of uncertainty in the respective industry market. As per QuantiBus survey of PwC Research, 22 percent of consumers planning to buy a new car/vehicle pre pandemic have no further intention of purchasing post the pandemic. In addition, nearly 35 percent of consumers are also unsure or undecided regarding their purchases post pandemic. This has resulted the dropping of demands for new cars/vehicles by nearly 18 percent as compared to the pre pandemic market situations (Harris, et al, 2020).

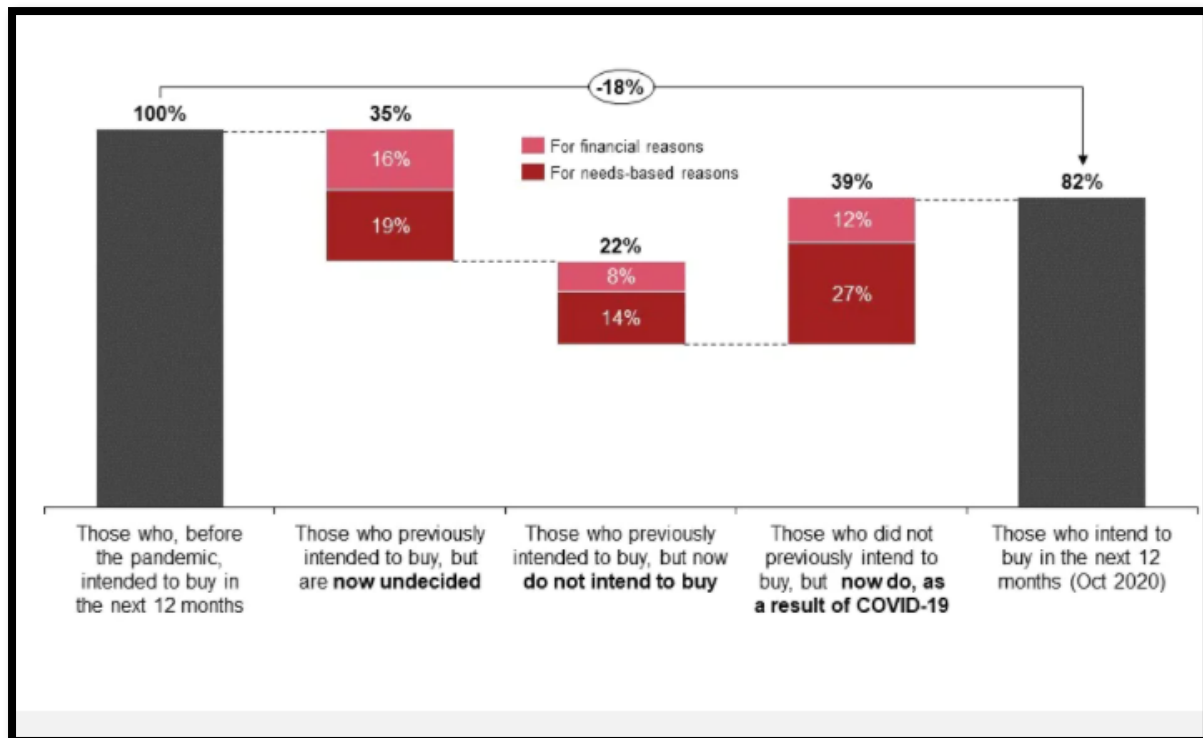


Fig: Purchase intention of consumers as percentages of individuals intending to purchase car in UK pre pandemic to post pandemic (source: pwc.co.uk, 2021)

The direct changes in regards to the purchase intentions of consumers post pandemic in the UK automotive industry have been accelerated by three specific drivers;

Impact of varying household

COVID 19 has resulted in households facing the issues of lower income generation, job security along with depleted savings as well as reduced accesses to the overall credit. Majority of the households are seen to be observing sharp decline in the intention for purchases resulting in reduced purchases (Maria, et al, 2020).

Anxiety surrounding air travel and public transport

People are focused upon limiting their overall exposures which somehow has resulted in consumers seeking alternative to public transportation or air travels which can be effective in potentially boosting the auto sales and car usage in UK post pandemic.

Reduced movement and remote working

With majority of the industries focuses upon remote working the employee movements are significantly reduced. Which has created uncertainty among consumers whether to buy or spend in new cars resulting in dropping of sales and vehicles registrations across United Kingdom (UK).

Market statistics and facts highlight that the car production/manufacturing in UK also declined to -29.3 percent in the year of 2020. In addition, the December 2020, output was also down by -2.3 percent which affected some of the firms due to closure of borders and other supply issues due to the COVID 19, lockdown restrictions and rules. In addition, the manufacturing operations in context of the automotive sector was also seen to be disrupted largely throughout the year 2020 due to the restrictions on factory outputs caused by social distancing norms and lockdowns. This was also accelerated by the uncertainties of Brexit depressing the overall market demands (Guan, et al, 2020).

CAR MANUFACTURING							
	Dec-19	Dec-20	% change		YTD-19	YTD-20	% change
Total	73,080	71,403	-2.3%		1,303,135	920,928	-29.3%
Home	11,091	16,785	51.3%		247,138	171,890	-30.4%
Export	61,989	54,618	-11.9%		1,055,997	749,038	-29.1%
% export	84.8%	76.5%			81.0%	81.3%	

Fig: Decline in UK car production/manufacturing 2020 (source: Smmmt.co.uk, 2021)

In addition, COVID 19 also impacted the overall production for the overseas buyers falling -29 percent, to nearly 74000 units. The overall output for UK also fell to -30 percent to nearly 170000 units. However, amidst the COVID 19 pandemic, the overall exports have continuously driven the car manufacturing in UK, with more than 8 cars out of 10 being shipped to the overseas market. With reinforcement of significance and value of “non deal” tariffs, with European Union (EU), the EU market was one of the largest export destinations taking over 50 percent of shares, notwithstanding the volumes falling nearly -30 percent to nearly 400,000 units effectively (Arribas-Ibar, et al, 2021).

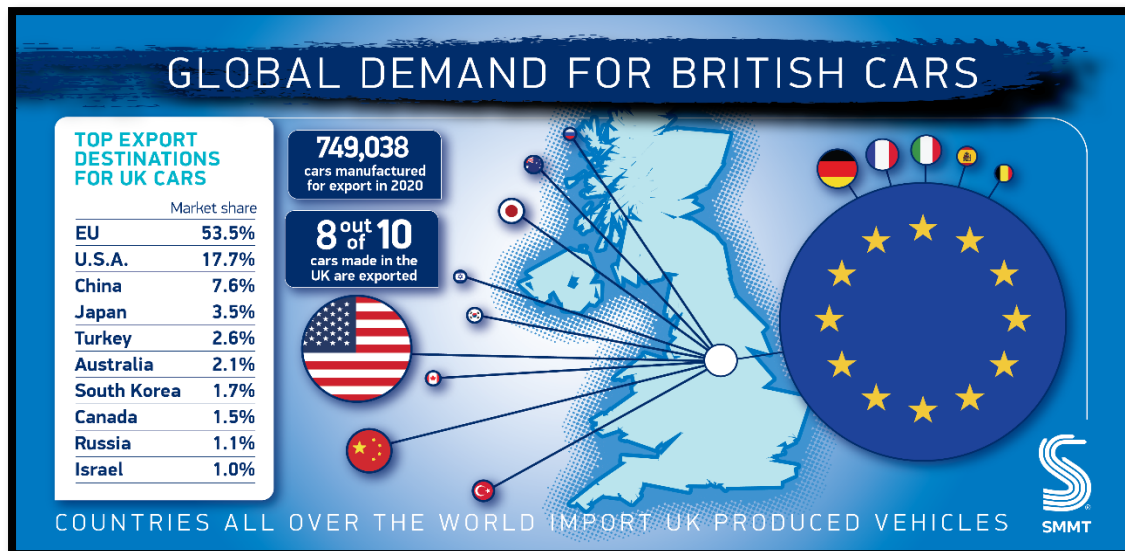


Fig: Global demand for British Cars during Covid 19 pandemic (source: Smmmt.co.uk, 2021)

However, the overall trade with majority of the export partners for UK declined due to the tougher market conditions caused by the COVID 19 pandemic. The overall shipments to the markets such as Australia, Japan and USA, fell by -21.8 percent, -21.6 percent and -33.7 percent respectively. However, exports to other markets such as China, Taiwan and South Korea significantly increased to 2.3 percent, 16.7 percent and 3.6 percent respectively (Cai, et al, 2020).

Manufacturer change	Model range	Location	2019	2020	%
Jaguar Land Rover	F-type, F-Pace, XE, XF, XJ, Discovery, Discovery Sport, Range Rover Evoque, Range Rover, Range Rover Sport, Range Rover Velar	Castle Bromwich / Halewood / Solihull	385,197	243,908	-36.7%
Nissan	Juke, LEAF, Qashqai	Sunderland	346,535	245,649	-29.1%
MINI	MINI, MINI Clubman	Oxford	221,928	175,736	-20.8%
Toyota	Corolla	Burnaston-Derby	148,106	116,261	-21.5%
Honda	Civic	Swindon	108,876	69,366	-36.3%
Vauxhall	Astra	Ellesmere Port	61,737	32,234	-47.8%
Others*			30,756	37,774	22.8%
All makes			1,303,135	920,928	-29.3%

Fig: Comparison of sales of the automotive brands in UK 2019-2020 (source: Smmmt.co.uk, 2021)

From the above figure it is evident that the overall production of Toyota Corolla one of the most popular cars of Toyota Motors UK also suffered a production downfall of nearly -21.5 percent showcasing the high impacts that COVID 19 had on brands such as Toyota operating in the automotive market of United Kingdom (UK) effectively (Margherita and Heikkilä, 2021).

However, notwithstanding the COVID 19 impacts, UK has been successful in rolling out of plug hybrid (PHEV), hybrid vehicles (HEV) and battery electric (BEV) for the buyers at domestic as well as the international market. The combined productions of such cars were seen to share nearly 19 percent of the overall cars made in UK.

Critical survival and success factors for Toyota in the industry

It is important for the automotive companies in the market to be well capable of adjusting to the changed market scenario and circumstances to remain profitable in the market despite of the adverse market conditions/scenarios.

The core survival factors/parameters for Toyota in the market include the following;

- Developing of close customer relations as well as engagement can help the manufacturers to be capable of quickly responding to the overall demand signals. This can be done through the integrated systems used for improving lead management, embedded customer insight or feedback programmes, customer handling as well as use of proper mobile applications to strengthen the aftermarket sales and services for customers (Bhatia and Kumar, 2020).
- Considering the larger number of uncertain buyers if customers, manufacturers such as Toyota can effectively offer lower commitment and flexible alternatives for customers to outright purchases for maximisation of the overall customer values. This can be done through the monthly subscriptions, exclusive memberships as well as flexible financing opportunities for the customers.
- It is also important for the manufacturers such as Toyota to be capable of moving from structure of traditional franchises towards a highly elevated and networking

wide approaches for optimisation of the costs will synchronised pricing models for reducing the overhead costs as well as helping in resolving of channel conflicts.

The core success factors for Toyota which will help the brand to succeed in the adverse market conditions owing to COVID 19 pandemic have been highlighted below;

- The following of Just In Time (JIT) manufacturing strategy is one core reason behind the success of Toyota in the automotive industry market. This specific strategy helps the organisation to reduce the inventory wastes and order materials once needed. This can help the organisation to save huge costs and expenses in times of COVID 19 pandemic where sales have significantly dropped helping the organisation to cut down on losses by reducing the production/manufacturing costs.
- The high quality and skill of the research and development (R&D) team can be effectively of high use to Toyota as it will make it easier for the organisation to effectively predict the changes in the mega trends in the market. For example; the demand for eco-friendly vehicles and self-driving vehicles are effectively met by the organisation considering the potential capabilities of its respective team of research and development effectively (Sebtaoui, et al, 2020).
- In addition to this, the following of the management philosophies such as total quality management (TQM), Kaizen, Six Sigma as part of lean management helps the organisation to deliver more values to buyers making the customers the centre of focus of the business operations largely. In times of COVID 19, this can help Toyota to deliver more values to customers which in turn can help to attract more customers even during the uncertain stage and market scenario post the COVID 19 pandemic.

Conclusion

The analysis clearly reveals that the COVID 19 pandemic did have some devastating impacts on the production in respective of UK automotive sector owing to lockdown restrictions, depressing demands, shuttering of manufacturing plants along with threatening the overall livelihoods of the people. With rolling out of vaccines the industry remains optimistic for the future. However there still exists uncertainty regarding trading with Europe, being one of the largest markets for exports. Companies such as Toyota operating within the market are seen

to facing the immediate challenges towards adapting to newer conditions, of the market delivering sustainability and driving economic growths/developments in the relative industry sector effectively.

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