



Toyota Motor Corporation: A Global Expansion

Monica A. Cassetta

Central Michigan University

Casse3ma@gmail.com

Abstract

The overall purpose of this paper is to take an in-depth look at the relationship between Toyota Japan and Toyota North America, as well as what Toyota has accomplished in global expansion, within the North American region and Japan. Most of the statistics that were analyzed came from Toyota Motor Corporation through their Production, Sales, and Exports by Region section for its vehicles (see Appendix). We see a strong relationship between Japan and North America, but particularly with the United States. As years went on, Toyota has been a success in this region, turning into a strategic leader, strategizing to export to where the most products will sell the most successfully in numbers. More specifically, we look into a 10-year time span from 2003 until 2012. This time span allows us to see how Toyota has succeeded through both the some significant downturns. Within those years, the statistics shows not only Japan and the North American region, but also the six others, including Latin America, Europe, Africa, Asia, Oceania, and the Middle East.

Within the analysis and paper itself, data has been collected from 2003-2012 in all eight regions. Looking more into depth of the Toyota Corporation to get a better understanding of the company itself, a brief introduction, as well as some history will be gone over. With that, we go into their history with their top competitor, General Motors, specifically their joint venture of the New United Motor Manufacturing Inc., and how they are still competing with them today. From there, we look at some specific numbers and relationships of the units produced, sold, and exported between Japan and North America. After analyzing this data, we conclude that, as mentioned earlier, Japan has done a great job at globalizing both effectively and efficiently. Along with that, we also can conclude that the trend within this time span, though more cars are being produced in Japan at this time, more are being sold in the region of North America. With the more sales in units, the exports from Japan to the North American region is slowly increasing, making this region their most important one. To make these conclusions, more specific statistics have been sought.

Introduction

Over the years, Toyota has become a world-renowned company, with a high global presence; the company has had much success thus far. Headquartered in Toyota, Aichi, Japan, the Toyota Motor Corporation consists of more than 300,000 employees worldwide, and as of January 2014, they are the fourteenth largest company in world by revenue. In July of 2012, they reported the production of its 200-millionth vehicle, where they were also named (again), the world's largest automaker by production. Focusing on the relationship between the global presence of North America, as well as Japan, they have become close in numbers over the years. Toyota, having such a large presence around the

world, had in 2012 alone, a revenue of more than 225 million dollars, producing over 8 million units worldwide in that year as well (Toyota Global, 2013). Within the research conducted, a 10-year study, from 2003-2012 has been studied, specifically looking at the relationship between the North America, the United States within, and Japan.

In Pankaj Ghemawat's *Redefining Global Strategy*, Ghemawat described Toyota as a global heavyweight, succeeding in regionalization because of the way they have embraced themselves into competing across borders (Ghemawat, 2007). At the end of 2013, Toyota was said to conduct its business worldwide in 52 overseas manufacturing companies in 27 countries and regions, with products being sold in more than 160 countries and regions. In the N. American region alone, they have six manufacturing companies, producing close to 785,000 units (Toyota Global, 2013). Looking more in depth at how Toyota got to where they are today, their global footprint in the U.S, and how they got to that point, and specifics on exports, production, and sales, will all be identified.

Company Background

Kiichiro Toyoda founded Toyota Motor Co., Ltd. on August 28, 1937, and Toyota Motor Sales Co. was later established in 1950. Shortly after establishment, their first product, the Toyopet Crown was launched in 1955, and launched into the United States in 1957, leading to the establishment of Toyota Motor Sales USA on October 21st of the same year. 10 years following, by continuously creating and improving such efficiency and durability into their products, Toyota had become the third best-selling import band in the US. These continuous improvements lead to more overseas production. In 1985, overseas production accounted for less than 5%, but eventually reached 15% by 1990, 30% by 1995, and an incredible 46% by 2006 (Ghemawat, 2007). In 2011, it was recorded that emerging markets accounted for 45% of Toyota's global vehicle sales (Toyota Global, 2013).

NUMMI

During Toyota's start to their North American buildup and success, New United Motor Manufacturing Inc. (NUMMI), was created in 1984, which was also jointly owned by General Motors. The main point was for Toyota to learn how to make cars in the United States. They ended up closing in 2010, and reopened as a 100% Tesla Motors-owned production facility. Before closing in 2010, NUMMI was a factory to manufacture vehicles to be sold under both GM and Toyota. After the Lehman Brothers financial crisis, GM was forced to pull out in June of 2009, leading to Toyota to pull out months later as well (Gonzales, 2010). Because the Japanese are known for their intelligence and advantages in lean manufacturing, both GM and American's were able to learn from each other in the joint venture. Today, GM and Toyota are not only at the top in the

automotive industry, but they are direct competitors. The competitiveness led Toyota to surpass GM as the world's largest automaker in 2007 for the first time, with a highly globalized revenue distribution. Though GM has held the number one spot in the industry through many years, their recent bankruptcy has not only cost them, but the spot as well in some years. And even with a recent weakening in Japanese Yen, Toyota benefited their exports tremendously helping revive their economy that had been through three recessions in five years. Most recently, it was shown that Toyota shares have gained 58%, while GM was at 23% (Theolcke, 2013).

Downturns

As mentioned earlier, GM was forced to pull out of their joint venture due to the Lehman Brothers bankruptcy, leading into the financial and economic downturn. This bankruptcy filing is marked as the largest in the US history, which played a major role in the United States. Because Toyota does have a large presence within both the United States and Japan, they were affected as well, being that North America is their biggest exporter as well as producer and seller. In contrast, just a few years later, Japan experienced its biggest earthquake in March 2011, forcing its quarterly profit to decrease more than 75%. This decrease in profit heavily disrupted their car production, but quickly recovered. Unlike General Motors who almost filed for bankruptcy, Toyota reported that they had still earned double in profits, showing a substantial recovery from the 9.0 magnitude earthquake (The Guardian, 2011). Back in 2009, Toyota passed GM as the world's largest automaker, and again in 2012. This showed a quick rebound from the earthquake, as well as dedication. With their history, they have also experienced some recalls on their vehicles, but even with those, they made a comeback to beat out their top competitor. Research shows that in 2012, they came back strongly, with high discounts and full production in a big to gain back their market share (Dawson, 2013).

Data and Findings

As mentioned, Toyota has a large presence in North America, and specifically in the US, with their headquarters in Torrance, California. In the United States, Toyota has created more than 365,000 jobs within the time of operating 57 years. Within the United States alone, they have 10 plants, and have purchased over \$32 billion worth in parts and materials. In 2011, their market share in the US was 12.9%. Toyota's biggest exporting region is North America, selling approximately 22,693,300 units from the time-span conducted (Toyota Global, 2013). On the contrary, just over 15 million units were sold in that time period in Japan. These statistics show that N. America sells more Toyota products than Japan, making Toyota a strategic leader. Toyota, not only serving, but as well as being known as a Japanese company, dominate sales in another country/region, the United States and North America as a whole, makes them a strategic leader.

Christopher Bartlett and Sumantra Ghosal brought this idea into their writing, *Managing Across Borders*, where they created four generic roles of national subsidiaries, a strategic leader being one of them, having strong location advantages and competences, such as Toyota. The company has successfully found where they are able to make the most success in a better strategy than their competitors. In the data, it showed that more than 35 million cars had been produced in Japan, and fewer than 15 million were produced in the N. American region in the 10-year time span from 2003-2012. With that, Toyota strategizes to keep a large presence in Japan, but export much to the U.S to where they know they will sell more, more specifically, 8,623,400 units exported from Japan to N. America from 2003-2012 (Toyota Global, 2013). We look more into depth at all the regions Toyota has a presence in, which include North America, Latin America, Europe, Africa, Asia, Oceania, and the Middle East. Though we can see that Toyota's global footprint is most significant in the North America, these other regions have been a large contribution to their success as well. As mentioned earlier, it was said that in 2011, emerging markets accounted for 45% of the company's global vehicle sales. Along with that, in 2012 alone, Japan exported more than 1,945,700 units in these seven regions (Toyota Global 2013).

In the book previously mentioned, Ghemawat went in depth about the Toyota Company, and how their phases for their *Past and Future Production Structure* (Ghemawat, 2007). In these phases, it shows how they stay at a global leader level, as well as succeeding in regionalization. In the first phase, it mentioned the overseas production percentage increases as years went by, which was previously mentioned. The second phase of the company was in 1980, when Toyota experienced its first foreign direct investment, mainly in the United States where sales of Japanese cars drastically increased. From there, Toyota's presence became larger in each region, which many started to lessen their dependence on Japan as a whole. With that, the next phase overlaps, promoting global cars such as, the Toyota Camry, Corolla, Yaris, and Hilux. This phase showed how Toyota shared fixed costs of development and engineering. Today, nine models have been built/regenerated in the United States, including the Camry, and Corolla. From there, in phase five, there were more consolidation and specialization by regions, with some plants or regions receiving near-global permission. Toyota moved out of the direct focus on smaller vehicles, into its global pickup truck project, which funneled common engines and manual transmissions from Asian plants to four assembly bases there, in Latin America, and in Africa on to almost all major markets, besides the United States. These phases throughout Toyota's history lead to the final sixth phase of the company creating their global network. This meaning that the network became organized around regions because of expected free-trade agreements within the America's, Europe, and East Asia. To conclude Ghemawat's structure, Toyota can be seen and thought of as networker that looks broadly at cross-border configuration and coordination (Ghemawat, 2007).

Conclusion

“We intend to continue moving forward with globalization, by further enhancing the localization and independence of our operations in each region”—Fujio Cho, Toyota, 2003 (Ghemawat, 2007). In response to this statement, we can infer that from then until 2012, they have continued to move forward with globalization, utilizing their full potential of success every year. In 2003 the total number of cars produced within the seven regions was close to 6,078,300, and 10 years later, the vehicle production number increased by more than 2 million units. Along with that, the total number of cars sold in 2003 grew near 2 million units as well, going from 6,070,400 in 2003 up to 8,717,300 in 2012 (Toyota Global, 2013). With more presence in each region, the company can put their focus towards that, rather than exporting from its home country of Japan. Though there was still about a one million unit difference in exported units from Japan in 2003, it shows that it is steadier, than any rapid growth or decrease. In final, we can conclude that with Japan’s expertise and startup of the Toyota Motor Corporation, they have been able to expand globally significantly with much expertise. With that, we can also conclude that although the company started in Japan, they have made their presence known to all the world, especially in the North American region, to where they both produced, and sold more in that particular region, compared to not only Japan, but all other regions. In the 10-year span from 2003-2012, we have seen such substantial changes, in the increasing numbers of production, sales, and exports.

Appendix

Production, Sales and Exports

Vehicle Production, Sales and Exports by Region

Production by region

(1=1,000 vehicles)

Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
North America	1,278.4	1,444.0	1,535.1	1,519.3	1,636.9	1,404.8	1,189.1	1,404.0	1,206.1	1,720.6
Latin America	58.1	80.4	138.5	177.9	183.1	194.8	181.5	204.3	195.1	242.8
Europe	466.1	582.5	638.1	808.8	806.5	688.3	507.3	461.7	460.3	461.4
Africa	93.3	108.8	121.1	143.8	145.7	179.2	102.8	123.4	150.8	151.7
Asia	548.4	717.0	1,029.2	1,137.7	1,387.3	1,590.0	1,501.4	2,027.4	2,062.8	2,565.7
Oceania	113.6	109.9	109.2	111.6	148.9	141.4	96.8	119.4	93.7	101.4
Overseas total	2,558.0	3,042.7	3,571.2	3,899.0	4,308.6	4,198.4	3,579.0	4,340.4	4,168.8	5,243.6
Japan	3,520.3	3,680.9	3,789.6	4,194.2	4,226.1	4,012.1	2,792.2	3,282.8	2,760.0	3,492.9
Worldwide total	6,078.3	6,723.7	7,360.9	8,093.2	8,534.7	8,210.5	6,371.3	7,623.3	6,928.8	8,736.5

■ Sales by region (1=1,000 vehicles)

Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
North America	2,031.3	2,230.3	2,436.1	2,738.3	2,822.2	2,441.8	1,975.4	1,935.5	1,806.9	2,274.6
Latin America	162.1	214.9	270.5	339.4	379.4	370.2	293.6	342.1	333.5	406.6
Europe	851.5	946.9	995.2	1,124.1	1,238.6	1,119.5	886.0	785.8	801.9	817.7
Africa	160.6	206.7	227.2	265.7	313.5	288.1	201.4	197.6	211.9	243.0
Asia	682.4	846.3	1,062.9	1,106.7	1,329.6	1,438.6	1,533.9	1,895.9	1,998.2	2,340.5
Oceania	215.1	232.8	236.9	250.3	275.9	277.7	231.2	249.6	215.9	258.8
Middle East	251.4	270.9	325.3	404.8	482.7	590.1	482.5	532.0	527.5	683.9
Oversess total	4,354.5	4,948.8	5,554.1	6,229.3	6,841.9	6,526.1	5,604.0	5,961.1	5,895.9	7,025.1
Japan	1,715.9	1,758.8	1,713.1	1,692.3	1,587.3	1,470.0	1,375.5	1,566.1	1,201.0	1,692.2
Worldwide total	6,070.4	6,707.6	7,267.3	7,921.6	8,429.3	7,996.1	6,979.6	7,527.3	7,096.9	8,717.3

Note: Regional classifications are those of the Japan Automobile Manufacturers Association, Inc. The number of vehicles produced includes the Toyota and Lexus brands. As a result of rounding, the numbers do not necessarily add up to the total shown here. Source: Toyota Motor Corporation

■ Exports from Japan by region (1=1,000 vehicles)

Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
North America	782.8	813.5	939.6	1,344.7	1,244.1	1,124.2	574.0	628.2	494.7	704.6
Latin America	71.5	95.6	120.2	148.9	178.9	146.4	61.3	106.9	95.6	116.4
Europe	424.6	419.0	360.7	375.1	441.5	420.3	230.4	293.7	343.0	311.9
Africa	58.2	92.0	107.2	130.0	147.0	148.7	67.5	72.4	54.7	64.9
Asia	154.7	156.2	129.8	112.3	151.2	169.1	127.1	184.0	183.0	205.4
Oceania	154.1	164.6	159.2	171.6	175.2	184.2	144.4	165.8	146.3	174.3
Middle East	182.6	202.1	226.5	246.7	328.3	393.4	240.0	288.6	247.7	363.6
Total	1,836.0	1,951.7	2,043.2	2,529.3	2,666.1	2,586.3	1,444.7	1,745.0	1,568.9	1,945.7

Note: Regional classifications are those of the Japan Automobile Manufacturers Association, Inc. The number of vehicles produced includes the Toyota and Lexus brands. Excludes KD sets. The total includes other regions. As a result of rounding, the numbers do not necessarily add up to the total shown here. Source: Toyota Motor Corporation

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