

Analysis of Toyota and its Competitors Based on PEST and SWOT

Zhaocheng Xu*

International School of Beijing, Beijing, China

*Corresponding author: Andy.xu@student.isb.bj.edu.cn

Abstract. This article will compare and contrast four of the world's most successful car manufacturers and sellers, including Toyota, Ford, and Honda. This article will examine 1) a PEST analysis of Toyota and 2) an industry analysis to determine the challenges and news in global automobile production. After these two evaluations, a 3) SWOT analysis of Toyota will be conducted after these two evaluations. Lastly, this study will present a 4) competitive analysis of four of the most successful automobile manufacturers and sellers in the world, including Toyota, Ford, and Honda, by assessing how their processes, procedures, and management practices reflect their competitive aims. In addition, it will investigate how these businesses are leveraging their operations to compete and present information, as well as analyze the procedures that these organizations employ. The final portion of the essay will include a brief conclusion that other researchers may use as a basis for their own investigations after reading it. This article is based on research conducted by other individuals and global statistics.

Keywords: Competition analysis; finance analysis; sales data; marketing strategy.

1. Introduction

1.1 Background

Howarth [1] estimates that the global automobile sector will be valued at \$75.74 billion in 2022 and \$191.83 billion by 2028. The market is extremely competitive, and the Japanese manufacturer Toyota Motor Corporation was created in 1937. A multinational corporation that designs, produces, accumulates, and sells automobiles including different products and services that are principally in Japan, North America, Europe, and Asia. There are already well-known brands on the market, including Toyota, Lexus, Daihatsu, and Hino. Toyota Motor Corporation is not just one of the most successful manufacturers in the world, but also the sixth-biggest enterprise worldwide.

1.2 Related research

1.2.1 PEST

According to Ho [2], although PEST analysis is often seen as a straightforward analytical exercise for analyzing the external environment in which a firm operates, doing one successfully in order for it to be of any help in actual business operations is more difficult. These aspects are present in the organization's larger environment as well. It provides a "big picture" view of the environment in which a firm operates.

Babekom, Kulczyk, Perevosova, et al. [3] argue that the used car finance market has expanded in size, which has an impact on the economy. This growth can be attributed to a number of reasons, including the growth of the used car industry and rising consumer demand. Distanont, Khongmalai [4] This is a necessary prerequisite for any kind of strategic planning. Because of the role of technology in generating competitive advantage, technology is generally recognized as an element of the organizational and industry components of the model in much of the written material on strategic management. Asymmetric access to information is one of the most significant challenges facing used car industry players. because there is a difference in the amount of information available to buyers and suppliers in the used car market. According to Howarth [1], the sociocultural environment includes needs and tastes, which change with fashion and disposable money. Widespread changes can present both opportunities and obstacles for individual businesses. Khan and Faisal [5] argue that

a car of a certain brand can even serve as a sign of a person's title, wealth, and status. The history of the American auto industry is quite long, and the car culture is quite extensive and complex.

1.2.2 Competitive factor

The environment in which Innocent competes is dynamic and complicated. Almost every firm considers external variables such as political, economic, legal, and others in order to maintain growth and obtain a competitive edge. Gareche, Hosseini, and Taheri [6] The competitive advantage can be described as "when a company maintains earnings above the industry average." The primary competitive advantages outlined by Porter are cost leadership and distinctiveness. Innocent focuses on fresh, nutritious smoothies for those who work long hours and have little free time. According to Nkomo [7], Innocent had implemented a low-cost strategy to provide value through buyer-satisfying operations and establish its place in the business. It may view the firm's own resources and competencies as its primary package of support. Durable competitive advantage as a resource-based view of the company may serve as a foundation for determining how internal resources have influenced competitive advantage. RBV hinges on two beliefs. First, resources should be diverse in relation to corporate strategy. Second, strategic assets may be stagnant between firms. Fujimoto [8] To maintain a competitive advantage, human capital resources such as skills and expertise may be the major driver in future business planning. According to Morgan, Liker [9], Innocent's RBV, human resources, and skills must be satisfied in order to develop competencies. To maintain a competitive edge, human resources must possess four characteristics: value creation, rarity, immobility, and irreconcilability. Gareche, Hosseini, and Taheri [6] Competitive factors are the qualities and capabilities that distinguish one firm from another in its industry. Mononen [10] says that before any kind of strategic planning can begin, these competitive factors must be identified and analyzed to figure out how important they are to the strategic goals of the company.

1.2.3 Financial analysis

A financial statement is a formal document detailing the financial and operating performance of a business for a specific time period. Paleip, Healy, Wright, et al [11] examine the process of evaluating operations, projects, budgets, and other finance-related activities to determine their performance and suitability. The term is financial analysis. It has to think about how to make a profit, how to repay loans, repay operating expenses, etc., which amounts to minimizing the company's weaknesses and exploiting its strengths. According to Nkomo [7], investors, creditors, and market analysts review financial statements to determine a company's potential earnings and financial position.

1.3 Objective

This paper will analyze 1) Toyota analysis based on the PEST analysis method and 2) industry analysis to find out the issues and news in global vehicle manufacturing. After these two analyses, it will then analyze 3) Toyota's SWOT analysis. Finally, this report will provide 4) competitor analysis among four of the most successful automotive manufacturers and sellers in the world, notably Toyota, Ford, and Honda.

2. Toyota analysis based on PEST analysis method

2.1 Political Factors that Impact Toyota Motor

2.1.1 Governance structure

Even with the advent of leaders who are capable of guiding policy decisions that deviate from historical norms, it does not believe that Japan's existing system of governance will undergo significant change. Toyota anticipates trends. To do this, it must continuously monitor government priorities throughout all business.

2.1.2 Allocation of government resources and timetables

The outlook for investment in the cyclical consumer goods sector may be improved by new Japanese government initiatives. Since most people agree with the proposed reforms, it seems likely that these policies will take longer to implement than the current Japanese government has planned.

2.1.3 Policy changes under the new administration

According to present patterns, it is likely that the Japanese government will make the switch in the next election. Toyota must plan for this potential outcome. It will cause a change in the way the cyclical consumer goods sector is governed.

2.1.4 Existing market stability is based on political stability

Given that Toyota operates in several countries, each country's legislation should be based on the industry-specific needs of automobile and truck manufacturers. I think that Japan will follow the recent rise of populism around the world, which will make the Japanese market less predictable.

2.1.5 The Importance of Japanese Local Governments

In Japan, unlike in most other nations, local governments have a significant role in policymaking and regulation. Instead of creating a national policy in Japan, Toyota should focus on the states and areas where it operates.

2.1.6 Tax regime

Over the past two decades, Toyota has profited from the Western Hemisphere's low tax rates. This has led to greater profitability and R&D expenditures. Increasing inequality in Japan might result in modifications to the tax system. Local governments are also thinking of ways to tax car and truck makers to reduce the amount of carbon dioxide that their industries produce.

2.2 Economic Variables Influencing Toyota

According to forecasts in a financial report, Toyota's annual sales in 2020 would fall 13.59 percent to \$241.196 billion, a decline of 13.59 percent from the prior year. The company's net profit decreased by 23.47% year-over-year to \$13.28 billion. As a result of the COVID-19 epidemic, Toyota's yearly sales and net profit margin fell. During the months of the epidemic, millions of individuals worldwide have lost their employment. It fosters an environment of economic instability and uncertainty, which diminishes individuals' purchasing power. Ultimately, a recession might impact the sales of manufacturers.

2.3 Social factor

More than 700,000 cars had to be recalled due to fuel pump failures in automobiles, including Toyota. Not only does it harm the firm financially, but it also undermines the brand's reputation. The corporation resolved the issue but left individuals with a negative impression. As you are aware, people all around the world have grown environmentally concerned and favor eco-friendly automobiles. Toyota should prioritize the manufacturing of electric and hybrid vehicles in large quantities. This allows the organization to capture the attention of the market for environmentally conscious customers. Safety features are a vital component of any automobile. When a component of a Toyota car loses safety control because of a faulty accelerator or pedal system, the lives of several customers are in danger. This resulted in significant criticism, and the company was obliged to spend billions of dollars to rectify the situation. However, this was insufficient for many consumers, who therefore lost faith in the company.

2.4 Technological aspect

Toyota invests billions of dollars annually in research and growth to manufacture small products. The company was the first to commercialize a hydrogen-powered automobile. The objective is to

satisfy market demand. Current and future renewable energy developments include hydrogen and electric automobiles. Toyota and other rivals are attempting to improve their abilities.

3. Industry Analysis

Industry Data [12] In 2020, travel restrictions and the COVID-19 pandemic stifled global economic activity, resulting in a 15.4% decline in global vehicle manufacturing. The reduction in the output of passenger cars was greater than that of commercial vehicles, falling 16.9% vs. 11.9%, respectively. This marked the third straight year in which global vehicle manufacturing declined (Fig.1).

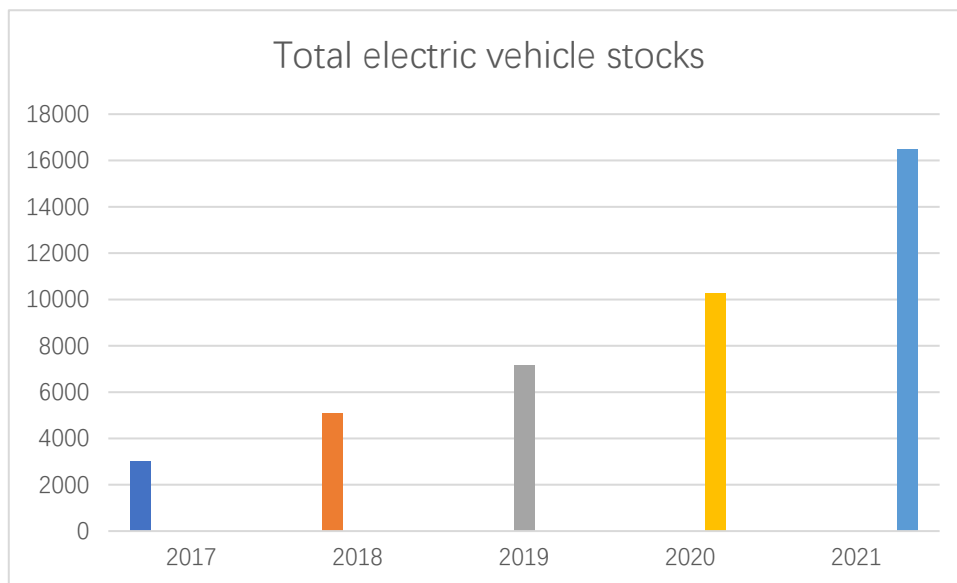


Fig 1. Global electric vehicle stock growth (Photo credit: Original)

Industry Data [12] In contrast, global sales of electric cars (EVs) soared by 39% in 2020 to reach 3.2 million units, while stocks of EVs rose to 11.3 million units. The most recent data from global automakers indicate a substantial reduction in output in all manufacturing areas, with the highest decreases in Latin America (24.8%), Western Europe (24%), and North America (24%). You can 20.3% In 2020, sales of passenger cars and commercial vehicles are anticipated to decrease by 15.9% and 8.8%, respectively. Since 2019, passenger automobile sales have decreased by more than 20% globally. Western Europe declined by 21%, Latin America by 29.3%, NAFTA by 28.9%, and Africa by 24.7%.

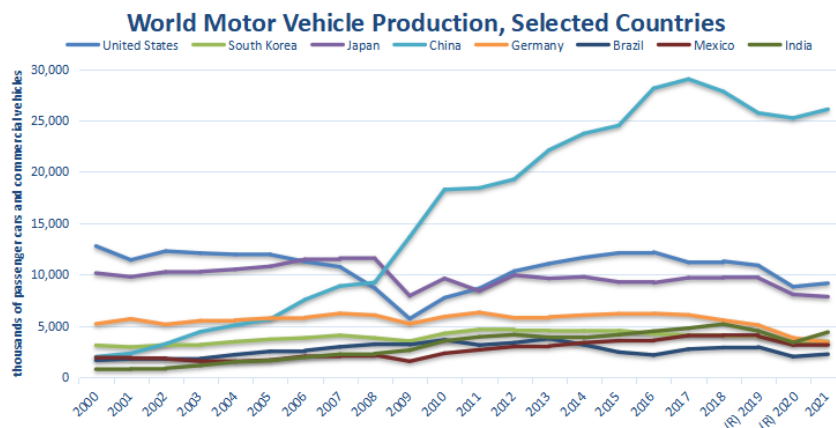


Fig 2. World Motor vehicle productions (Data from world bank and industry data. Photo credit: Original)

Industry Data [12] exports have also been impacted by coronavirus limitations imposed in 2020 to reduce the spread of the virus. The overall yearly car shipments from Eastern Europe, Latin America, and the Middle East are more than 97% lower than their 2019 levels. Exports from other regions fell by 40 to 50 percent. Against the backdrop of a contracting automobile market, exports and sales of electric vehicles in the worldwide market have surged dramatically in 2020. Global EV sales climbed by 39% and EV exports increased by 18% in 2020 compared to 2019. Also, Figure 2 states in 2020, Germany will surpass the United States as the second-largest market for electric vehicles, behind China. 75% of the vehicles sold in Norway are electric vehicles, followed by 32% in Sweden, 25% in the Netherlands, and 16% in Denmark.

4. SWOT analysis

4.1 Business competitor Positioning

The term "competitive positioning" is a marketing strategy that refers to the manner in which a company's marketing team separates the business from that of its rivals. The value of a company's goods and services, in relation to the value of comparable goods and services on the market, is the primary factor that determines the position of the company in the industry.

4.2 Toyota Strength

The essential features of Toyota's business that provide it with a competitive edge in the market are its strengths. Morgan, Liker [9] A brand's financial status, experienced staff, product originality, and intangible assets, such as brand value, are crucial components of its strength. The following are Toyota's strengths from the SWOT analysis. Morgan, Liker [9] Toyota is one of the oldest and most well-known automobile manufacturers in the world, and it has a high level of brand recognition. More than 300,000 individuals are employed by Toyota. Li, Lin, and Xu [13]. Sedans, SUVs, and hatchbacks illustrate the manufacturer's extremely diverse product lineup. Due to its world-class R&D and technical skills, Toyota is a pioneer in manufacturing. It has substantial brand recognition and market share in the global market. Toyota is well-known for its participation in international racing championships and sponsorship of worldwide awareness-raising initiatives. Toyota's advertising and marketing methods include television commercials, online advertising, billboards, print media, and social media engagement, among others. According to Khan and Faisal [5], the firm yearly manufactures more than 10 million vehicles. Toyota was a pioneer in the development of hybrid vehicles, including the Toyota Prius. The corporation's annual revenues exceed \$200 billion.

4.3 Toyota's Weaknesses

Certain areas of a brand's business that might be enhanced to further strengthen its position constitute its weaknesses. Certain deficiencies may be regarded as traits that a company lacks or in which its competitors excel. Detailed below are the weaknesses in Toyota's SWOT analysis, highlighting what the company's intense rivalry with other automakers suggests. Toyota's market share growth is constrained, and its brand turnover rate is significant, due to the availability of other options for customers.

4.4 Toyota Opportunities

Opportunities for a brand may include avenues for commercial expansion. There are several prospects for the Morgan, Liker [9] brand, including global expansion, product enhancement, and improved communication. The opportunities in Toyota's SWOT analysis are listed below. This broadens the vehicle industry and provides Toyota with the possibility to develop new models. The dedicated efforts of Nkomo [7] in the hybrid industry can assist Toyota in becoming the market leader. This will boost market penetration by expanding the worldwide distribution and service network. The corporation might profit from hybrid car sales worldwide.

4.5 Toyota Threats

Threats to any firm can have a detrimental effect on its operations. Some variables, such as increasing competitor activity, legislative changes, and replacement products or services, may represent a danger. The danger identified by Khan and Faisal [5] in Toyota's SWOT analysis is that market saturation results from severe rivalry. Li, Lin, and Xu [13] Toyota's market share are diminished by automobiles that provide novel features at reduced prices. Morgan, Liker [9] new entrants with superior features and lower pricing in the same market category. Automakers cater to affluent clients. Nkomo [7] As a worldwide brand, the recession, and economic turmoil have damaged its operations.

5. Competitor Analysis

The car industry has been highly competitive in recent years, with Honda, Ford, and other big competitors. The high degree of opposition has a harmful effect on the sales of the car brand. In terms of creativity, it also places pressure on the company to upsurge expenditure on research and expansion. To satisfy client criteria, the brand must increase its performance.

5.1 Net sales

Table 1. Total Net sales

company name	net sales (USD Billion dollars)
Toyota	255.817
Honda	6.18
Ford	136.341
total	398.338

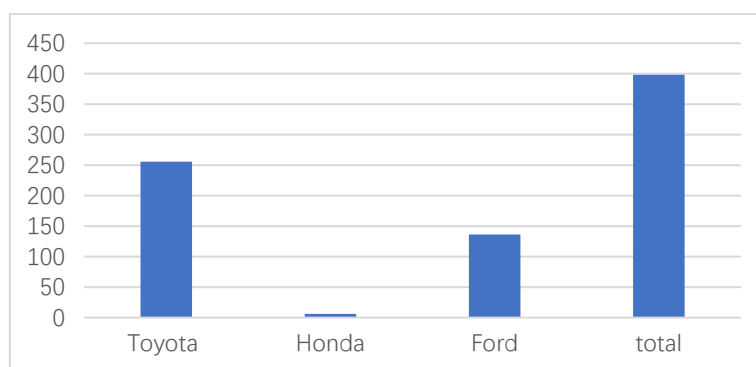


Fig 3. net sales (USD Billion dollars) (Photo credit: Original)

Net sales are determined by subtracting returns, allowances, and discounts from gross sales. Externally visible net sales calculations are not always transparent. Often, they can be included in the income report on the income statement. Toyota's net sales are the highest of any company. The chart above shows that Toyota has 255.817 Billion dollars of net sales, as shown in Table 1 and Fig.3.

5.2 EBITDA

Table 2. EBITDA

company name	EBITDA (USD Billion dollars)
Toyota	36.115
Honda	12.07
Ford	136.34
total	184.525

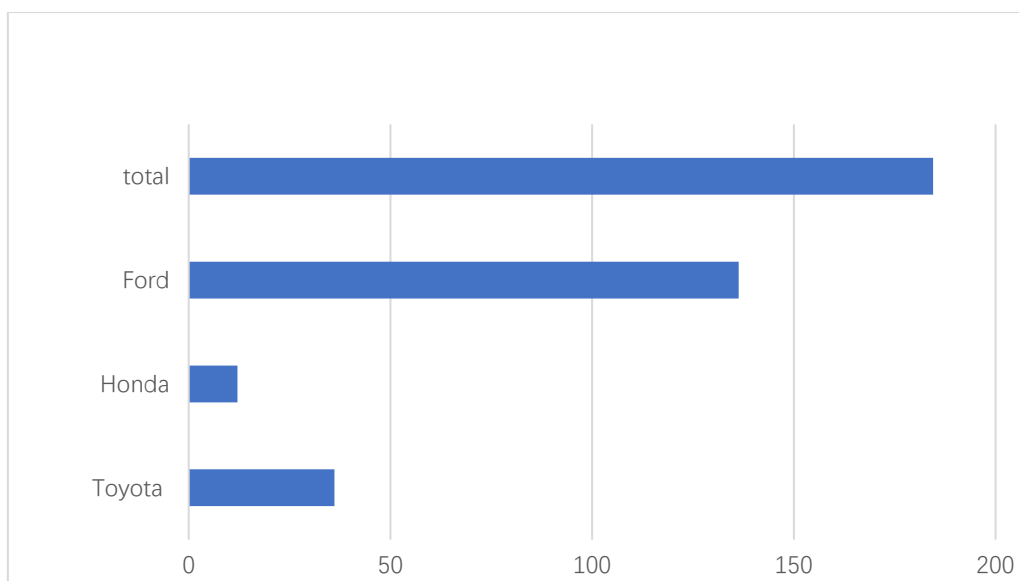


Fig 4. EBITDA (USD Billion dollars) (Photo credit: Original)

EBITDA emphasizes the basics, specifically operational profit, and cash flow. This makes it simple to evaluate the relative profitability of two or more firms in the same industry that are of various sizes. Otherwise, the data may be skewed by temporary issues or concealed by accounting tactics. The EBITDA margin of Ford is more than that of Toyota, which has the second-highest EBITDA margin. This indicates that its operational expenditures are modest in relation to its overall income, as shown in Table 2 and Fig. 4.

5.3 Market analysis and market share

HMC's operating profit was \$6.73 billion, a 32% increase from the previous year. The earnings per share of HMC increased by 40.9% year-on-year to 411.09 yen. HMC's profits per share, tangible book value, and total assets have increased at a CAGR of 5.9%, 5.8%, and 5.5%, respectively, during the previous three years. Analysts anticipate that HMC's earnings per share will increase 4.7% annually during the fiscal year ending March 31, 2023. In 2023, sales are expected to increase by 380.7 percent over the previous fiscal year. For individuals who purchased a Ford a decade ago, the returns are unimpressive. Ford's stock price has increased by only 25% over the last decade, despite its market share increasing by hundreds of percent. Toyota Motor has been a considerably better investment than Ford over the past decade, with pre-dividend returns of 140%. Toyota's 9% annualized return isn't awful, but it isn't wonderful either, since it still lags behind the general market. As seen in the above graph, Toyota's earnings for the first half of 2021 are around 6%, which is much lower than those of firms such as Ford, Volkswagen, and others. One is the increase in values this year, with Toyota not benefiting from the increase in U.S. auto pricing this year like Ford and General Motors. With so much variation in numerous geographic regions, Toyota's lack of dominance in a single market such as the United States might be viewed as either positive or negative. At \$164 per

share, Toyota is almost 25% closer to its goal price of \$205 per share. The 52-week high for Toyota, \$185, reached in early August, was more than 10% higher than the current share price.

5.4 Return on Invested Capital

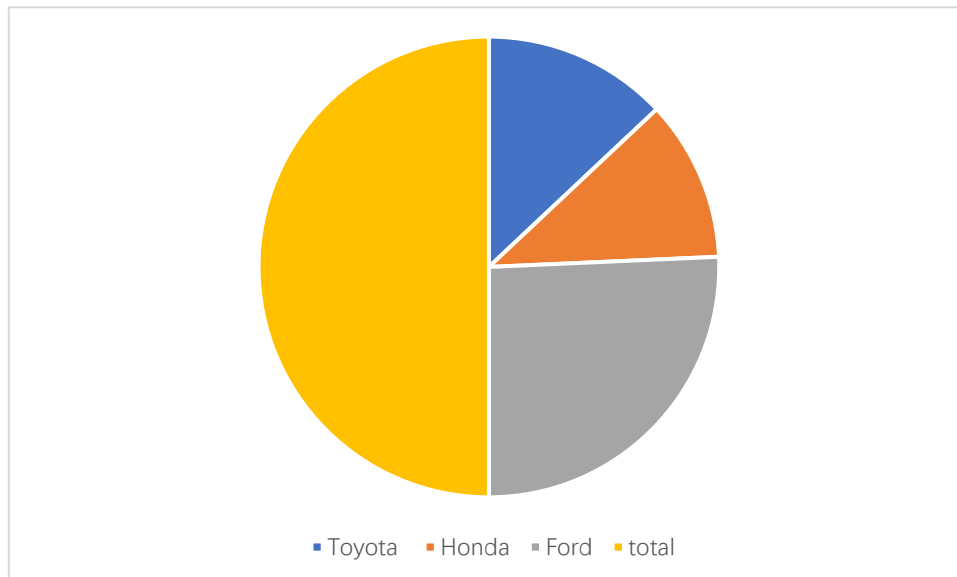


Fig 5. ROIC % (Photo credit: Original)

Return on Invested Capital (ROIC) is a rate of return or performance ratio that measures the percentage of return a firm makes on its invested capital. This ratio indicates how well a firm is utilizing investor funds to produce profits. The more Ford's return on investment, the greater will always be the inherent value. Regarding ROIC, Toyota ranks second. However, rising income is not necessarily accompanied by a gain in intrinsic value. As demonstrated in Fig. 5, growth only raises a company's value if its ROIC is greater than its weighted average cost of capital.

6. Suggestion

6.1 Develop a new strategy to increase profit

Ford and Honda have both expressed their disapproval of Toyota. Consequently, you must devise a plan that allows you to defeat the competition and maximize your income. Toyota must continue to collaborate to bolster its management foundation and grow its enterprise value.

6.2 Introduce business and cost structure

Staff [14] the firm should implement business and cost structure improvements in order to establish a stable management framework, enabling it to adapt more quickly to market shifts. According to Sakai [15], they should especially maintain a streamlined structure by reducing fixed expenditures. Additionally, expand its presence in established markets in industrialized nations. Thirdly, the corporation must increase its commercial expansion in nations with significant economic growth.

6.3 Product and service strategy

Moreover, it introduces items that match the features and requirements of each market. Weber [16] Toyota should also endeavor to develop mechanisms for optimal product price and delivery, as well as construct production facilities. In each country, we will additionally strengthen our value chain and offer a vast array of client services. Toyota must continue its previous levels of production, innovation, and devotion. Their manufacturing approach is globally renowned due to the superiority of their implemented tactics. Weber [16] Toyota succeeds by reducing expenses and maximizing resources. Toyota's aim is overly ambitious, and the company's employees believe in it. Toyota can

also boost the manufacture of more environmentally friendly vehicles. Next, we are inviting novel manufacturing system concepts. When the system is fully implemented, manufacturing and service will become more customer-focused. Next, we will expand the manufacturing capacity of our worldwide facilities in order to remain competitive in the global market. By improving hybrid battery technology, Toyota may enhance manufacturing. Strategies that are more acceptable on a global scale, such as increasing the proportion of foreigners in upper management. Consumer discontent will reduce if a business increases customer input on vehicle performance. Personnel [17] Toyota should build new facilities in Asian nations, which will cut manufacturing labor costs and raw material expenses. Companies must expand into emerging areas with rapid growth. Next, observe market circumstances in the region of interest. Sakai [15] and others develop goods that are tailored to the specific qualities and requirements of each market.

7. Conclusion

In this article, Toyota, Ford, and Honda, three of the world's most successful automakers and sellers, will be contrasted. This activity aims to examine the company's competitive strategy and concentration. In addition to examining how these organizations achieve their competitive objectives, the research will analyze how their processes, procedures, and management practices reflect these objectives. In addition, it will examine how these corporations utilize their operations to compete and communicate, as well as the strategies they deploy. Toyota and other Japanese manufacturers have battled despite a lack of natural resources, human capital, and customer demand because of strong government and supplier backing, severe domestic rivalry, and the quick rate of innovation in Japan. Toyota's success in a highly competitive industry may be attributed to its worldwide development process and innovative supply chain operations management strategy. Some commentators argue that Toyota's present difficulties may be the result of the company's expansion into international markets too rapidly. A concentrated effort in the hybrid business might assist Toyota in achieving market dominance. This will increase market penetration by expanding the distribution and service network internationally. The corporation might profit from hybrid car sales worldwide. Additional worldwide training centers for employees and management were constructed. It has a lasting competitive edge due to its distinctive company philosophy, outstanding manufacturing system, efficient supply chain, and human resource management. Toyota must also construct a framework for optimizing product pricing and delivery in addition to building production facilities. It will also improve our value chain and provide us with more options to assist consumers worldwide. Toyota's 9% annualized return isn't horrible, but it's also not exceptional, as the company continues to lag behind the market. As seen in the above graph, Toyota's profit for the first half of 2021 is around 6%, much less than Ford, Volkswagen, and other corporations. Early in August, Toyota's share price reached a new 52-week high of \$185, more than 10% higher than its current price.

References

- [1] Babenko V, Kulczyk Z, Perevosova I, et al. Factors of the development of international e-commerce under the conditions of globalization//SHS Web of Conferences. EDP Sciences, 2019, 65: 04016.
- [2] Distanont A, Khongmalai O. The role of innovation in creating a competitive advantage. *Kasetsart Journal of Social Sciences*, 2020, 41(1): 15-21.
- [3] Fujimoto T. *Evolution of Organizational Capabilities in Manufacturing: The Case of the Toyota Motor Corporation//Industrial Competitiveness and Design Evolution*. Springer, Tokyo, 2018: 191-221.
- [4] Gareche M, Hosseini S M, Taheri M. A comprehensive literature review in competitive advantages of businesses. *International Journal of Advanced Studies in Humanities and Social Science*, 2019, 6(4): 312-329.
- [5] Ho J K K. Formulation of a systemic PEST analysis for strategic analysis. *European academic research*, 2014, 2(5): 6478-6492.

- [6] HOWARTH J, 10 important auto industry trends (2022-2024) [EB/OL]. Exploding Topics, Exploding Topics, 2022-07-21. (2022-07-21) [2022-09-18]. <https://explodingtopics.com/blog/auto-industry-trends>.
- [7] Industry Data.Free infographics and data visualizations on Hot Topics. Knoema, [2022-09-19]. <https://knoema.com/infographics>.
- [8] Li Y, Lin J, Xu S. Analysis of Tesla's Business Model: A Comparison with Toyota//2021 International Conference on Financial Management and Economic Transition (FMET 2021). Atlantis Press, 2021: 30-39.
- [9] Khan N, Faisal S. Epidemiology of Corona virus in the world and its effects on the China economy. Available at SSRN 3548292, 2020.
- [10] Mahmoud S, Iraqi I, Ahmad S, et al. Working Capital Management Analysis of Volkswagen, Toyota, and General Motors.
- [11] Mononen V. Developing a competitor analysis concept for case company customers. 2021.
- [12] Morgan J M, Liker J K. The Toyota product development system: integrating people, process, and technology. Productivity press, 2020.
- [13] Nkomo T. Analysis of Toyota Motor Corporation. 2019.
- [14] Palepu K G, Healy P M, Wright S, et al. Business analysis and valuation: Using financial statements. Cengage AU, 2020.
- [15] Sakai H, Li P. Original Paper Productivity Improvement with Equipment Owner TPM Management at Toyota Manufacturing USA: Highly Reliable Production System for Expanding Global Production.
- [16] STAFF S N. TM: Toyota vs. Honda: Which stock is a better buy? StockNews.com, StockNews.com, 2022-06-01. (2022-06-01)[2022-09-19]. <https://stocknews.com/news/tm-hmc-toyota-vs-honda-which-stock-is-a-better-buy/>.
- [17] WEBER J. Ford vs. Toyota stock: Which is the better buy? SeekingAlpha, Seeking Alpha, 2021-08-25. (2021-08-25) [2022-09-19]. https://seekingalpha-com.translate.google.com/article/4451253-ford-vs-toyota-stock-better-buy?_x_tr_sl=en&_x_tr_tl=zh-CN&_x_tr_hl=zh-CN&_x_tr_pto=op%2Csc.