Japanese Automotive Industry

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Country Background

Japan is the world’s third largest economy, achieving incredible growth in the last half of the 20th century after the devastation of WWII.

Japan is a major aid donor and source of global capital and credit.

Their quick expansion after the war is due to their highly successful car and consumer electronics industries.
Cultural Environment

- Population: 126,702,133 (July 2016)
- Language: Japanese (6th most spoken language)
- Life expectancy: 81 years (men), 87 years (women)
- Religion: 84% Shinto & Buddhism, 16% other
  - Shinto goes back to ancient times when it was believed that the natural world possessed Kami, a Shinto deity or divine spirit.
  - Buddhism came from China in the 6th century and has been active since.
- In the 20th century, laws were passed reducing patriarchal authority and granting more legal rights for women.
- Marriage is now based on mutual attraction instead of the old “arranged marriage” ways.
People in Japan have two names, the surname and the given name.
  - The surname comes before the given name and is inherited from the father.

Very formal and ritualized greetings.
  - Extremely important to show proper amount of respect to someone based upon their status relative to your own.
  - Wait to be introduced, it is considered impolite to introduce yourself.

Traditional greeting is to bow, how far you bow depends upon your relationship to the other person, the deeper you bow, the more respect you show.
  - Foreigners are not expected to bow, but typically bow the head slightly.

Rely heavily on facial expression, tone of voice, and posture to tell how or what someone is feeling.

Considered disrespectful to look into someone’s eyes, specifically if they are older than you.
Hofstede Dimensions

Japan vs United States

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Japan</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>54</td>
<td>40</td>
</tr>
<tr>
<td>Individualism</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Masculinity</td>
<td>91</td>
<td>95</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>92</td>
<td>62</td>
</tr>
<tr>
<td>Long Term Orientation</td>
<td>88</td>
<td>26</td>
</tr>
<tr>
<td>Indulgence</td>
<td>42</td>
<td>68</td>
</tr>
</tbody>
</table>
Legal Environment

- Language of Justice is Japanese
  - Contract based language, English is also accepted
- There is to be equal treatment of Nationals and Foreigners
- The system of government is modeled on European systems with Anglo-American influences
- Court levels
  - The Supreme Court
  - High Court (8)
  - Intellectual Property High Court (2)
  - District Court (50)
  - Summary Court (438)
  - Family Court (77)
Economic Environment

● 3rd largest developed economy in the world
  ○ 3rd largest economy in the world by GDP
  ○ 4th largest by Purchasing Power Parity (PPP)

● Heavy reliance on export oriented economy of manufactured goods
  ○ Import raw materials to create those goods

● Largest massive public debt in the world
  ○ 1,285 trillion Yen
  ○ In excess of 214.3% of the nation’s GDP
Economic Environment

- Major industries: Automobile, consumer electronics, electronic equipment, chemicals, textiles, and processed foods
  - 2nd largest industry in produced vehicles
  - Largest industry in electronic manufacturing
- Despite the significance of Japanese manufacturing industries, services are the dominant component of the economy
  - Banking, insurance, retailing, transportation, and telecommunications
Monetary Environment

- Currency = Japanese Yen (JPY)
- Exchange rate: 1 USD = 113.04 JPY; 1 JPY = 0.0088 USD
- 3rd most traded currency in the world
  - Only trailing Euro and USD
Trade Environment

- Japan is a world leader in economic power
- There is not enough land in Japan for the growing of crops
  - This leads to food being one of Japan’s leading imports
- Japan is lacking in raw materials needed for industries and energy (oil, coal, iron, copper, aluminum and wood)
  - This leads to Japan exporting a high variety of manufactured goods
- Japan’s leading exports are electrical equipment and cars
Political Environment

- Parliamentary constitutional monarchy
- Emperor
- Prime Minister
- Three branches
  - Executive
  - Legislative
  - Judiciary
- 47 administrative divisions
- 13 political parties
Political Risk

- Poor public finances
- Possible membership of the Trans-Pacific Partnership
  - May expose the economy to greater competition
- Growing regional/territorial tensions
- Ageing population
- Role of nuclear power
- Overall, relatively low political risk
Size of Auto Industry

Cars Produced in 2016 by Country

- China: 7,873,886
- Japan: 5,000,000
- Germany: 7,873,886
- United States: 4,500,000
Growth of Auto Industry

Japan's Car Production 2006-2016

Year
Cars Produced
6,000,000 7,000,000 8,000,000 9,000,000 10,000,000

Growth of Auto Industry

Japan's Car Production 2006-2016

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Cars Produced
6,000,000 7,000,000 8,000,000 9,000,000 10,000,000
# Competitive Environment

## Best-Selling Vehicle Brands in Japan

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Sales 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Toyota</td>
<td>1,528,173</td>
</tr>
<tr>
<td>2 Honda</td>
<td>707,044</td>
</tr>
<tr>
<td>3 Suzuki</td>
<td>622,866</td>
</tr>
<tr>
<td>4 Daihatsu</td>
<td>586,974</td>
</tr>
<tr>
<td>5 Nissan</td>
<td>534,415</td>
</tr>
<tr>
<td>6 Mazda</td>
<td>201,404</td>
</tr>
</tbody>
</table>

## Best-Selling Vehicle Brands in the U.S.

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Sales 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 General Motors</td>
<td>3,558,000</td>
</tr>
<tr>
<td>2 Toyota</td>
<td>2,869,000</td>
</tr>
<tr>
<td>3 Ford</td>
<td>2,856,000</td>
</tr>
<tr>
<td>4 Fiat Chrysler</td>
<td>2,628,000</td>
</tr>
<tr>
<td>5 Honda</td>
<td>1,182,000</td>
</tr>
<tr>
<td>6 Nissan</td>
<td>1,671,600</td>
</tr>
</tbody>
</table>
Japanese Auto Environment

- Saturated market in Japan
  - Japanese auto makers are partnering to share resources and technology

- Average Japanese car has 20,000 individual parts
  - Industry evolved into an integrated supply chain of companies

- Keys for Success
  - Invest in innovation
  - Increase exports
Competitive Advantage

● ‘Lean Production System’
  ○ Created by Taichi Ohno of the Toyota Motor Company
    ■ Eliminate waste at every step of the manufacturing process
    ■ Empower employees
    ■ Build relationships between manufacturers & suppliers

● High Quality Low Cost
  ○ Put pressure on the “Big Three”
    ■ General Motors, Ford Motor Company, & Chrysler in the United States
- Spike in March
- 2016 Toyota Camry SE
  - 11% off MSRP
  - $500 cash plus 0% financing for up to 60 months
- Japanese automakers spend an average of $1,592 on incentives per vehicle in March
Trends in Industry

- Young adults have no interest in owning a vehicle
- Efficient public transportation system
  - Subways, buses, and taxis
  - Many locals rely entirely on public transportation
- Japanese auto companies must increase exports to continue growing
Should a U.S. company try to create a new automotive company in Japan?

Not recommended
- Japanese auto market is saturated
- Good public transportation system
- No room for company growth without expanding to other countries
- Population of Japan declining
Questions?
Sources


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