Importance of Innovation in Toyota

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**Executive Summary**

Companies are increasingly focusing on innovation in the present time, it leads to competitive advantage, and it creates profits. The innovation in Toyota is the source of competitive advantage and for the purpose of study, the FCV vehicle has been evaluated in this paper. The FCV is a concept car that runs with the chemical reaction of Hydrogen, and it results in clean driving that does not harm the environment; this car is also fuel-efficient and provides alternate fuel solution over the conventional fuels such as petrol and gasoline. Toyota has derived its commercial success from continual innovation and improvement and making the products that are beneficial to the society. Toyota utilizes almost 3.8% of the sales on Research and development purpose to drive innovation. For measuring the customers’ response on innovation, Toyota regularly evaluates customer perspective for its innovative products, whereas the financial perspective is also considered for its operational activities.

**Introduction**

Innovation is now a days extremely focused by the companies because it gives competitive advantage to firms over others by creating value and profit, developing sustainable competitiveness, lively and vibrant work places, increasing market share and attracting productive & creative staff to get in. Innovation is not only talks about to convert scientific ideas to a product or services but involves a vast combination of ideas either technological, organizational, financial or business activities which leads towards commercial introduction of a new product or service or to improve existing. Innovation is consciously defined as extraction of ideas to be implemented on a product or service to attain economic benefit .

The company that has been selected for this paper is Toyota, and upcoming models of Toyota are under consideration in this paper. Toyota has chosen innovation to become more and more progressive in automotive industry. This is the reason why Toyota came up with certain sort of innovation in every new model launching, trending changes in the global world. It was also the part of innovation in customer services when a year ago Toyota started customer services awareness program within staff to well aware them what customer will face if any small defect pass out to customer. As per survey conducted by Boston consulting group, Toyota is at number 5 around the globe practicing innovation, they are spending 3.8% of the sales on innovation, which is estimated to $7765 millions .

**Vision**

"To be the most successful and respected car company in America."

**Mission**

"To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America." Toyota seeks to create a more prosperous society through automotive manufacturing (Hiroshu, 2003). Therefore, the Company is aimed at achieving a stable and long-term growth in future, and this is supposed to be in synchronization with a number of factors: the significant environment, global economy, local communities served, and the Internal Environment of stakeholders.

**Business Model and Strategic Plan Part I: Business Model and Strategic Plan**

**Business Model**

The improvement in business model and connected strategic plan will give an edge to Toyota in the race of innovation to satisfy the needs of customers.

**Existing Business or New Business Division?**

***Improvement in Fuel Cell Vehicle concept cars:***

The vision of Toyota for FCV concept vehicles is to make environment friendlier and giving joy to customers through efficient & economic fuel solution.

The FCV (Fuel cell Vehicle) gets electricity from fuel cell through chemical reaction between hydrogen and oxygen, this solution is believed as the best alternative for gasoline fuel. Initially the FCV concept was first presented by Toyota in 2002, then in 2008 implemented for production and sale to limited users because Toyota thinks that it has development needs for commercialization. Now it would be the best option for Toyota to make such R & D work to make it available for customers.

**Value Proposition:**The FCV is different from vehicles presented by other automotive manufactures. ***Hi-Tech Sporty Looks:*** The shape is sporty and containing Hi-tech features, small in size, lightweight, efficient placement of tanks. ***Energy Diversification:*** The diversified source of fuel for exploration or extraction. ***Environment Friendly:*** The FCV does not emits CO2 during operation like conventional cars do.

***Driving Pleasure:*** Gives noise less, smoother drive, and proactive powerful acceleration at all driving modes either standing, low or high speed

***Performance:*** Very low refueling time (3 minutes); Engine is capable to start at temperature as low as -30 degrees;Travel potential of around 700 km.

***Alternative source of power for households:***

It gives an alternative solution for emergency power to household 4 to 5 times greater than electric vehicles do which is enough for a week.

***Comparison with Electric Vehicle (EV):***The costs of travelling is not increased by increasing travel range**.** The performance lasts longer then EV on long travel

**Business Model and Strategic Plan Part II: SWOT Analysis and Internal and External Environmental Analysis**

**SWOT Analysis**

***Strengths:***

* Innovative organizational culture: Toyota is also famous among automobiles because of its innovative culture that fosters commitment of continuous improvement with employees and its stakeholders.
* High brand reputation: The brand reputation of Toyota is estimated to be valued at $30 billion because of their environment friendly, quality conscious mindset, and serving customers in 170 countries.
* Leading production & sales: Toyota is the one who implemented lean manufacturing system and total quality management system by which they lowers down production cost thus breaks record of production and sales.
* Effective Portfolio: Toyota not only focuses on their own choices in presenting product options to the customer but they listen from every type of customer in order to launch an effective business portfolio.
* Pioneer in “green” vehicles development: They are keen to understand the environmental demand from an automaker for zero emission vehicles; FCV is the finest outcome of the efforts made by research and development teams at Toyota.

***Weaknesses:***

* Vehicle Recalls:In year 2009-10 Toyota recalled 9 million vehicles from the market and around 7 million in 2012, this recall is not only a burden financially but deteriorated their brand image too in the mind of customers.
* Not stronger grip on emerging economies: Toyota is successful in gaining market share in economies like China and India where huge potential is available but demand is not much effective.

***Opportunities:***

* Environment friendly (green) vehicles: Now a days consumers mindset is mostly focused towards having an efficient car which is environment friendly too.
* Increasing fuel prices: Increasing fuel prices implied customers to go for alternate fuel cars like FCV & EV.
* Change in customer behavior: Satisfaction of customers is primarily important for automakers to gain their confidence thus Toyota also has to launch new products and services upon assessment of different customer groups.
* Acquisition: Toyota welcomes other companies to sell out their production facilities and let them capable in capturing new markets.

***Threats:***

* Decreasing fuel prices: Upon dense acceptance of FCV & EV vehicles, the prices of gasoline will be expected to drops.
* Emission requirements: New strict emissions standards will burden Toyota to incur more research and development of engines to become cleaner in its performance.
* Increasing price of raw materials: Increase in the price of raw material put pressure on Toyota’s price to grow because raw materials are the basic element in making components.
* Numerous producers: Globalization has created dramatic competition in the markets where manufactures can easily access to customers anytime and anywhere in the world.
* Coping natural disasters: Most the Toyota’s manufacturing facilities are situated in Japan, Thailand, China, and Indonesia where natural disaster probabilities are very high.
* Appreciation in currency: Foreign countries create greater revenues for Toyota and earn profits send back to Japan and that helps yen to appreciate.

**Supply and Value Chain:**

For the availability of hydrogen fuels, currently 56 public fuel stations have been established in the U.S and when the FCVs will become commercialized, appropriate number of filling stations will be intended.

California has 10 public stations and hopes to increase 50 more by 2016 and by 2024 100 more stations.

**Business Model and Strategic Plan Part III: Assumptions, Risk and Change Management Plan**

**Assumptions Risk and Change Management Plan:**

* Markets: Initially FCVs are targeted to US markets only.
* Technological Forces: Emergence on any other innovative idea that works more economical the hydrogen fuel.
* Market Rivalry: Before the entrance of a strong competitor, the market must be kept controlled.
* Financial Management: Sufficient funds for this project would be available.
* The Workforce: Training required for technicians and other staff on FCVs.
* Stakeholders: Aware stakeholders about the strategic competitiveness of the firm and goals.
* Customer: Chose appropriate forum to interact with customers on FCVs product offerings.

**Summary of Strategic Objectives:**

* Time Frame of Project: The timelines of every part of the project must be met in order to avoid leaving space for competitors to enter to market before Toyota’s project launched.
* Funds Management: As the first runner, huge funds are required on R & D and infrastructure development for hydrogen vehicles thus provision for any uncertain change and necessary funds must by available.
* Customers and Stakeholders awearness programs: Interaction with customers and stakeholder to make them realize that this option would be more efficient as compared to convenient solutions; in this regards different sort of promotion events are required to be planned like; TV advertisement, seminars, social media awareness pages/blogs, anther marketing tool.
* Development of workforce: Efficient and skilled workforce will definitely make a difference in providing customers to after sale service solutions, and on project, building high quality standard vehicles.

**Balance Score Card:**

* Customer’s perspective: More actively focusing on customer and allowing them a platform on web to share their experiences of having Toyota cars and their expectations.
* Internal Business: For efficient execution of strategic plan, MBO (management by objective) technique would be used to communicate and assign goals to the different levels of hierarchies. The monitoring will take place monthly and upon requirement.
* Innovation and Learning: Promotion of quality control circles, creative suggestion system and other activities.
* Financial Perspective: This is a very important part to be assessed, inventories must be controlled at all levels, finding the best possible option of vendors and contractors, promoting cost reduction initiatives and utilizing internal workforce for the project.

**The Communication Plan:**

* Inspiring Customer: Try to inspire customers on this innovation of FCVs and this would be executed through advertising and promotion activities.
* Listening to Customers and Stakeholders: Allow them to speak freely so that FAQs answered promptly, grievances solved actively and share the feeling of proud having Toyota FCV.
* Involving Public/Students/Experts for promotion of FCVs: Ask public speakers, students, and experts to share their valuable believe that how could and FCV fulfils the criteria of best innovative choice for customers.

**Conclusion**

The mission of the company is to make high value products and the business model of Toyota derives the sustainable competitive advantage from its core competencies and innovation. The innovation is necessary element for competitive advantage and therefore innovation is more an economic idea. The FCV is a concept car that provides various benefits because of the innovation, it provides alternative fuel solution, and it provides fuel efficiency and results in low environmental pollution. The innovation at Toyota results in the benefit of people, benefit to the environment i.e. clean and green cars, and the commercial success to the company. The innovation is embedded in the company culture and there is an increasing concern of Toyota to better manage its business strategy, and the prospective FCV car is one of the aspects of this. The company keeps making quality product and make it a rule not compromise on this, and not to give in to the competitors’ pressure and rise their prices then clients will remain loyal to the company (Armstrong & Kotler, 2002). Then, everyone has a chance to know the real values behind Toyota’s past, current, and hopefully future existence (Armstrong & Kotler, 2003).

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