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THE EVOLUTION OF THE WORLD'S LARGEST AUTOMAKERS IN THE PERIOD 2013-2014

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Abstract

The automotive industry has always represented an economic engine for many countries. It is dealing with the design, development, manufacture, marketing, and sale of the motor vehicles. Nowadays, this industry is full of intense competition between big auto groups fighting for higher profits and larger market shares. The key players in the automotive market are operating at a global scale in a highly competitive environment. In the last years, Toyota Motor and Volkswagen Group have proved to be the main competitors. The aim of our paper is to analyze the evolution of the world's largest automakers in the period 2013-2014. The research type is literature review.

INTRODUCTION

Since the beginning of the financial and economic crisis in 2008, the global automotive industry has undergone profound changes. Nowadays, this industry is full of intense competition between big auto groups fighting for higher profits and larger market shares.

The main players in the automotive market are operating at a global scale in a highly competitive environment. Markets with high potential such as the Chinese market are very attractive for today's big automakers.

The aim of our paper is to analyze the evolution of the world's largest automakers in the period 2013-2014. The research type is literature review.

The remainder of our paper is structured as follows. The next section renders in brief an overview about the global automotive market. It is followed by a presentation of the evolution of the key automakers at a global level in the last years. The paper ends with conclusions.

THE GLOBAL AUTOMOTIVE MARKET: AN OVERVIEW

The automotive industry has always represented an economic engine for many countries. It is dealing with the design, development, manufacture, marketing, and sale of the motor vehicles.

Today's automotive industry is one of the most global industries of the world economy as its products have spread all over the world [Humphrey & Memedovic, 2003]. However, it faces a period of uncertainty and risk. A recent survey carried on by McKinsey revealed that most executives believe that economic conditions have declined over the last six months and will worsen in the coming months [McKinsey Global Institute, 2015]. They have indicated the following threats to growth in the world economy:

- Geopolitical instability.
- Increased economic volatility.
- One or more sovereign-debts defaults.
- Low consumer demand.
- Increased volatility of exchange rates.
- New asset bubbles.
- Domestic political conflicts.
- Transitions of political leadership.
- Insufficient government-policy support.
- Lack of access to credit.
- Inflation.
- High commodity prices.

In spite of these challenges, the global automotive market has returned to a medium-term growth rate of 4% per year and production will probably exceed 100 million vehicles by 2017 [Economic Research Euler Hermes Group, 2014]. Four key markets dominate the global car sales: China, the United States, Europe, and Japan. As the largest automotive market since 2009, the Chinese market

is soaring (+ 10% in 2014) and accounts for 27% of global sales. The US market has returned to its pre-crisis sales level and owns 23% of global sales. Despite its recovery, the European automotive market is still a long way from its pre-crisis level. The Japanese market is shrinking, being divided by three largest manufacturers, namely Toyota, Honda, and Nissan.

The global automotive market will continue to be a very dynamic market in the future. The key trends to 2025 are the following:

- Market growth in emerging markets.
- Downsizing and optimization of the internal combustion engine.
- Increasing use of platforms and standardization of modules.
- Rationalization of production in Europe and shifting of the production to emerging markets.
- Fuel cell electric mobility.
- Original Equipment Manufacturer (OEM) captive financing and leasing.
- Innovative urban vehicle design concepts.
- Mobility-as-a-service.
- Battery electric mobility.
- Connected car technologies.
- Self driving cars/autonomous cars [KPMG, 2015].

On the other hand, the global automotive market constitutes a complicated market that provides a multitude of options for different people. Nowadays, consumers are looking more and more for a higher integration of advanced information and communication technology into cars together with superior safety and reliability. The consumer purchase decisions until 2020 are influenced by factors such as:

- Fuel efficiency.
- Enhanced vehicle lifespan.
- Safety innovation.
- Ergonomics & comfort.
- Environmental friendliness.
- Vehicle styling/exterior.
- Plug-in solutions for navigation, speech recognition & mobile Internet devices.
- Vehicle-bound Internet connectivity & built-in technologies.
- Telematics/personal assistance services.
- Use of alternative fuel technologies [KPMG, 2015].

There are several automotive corporations that are acting in the global automotive market. Their evolution in the period 2013-2014 is analyzed in the next chapter of our article.

HOW THE WORLD'S LARGEST AUTOMAKERS EVOLVE IN THE PERIOD 2013-2014

Today's global automotive market is a highly competitive market. In the last years, the most important auto players worldwide have been the following:

- Toyota Motor (Japan).
- Volkswagen Group (Germany).
- Daimler (Germany).
- General Motors (USA).
- Ford Motor (USA).
- Fiat (Italy).
- Honda Motor (Japan).
- BMW Group (Germany).
- Nissan Motor (Japan).
- Hyundai Motor (South Korea).

Toyota Motor and Volkswagen Group are the main competitors. Toyota Motor became the largest automobile manufacturer in the world for the first time in 2008. The Japanese company is the creation of Toyoda family. Sakichi Toyoda, the founder of Toyoda Automatic Loom Works, taught his son, Kiichiro, the founder of Toyota Motor Company, to make an effort to complete something that will benefit society. Toyota Motor began its activity in 1933, as a division of Toyoda Automatic Loom (later Toyota Industries Corporation). In 1936, Toyota Motor launched its first production car, the Model AA Sedan. The success story of the Japanese automaker is based on its Toyota Production System (TPS). The two pillars of TPS are just-in-time (JIT) and autonomation. JIT means to produce "the necessary units in the necessary quantities at the necessary time" while "autonomation may be loosely interpreted as autonomous defects control" [Monden, 1983]. In order to implement its TPS, Toyota has established "the following systems and methods:

1. Kanban system to maintain JIT production.
2. Production smoothing method to adapt to demand changes.
3. Shortening of the setup time for reducing the production lead time.
4. Standardization of operations to attain line balancing.
5. Machine layout and the multi-function worker for the flexible workforce concept.
6. Improvement activities by small groups and the suggestion system to reduce the workforce and increase the worker's morale.
7. Visual control system to achieve the autonomation concept.
8. "Functional Managements" system to promote company-wide quality control, etc." [Monden, 1983].

The TPS gave birth to the well-known Toyota Way, which comprises several key principles such as the standardization of tasks for continuous improvement. The Toyota Way promotes its so-called "4P" model, based on the following four components [Liker, 2007]:

- ❖ Philosophy (Long-Term Thinking).

- ❖ Process (Eliminate Waste).
- ❖ People and Partners (Respect, Challenge, and Grow Them).
- ❖ Problem Solving (Continuous Improvement and Learning).

The other major competitor, Volkswagen, was founded by the German government in 1937 in order to produce in large quantities a low-priced "people's car." Today, Volkswagen Group owns several automotive companies, including Audi and Porsche in Germany, SEAT (Sociedad Española de Automóviles de Turismo) in Spain, Škoda in the Czech Republic, or Bentley in the United Kingdom.

2013 was the first year when new vehicle sales around the world topped 84 million. After losing the first place in 2011, Toyota Motor took "the number one spot for the second year in a row in 2013, with sales of 9.98 million new cars and trucks, a gain of almost 3% over 2012" [LeBlanc, 2014]. In 2012, Toyota was the largest auto manufacturer in the world with 10.1 million vehicles produced [McIntyre, Frohlich & Hess, 2013]. The Toyota Corolla was the Japanese automaker's best-selling model worldwide in 2013. The American colossus General Motors (GM) ranked second behind Toyota Motor with sales of 9.71 million new cars and trucks in 2013. Its best-selling brand was Chevrolet, with sales around 5 million units. Volkswagen (VW) Group was the third with 9.7 million new cars and trucks sold in 2013. The VW brand's Jetta/Bora/Vento compact was the German automaker's best-selling model. The French-Japanese alliance between Renault and Nissan held the fourth place with more than 8.2 million new cars and trucks sold globally in 2013. Hyundai-Kia was in the fifth place with sold more than 7.5 million new cars and trucks sold in 2013. Its top-selling model was the compact Elantra/Avanti. The other American giant, Ford Motor Company, held the sixth place with more than 6.3 million new cars and trucks sold in 2013. Its compact Focus was the world's most popular nameplate in 2013. The merger of Fiat (Italy) and Chrysler (USA) was the seventh-largest automakers with sales of more than 4.3 million new cars and trucks. Honda Motor, the last of Japan's "Big Three" (that includes Nissan and Toyota), held the eighth place with more than 4 million new cars and trucks sold.

In 2014, Toyota Motor sold 10.23 million vehicles (including Daihatsu and Hino), which was up 3.0% on its effort in 2013 [Davis, 2015]. Volkswagen Group came in a very close second place for the year, with 10.14 million sales, which was up 4.2% on the previous year's effort. General Motors held the third place with 9.92 million sales, which represented an increase of 2.0% than in 2013.

In 2012, Volkswagen Group dominated the top of the eight largest automakers of the world with total

sales of \$254 billion [Forbes, 2013], followed by Toyota Motor with \$224.5 billion and General Motors with \$152.3 billion (Table 1). The most profitable automaker was the same Volkswagen Group with \$28.6 billion, followed by Daimler with \$8 billion and Hyundai Motor with \$7.6 billion (Table 2). In 2012, Volkswagen Group held the biggest assets of \$408.2 billion, followed by Toyota Motor with \$371.3 billion and Daimler with \$211.9 billion (Table 3). As to their market value, Toyota Motor held the first place with \$167.2 billion, followed by Volkswagen Group with \$94.4 billion and Honda Motor with \$72.4 billion (Table 4).

In 2013, Volkswagen Group dominated the top of the eight largest automakers of the world with total sales of \$261.5 billion [Forbes, 2014], followed by Toyota Motor with \$255.6 billion and Daimler with \$156.6 billion (Table 5). The most profitable automaker was Toyota Motor with \$18.8 billion, followed by Volkswagen Group with \$12 billion and Daimler with \$9.1 billion (Table 6). Volkswagen Group held the biggest assets of \$446.9 billion in 2013, followed by Toyota Motor with \$385.5 billion and Daimler with \$232.2 billion (Table 7). As to their market value, Toyota Motor held the first place with \$193.5 billion, followed by Volkswagen Group with \$119 billion and Daimler with \$102.9 billion (Table 8).

CONCLUSIONS

In the period 2012-2014, Toyota Motor was the largest auto manufacturer in the world. Volkswagen Group and General Motors were its main competitors. However, Volkswagen Group held the first position after sales in the period 2012-2103, being followed by Toyota Motor. The German group was the most profitable in 2012, but lost its place in 2013, being replaced by Toyota Motor.

In the period 2012-2013 about 90% of the eight largest automakers of the world after their revenues and profits remained the same.

Our paper contributes to a better understanding of the global automotive market. It has shown that this market is a very dynamic and hypercompetitive market. Also, our paper has analyzed the evolution of the key automakers that are operating all over the world.

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Tables

Table No. 1. The top eight world's largest automotive corporations after their sales in June, 2013.

No.	Corporation	Sales (\$ billion)
1.	Volkswagen Group (Germany)	254
2.	Toyota Motor (Japan)	224.5
3.	General Motors (USA)	152.3
4.	Daimler (Germany)	150.8
5.	Ford Motor (USA)	134.3
6.	Nissan Motor (Japan)	113.7
7.	BMW Group (Germany)	98.8
8.	Honda Motor (Japan)	96

Source: Forbes, 2013

Table No. 2. The top eight world's largest automotive corporations after their profits in June, 2013.

No.	Corporation	Profits (\$ billion)
1.	Volkswagen Group (Germany)	28.6
2.	Daimler (Germany)	8
3.	Hyundai Motor (South Korea)	7.6
4.	BMW Group (Germany)	6.6
5.	General Motors (USA)	6.2
6.	Ford Motor (USA)	5.7
7.	Nissan Motor (Japan)	4.1
8.	Toyota Motor (Japan)	3.4

Source: Forbes, 2013

Table No. 3. The top eight world's largest automotive corporations after their assets in June, 2013.

No.	Corporation	Assets (\$ billion)
1.	Volkswagen Group (Germany)	408.2
2.	Toyota Motor (Japan)	371.3
3.	Daimler (Germany)	211.9
4.	Ford Motor (USA)	190.6
5.	BMW Group (Germany)	165.5
6.	General Motors (USA)	149.4
7.	Honda Motor (Japan)	140.9
8.	Nissan Motor (Japan)	133.4

Source: Forbes, 2013

Table No. 4. The top eight world's largest automotive corporations after their market value in June, 2013.

No.	Corporation	Market value (\$ billion)
1.	Toyota Motor (Japan)	167.2
2.	Volkswagen Group (Germany)	94.4
3.	Honda Motor (Japan)	72.4
4.	Daimler (Germany)	64.1
5.	BMW Group (Germany)	60
6.	Ford Motor (USA)	51.8
7.	Nissan Motor (Japan)	43.4
8.	Hyundai Motor (South Korea)	41.5

Source: Forbes, 2013

Table No.5. The top eight world's largest automotive corporations after their sales in May, 2014.

No.	Corporation	Sales (\$ billion)
1.	Volkswagen Group (Germany)	261.5
2.	Toyota Motor (Japan)	255.6
3.	Daimler (Germany)	156.6
4.	General Motors (USA)	155.4
5.	Ford Motor (USA)	146.9
6.	Honda Motor (Japan)	117.7
7.	BMW Group (Germany)	101
8.	Hyundai Motor (South Korea)	79.8

Source: Forbes, 2014

Table No. 6. The top eight world's largest automotive corporations after their profits in May, 2014.

No.	Corporation	Profits (\$ billion)
1.	Toyota Motor (Japan)	18.8
2.	Volkswagen Group (Germany)	12
3.	Daimler (Germany)	9.1
4.	Hyundai Motor (South Korea)	7.8
5.	Ford Motor (USA)	7.2
6.	BMW Group (Germany)	7.1
7.	General Motors (USA)	5.3
8.	Honda Motor (Japan)	4.9

Source: Forbes, 2014

Table No. 7. The top eight world's largest automotive corporations after their assets in May, 2014.

No.	Corporation	Assets (\$ billion)
1.	Volkswagen Group (Germany)	446.9
2.	Toyota Motor (Japan)	385.5
3.	Daimler (Germany)	232.2
4.	Ford Motor (USA)	202
5.	BMW Group (Germany)	190.7
6.	General Motors (USA)	166.3
7.	Honda Motor (Japan)	147.9
8.	Hyundai Motor (South Korea)	126.4

Source: Forbes, 2014

Table No. 8. The top eight world's largest automotive corporations after their market value in May, 2014.

No.	Corporation	Market value (\$ billion)
1.	Toyota Motor (Japan)	193.5
2.	Volkswagen Group (Germany)	119
3.	Daimler (Germany)	102.9
4.	BMW Group (Germany)	83.4
5.	Ford Motor (USA)	64.5
6.	Honda Motor (Japan)	63
7.	General Motors (USA)	54.6
8.	Hyundai Motor (South Korea)	49.7

Source: Forbes, 2014