

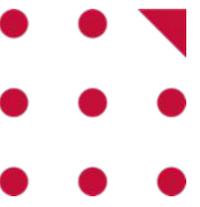
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Toyota's growth
story post the
1970-71 recession



Toyota debuts the US automobile segment in the 1950's

one of the most lucrative sectors in the country



1950s saw a boom in the automotive industry

A total of approx. 58 million cars were produced and sold and it was estimated that US has almost one new vehicle for every three living persons of all ages.

Toyota entered the market to capitalise on the boom but saw limited success

It launched its Toyopet but the model performed poorly. At the same time, another model Land Cruiser had some limited success, that too in only 4 US markets.



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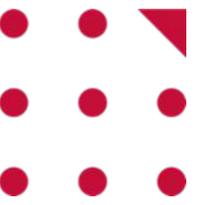
Slowly gained market share but continued a strong fight against competition

By the 1960s, Toyota had launched several other models and started to gain a portion (0.2%) of the market. Although it had started to stabilise in the US market, it felt a lot of heat from its rivals. Firms like GM, Ford, and Chrysler were major players and Toyota had a negligible presence in US

By 1969, Toyota was gaining steam but still remained a small player in the industry

But the 1970-71 recession brought in challenges...

Change in consumer needs and financial constraints changed the industry landscape



“Small car” – The emerging segment

- Consumers begun to prefer a small and fuel-efficient car and as a result, this segment saw a rise of 28%
- Big cars were seen as gas guzzlers and small-sized cars had started to replace them
- Many European and Japanese automakers were present in this segment: Volkswagen dominated and Japanese brands like Nissan had plans to launch soon.

Competing firms took a step back: Loss in revenue led to hard financial decisions

- Most of the firms present in the market reacted by cutting down their costs.
- Marketing spends were instantaneously slashed by Toyota’s competitors.
- Giants like Chrysler started to cut short on their staff as a reaction to the 1970 recession

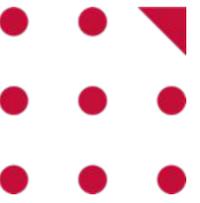


[View full size](#) **BERNIE NOBLE** CLEVELAND PRESS ARCHIVE, CLEVELAND STATE UNIVERSITY Visiting Chrysler’s Twinsburg stamping plant on Dec. 5, 1979. U.S. Rep. Mary Rose Oaker chats with worker Richard Jackson while Oliver Turi, left, operates a nail mill. At right is plant manager Leonard Brady.

The 1970s: Chrysler lays off workers, receives a government bailout. The Lee Iacocca era begins.

In these times, while many companies became risk-averse,

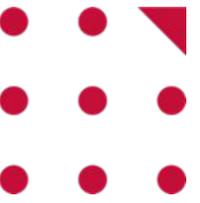
Toyota saw the recession as an opportunity to gain market share



So how did Toyota turn the recession into an opportunity?

A roadmap to increase its market share

Toyota went ahead with bold decisions in the face of the 1970 recession



1. New Product launches addressing the consumer need

Right Product - Toyota understood the change in demand quickly and acted upon it. It launched 2 models for the “small car” category – The **Corolla** and the **Corona**. Both these cars were introduced in the late 1960s in the US.

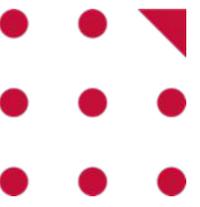
2. Heavy marketing expenditure

- **Increasing Advertising spends** – Toyota started to invest heavily in all means of advertising available. This proved crucial for their winning strategy during the 1970 crisis.
- **Correct Communication** - Apart from heavily marketing both Corolla and Corona, Toyota’s communication was designed around how its cars are not a gas guzzler and how they would help you save money.

3. Expanding the distributional reach of Toyota to new cities and states

- **Establishing new distributors** - It made sure that its increased demand was met with corresponding increased supply.
- **Expanding across cities** - Toyota was confident about its product and thus invested a lot to make sure it has a reach in major states and cities across US





1. New product launches

Toyota revamped its offering in the emerging “small-car” segment

1. Toyota Corona

- After an un-successful launch of Toyopet Crown, Toyota launched its small car model, the Toyota Corona.
- Corona had the look of a miniature domestic car, with a lot of styling cues to what big cars were in the United States.
- In 1968, Toyota sales reached 72,554, almost entirely because of the Corona. The car also won many awards like the Motor Trend Car of the Year award and the Deming Prize for quality
- At the same time, it faced tough competition from Beetle, the small car manufactured by Volkswagen.

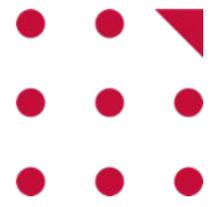


2. Toyota Corolla

- Immediately after the success of Corona, Toyota launched another small car variant, the Toyota Corolla and followed it by its second editions
- Corolla’s accommodating design and the extensive list of standard features that didn't yet exist in other family cars on the market
- Production volume of Corolla was dramatically increased, and it became one of the best-selling cars for Toyota in the US
- The second-generation Corolla enjoyed dramatic success as a family car, following the trend set by its predecessor

2. The right messaging and campaign contributed to its success

Toyota went for bold moves accompanied by aggressive marketing activities



The Toyota Corolla holds more and costs less than a mink coat.

(\$1726 fully lined.)

On the floor, wall to wall carpeting. On the reclining bucket seats, textured vinyl. Forward, a padded dash, sun visors, a package tray and a cigarette lighter. And that's just the living. Structurally, the Corolla is a thing of even greater beauty. With unitized construction for a safer, quieter ride. An engine with five main bearings instead of the usual three. And a sealed lubrication system that eliminates the expense of chassis lube forever. On the outside the Corolla sports a fabulous finish—an undercoating, a base coat, a primer and two coats of color. Five coats in all. Exactly four more than you'll get with a mink.



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Corolla and Corona – The perfect 'small car'

- Toyota got sense of the changing consumer priorities and started pushing more towards its small cars like the Corolla and Corona.
- Almost all the ads that Toyota had at this time were around both these models

Increasing Advertising spends

- At a time when many companies were cutting down on their marketing spends, Toyota went ahead with aggressive marketing campaign.

Focussed on the right communication

- Amidst the slowdown, Toyota's advertisements spoke of cost saving aspects of Corolla.
- It focussed more on mileage and cheap prices of the car.
- These communication strategies resonated with consumers at that time

Don't complain if your son runs off with your \$1726* Toyota Corolla.

(He'll get terrific mileage.)

Just about 28 miles to the gallon! And then, there's Corolla's unitized construction; and the reliability of five main bearings instead of the usual three. All comforting thoughts as he barrels out of your driveway. He'll be sitting in reclining bucket seats, surrounded by a lush vinyl interior and plush nylon carpeting. And he'll zip through the gears of your all synchromesh 4-on-the-floor knowing the joys of the fastest, quietest ride in the low-priced field. So, don't complain if your son runs off with your new \$1726 Toyota Corolla. Suppose it had been your Cadillac?

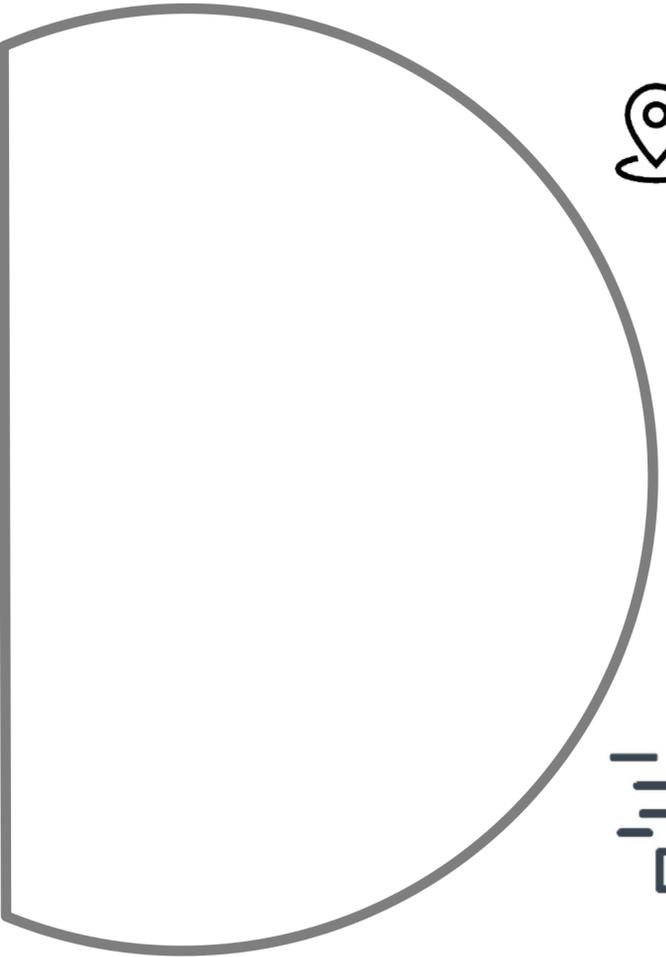
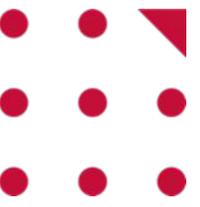


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3. Expanding the distribution lines

Extensive marketing was followed by huge expansion of distribution lines to meet the rise in demand



Expanding new distributor lines

During the 1970 recession, Toyota expanded its distribution line by getting multiple new distributors on board. In April 1970, it signed an agreement with Mid-Atlantic Toyota Distributors. In January 1971, another one was signed with new England Toyota Distributors. This ensured that the heightened demand in the market is subsequentially met by a similar supply



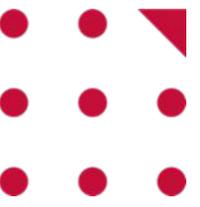
Establishing new distributors

Toyota established three new distributors (SET, GST, and MAT) with local capital to supplement the two existing distributors (TMD and MST), and they began operations. As a result, the sales network in the United States expanded from the initial focus of the West Coast to the entire country.

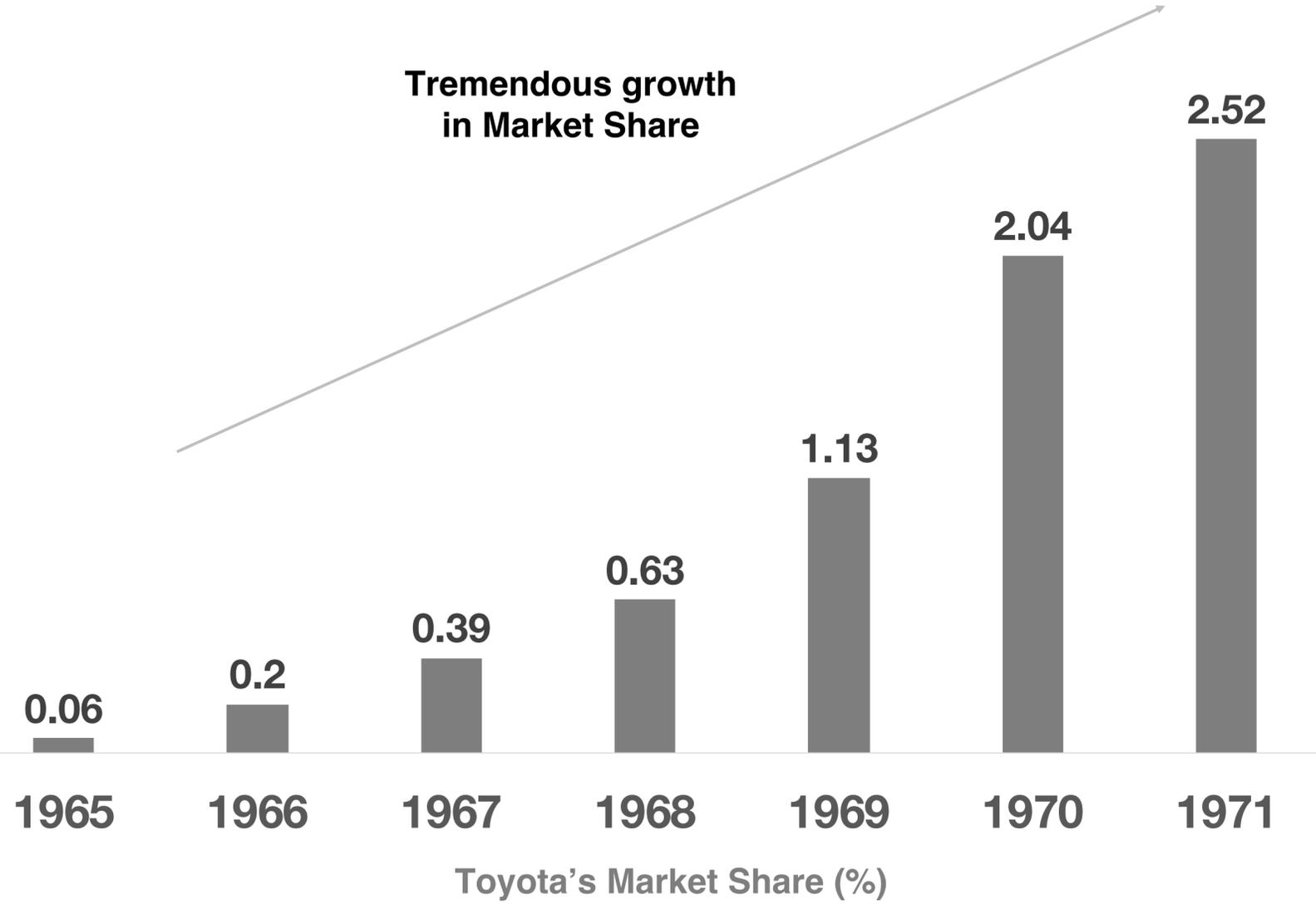
With increased distribution and marketing, Toyota was ready to tackle recession

Within a period of 2 years, the company saw an exponential rise

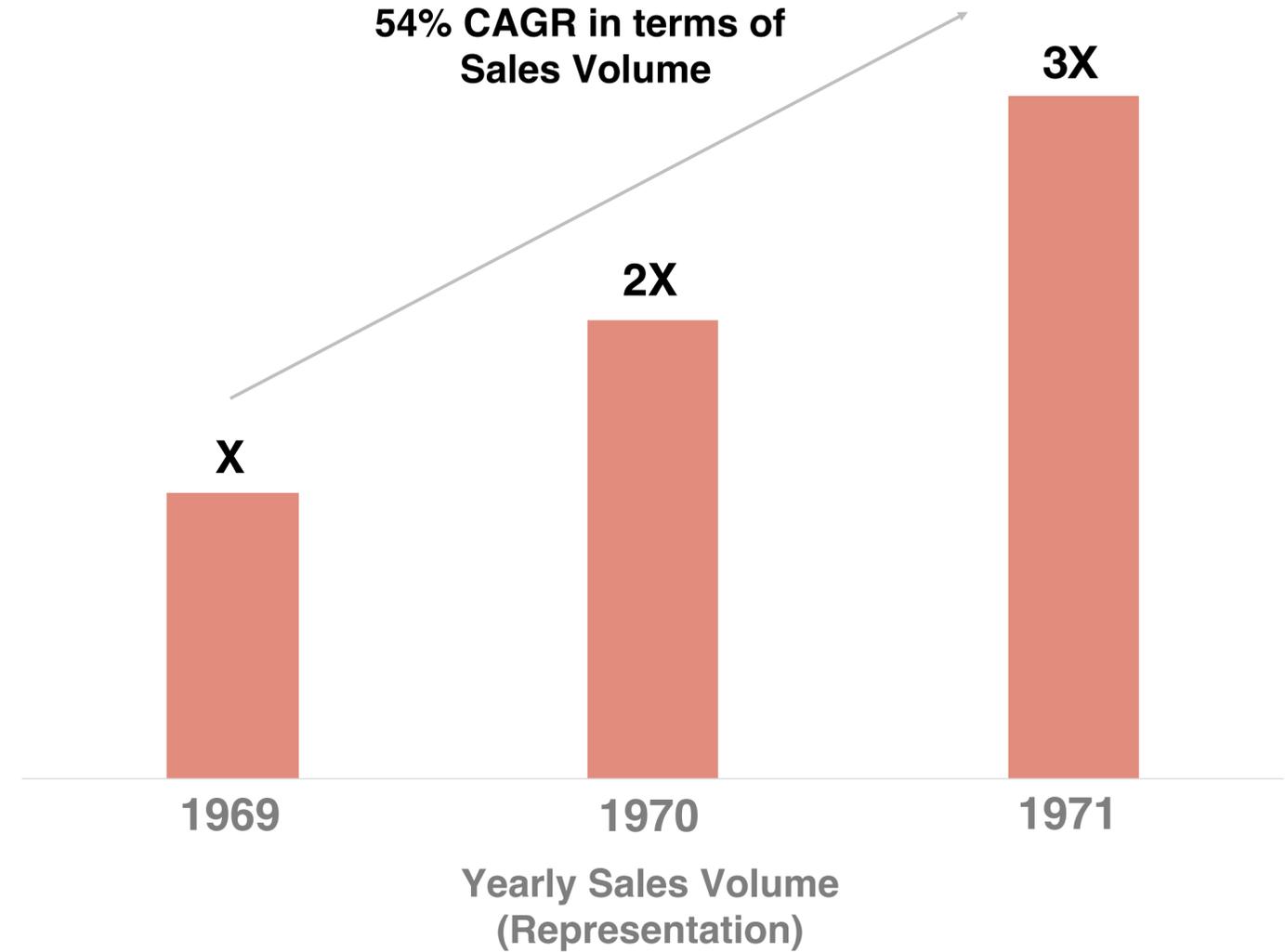
Toyota doubled its market share quickly



Tremendous growth
in Market Share



54% CAGR in terms of
Sales Volume

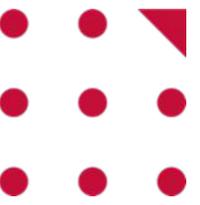


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During the 1970 recession, Toyota cemented its position in the auto industry

Key Takeaways

Key factors that led to Toyota's tremendous growth during 1970-71 recession



Think bold

In the time of recession, Toyota did something unexpected. It decided to go aggressive in the US market. Although the market was crowded and the competition was intense, Toyota went ahead with its small car variant and marketed it all across the country. By the standards of the 1970 recession, this was a very bold decision by a player that was relatively new in the market. This played a crucial role in the success of the company.

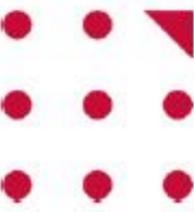


Market your product aggressively

Toyota went ahead with aggressive marketing campaigns on various platforms at that time. It invested heavily and marketed its small car variants with innovative campaigns. Along with this surge in investment, Toyota decided to expand its distribution lines to meet the heightened demand.

With aggressive marketing and bold decisions, even a small brand can occupy a bigger market share during recession

A PRIORI CONSULTANTS: Who Are We



A Strategy + Marketing Consultancy Firm that helps client accelerate business growth through marketing initiatives. We bring together a network of unmatched experience and expertise across different industries, business issues and brands.



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Apoorva Mathur

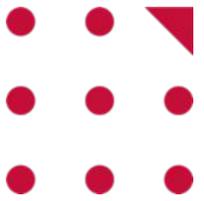
7 years+ experience in FMCG and dev sector. Previous role at TGB. MBA from Hong Kong University.



Sahil Aggarwal

3 years+ experience in major e-commerce player. Engineer from TIE

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