

## Newsanalysis

# Toyota turns to Toyoda for help

Grandson of founder brings international perspective to role as new president

Hans Greimel  
Automotive News Europe

TOKYO ■ Akio Toyoda is a descendant of Toyota Motor's founding family and will become its next president. He will bring fresh thinking and a global perspective to the world's top carmaker as it fights an unprecedented financial crisis.

Toyoda will succeed current President Katsuaki Watanabe in June.

An executive vice president since 2005, Toyoda will be 53 when he takes the helm, making him the youngest president in the company's history.

Some sections of the Japanese media are already portraying the affable, motor racing fan as the anointed family prince, finally riding to the rescue of a national icon. Speaking at a news conference, Toyoda himself said he hopes to someday be seen as the "flag" that rallied a corporate comeback.

The Toyota heir will bring an international perspective to a company whose overseas operations, including Europe, now account for most of its sales and are contributing to its first operating loss in 70 years.

Toyota is tapping into its dynastic roots as it plots a new course into uncharted waters.

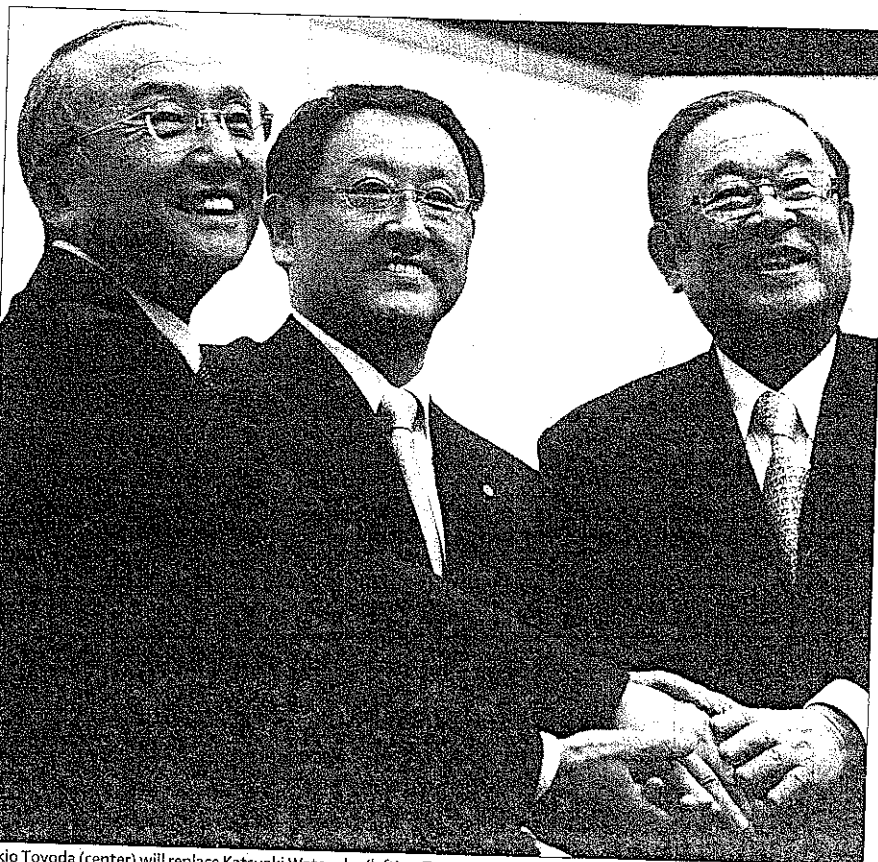
"Innovative and youthful ideas will be required," Toyota Chairman Fujio Cho said at a hastily called press conference held last month to announce the new appointment. "We need a new generation to make bold change and reform."

Indeed, today's Toyota would be unrecognizable to Akio's grandfather Kijichiro, who founded the automaker in 1937, or even to his father Shoichiro, himself a president from 1981 to 1992.

## Unfamiliar challenges

Most of the company's history has been characterized by relentless progress and expansion, but now Toyota is slashing production, cutting jobs and reeling from tumbling sales amid a global financial crisis. The company says it will post an operating loss for the fiscal year ending March 31.

North America accounts for a third of Toyota's worldwide revenue and US sales fell 15.4 percent to 2,217,660 vehicles last year. Toyota's sales in Europe were down 12.4 percent to 814,581 for the same period and global sales dropped 4 percent to 8.97 million units in 2008.



Akio Toyoda (center) will replace Katsuaki Watanabe (left) as Toyota president in June. Toyota Chairman Fujio Cho (right) says the company needs bold new leaders. At 53 Toyoda will be the youngest president in the company's history.

That figure marks Toyota's first sales decline in 10 years.

"We are now faced with unprecedented difficulties that come along only once in 100 years," Toyoda told reporters. "I need to focus on the rapidly changing environment."

Toyoda's international portfolio includes stints heading Toyota's China and Asian operations and serving as a vice president at its General Motors joint venture in California.

Last summer he was put in charge of all overseas business.

He is deeply grounded in US business practices, customs, and finances.

Like Edsel Ford II, Akio Toyoda graduated from Babson College in the US state of Massachusetts, a school that specializes in educating the children of business leaders. After graduating in 1983, he worked at a New York investment bank.

A top priority for Akio Toyoda will be rethinking the company's over-

seas business, analysts say. His team will have to consider shifting more production offshore to replace domestic output as it battles a soaring yen and rising raw-material costs.

"Toyota is the strongest manufacturer in the world, but it is strategically weak because it has not embedded itself in the richest market in the world, the US," says Michael Wynn-Williams, an analyst at IHS Global Insight. He sees more production shifting overseas "as quickly as possible."

Watanabe is chairing an "emergency profit" committee charged with trimming fat. But aside from production and job cuts, there has been little to show in the way of broad overhauls.

Honda Motor, by contrast, held a year-end news conference last month to outline a litany of drastic measures meant to keep the company in the black. They included canceling President Takeo Fukui's

beloved Formula One program and deciding not to replace the NSX sports car.

Toyoda may come under pressure to make similar sacrifices.

He is known for pushing through unpopular decisions.

Long before e-commerce was a buzzword, Akio Toyoda pioneered Toyota's online business initiatives – against stiff opposition from the executive floor.

He began by trying to apply Toyota's famed production system to dealerships. Toyota could build a car in less than a day, but dealers took another 40 days to deliver it to a customer and get paid. Akio wanted to cut that time by more than 10 days to improve dealers' cash flow.

## Fresh thinking

Denied a budget for his ideas, Akio used his own money to start Gazoo.com. It soon blossomed into

## Did you know?

The fresh-faced glasses-wearing Akio Toyoda:

- Will be the first Toyota president to have gone to school in the US and worked there
- Has experience in the increasingly important China market
- Has a reputation for challenging old-guard conservatism

an online referral service, offering basic information to shoppers about car features, sticker prices and finance plans. Yet, the real success rested on its evolution into an online shopping mall where people can buy everything from music CDs to bean paste.

By building relationships with consumers making everyday purchases, Toyota hopes those individuals will return to Gazoo when they want to buy a car. Gazoo can then direct them to a Toyota dealer.

Akio Toyoda will be the first Toyoda to become president since 1995, when his uncle Tatsuro Toyoda stepped down. The Toyoda family owns only 2 percent of the company's stock but benefits from hard-to-measure additional influence that the Japanese call "plus-alpha."

At the press conference, Toyoda called his father, the company's honorary chairman, a "flag" around which the company has traditionally rallied.

"I am not yet that flag, but I intend to do my best so that maybe 20 or 30 years from now, people may look back and refer to me as a flag," he said.

The difference in the names of the family and company is due to the latter exchanging the 'd' for a 't' because that was considered luckier in Japanese numerology.

During Tatsuro Toyoda's tenure as president, Toyota's share of the Japanese market shrank and the company drifted after suffering a stroke in 1995, he was followed by three non-family presidents – an era that was seen as a check on nepotism in a publicly traded company.

While few doubt Toyoda's talent, many suggest he is still too young. Some expected Toyoda would appoint an older, caretaker president to give the relatively youthful scion time for more on-the-job training.

Toyoda's appointment must still be approved at a June board meeting, and Watanabe will then become vice chairman. But the risks of the reshuffle aren't lost on the home audience.

Ahead of the company's official announcement, Japan's Yomiuri newspaper pondered Akio's new role, saying: "Toyota gambles on founding family's prestige." **ANE**

# Toyota pledges to boost its European market share in 2009

Paul McVeigh  
Automotive News Europe

Toyota Europe says it will bounce back in 2009 after its new-car sales fell 10 percent to 1,119,521 in 2008, compared with the year before.

Toyota Europe CEO Tadashi Arashima said the company expected that 2008 would be a difficult year for Toyota and Lexus because the brands had fewer model launches. "This, coupled with global market upheaval, significantly impacted our sales volume and production levels,"

Arashima said.

Arashima said Toyota expected a tough year ahead in Europe but he promised the automaker would increase its market share through a product offensive of 12 new Toyota and four new Lexus models.

Toyota's European market share dropped 0.3 percentage points last year to 5.3 percent. Toyota Europe aims to boost its market share by 0.7 percentage points to 6.0 percent in 2009.

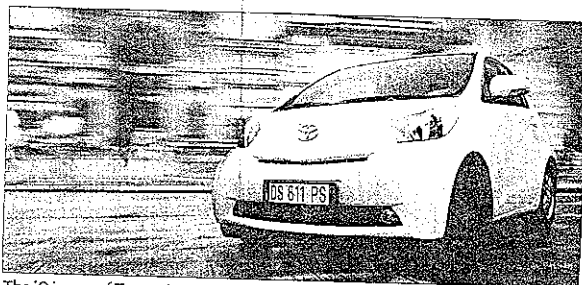
Sales of Toyota cars in its European markets were down 9 percent to 1,074,281 in 2008 while sales of Lexus

models plunged 16 percent to 45,240.

Arashima said the company's new models will be fuel efficient and will help ensure that Toyota's fleet-average CO2 emissions in Europe will fall below 140 grams per kilometer in 2009.

Some good news for Toyota was that combined Toyota and Lexus hybrid sales increased 18 percent to 57,819 in 2008. Sales of the Prius were up 29 percent to 41,495.

The Yaris small-segment car was Toyota's best seller in Europe last year, although its sales fell 10 percent to 239,155 vehicles. **ANE**



The iQ is one of Toyota's new model launches in 2009