

A Comparative Study of the Approaches of the Hyundai Motor Company and Toyota Motor Corporation to the Russian Market

TOMIYAMA, Eiko

Professor, Graduate Institute for Entrepreneurial Studies

Summary

In this paper I carried out a comparative examination regarding the approaches to the Russian market of Toyota and Hyundai. First of all I undertook a comparative examination from: (1) the process of entering the Russian market; and (2) marketing strategy. Next I made an overview of the incomplete infrastructure in Russia, and made a comparative examination to it concerning the differences in the two companies' dealings. Lastly I discussed how the follower Hyundai's dealings differ from the formulae of the already-existing multinational companies, and derived the implications regarding the approaches to the emerging country of Russia.

The differences between the approaches of Hyundai and Toyota to the Russian market are as follows.

Hyundai entered the Russian market with a "maverick business model" that differs from the forerunning companies of Toyota and the like, and cultivated business. The "maverick business model" is selling via two channels, using the distribution channels of local firms and combining them with the company's own channels. They undertook investment in plant and equipment, overtaking the forerunning companies, built large-scale factories which are capable of producing 150,000 vehicles, and made high-volume production and high-volume sales focused on total asset turnover. They used Hyundai MOBIS because good component manufacturers are few. They negotiated with Russian Railways before other companies on the problem of logistics, which takes days at a high price, and used the Trans-Siberian Railway. Via a "selective focus production model" which produces and invests intensively in different markets with a narrowed-down number of manufactured goods, they invested in the Hyundai Solaris, a car designed for the C-segment, which is stylish at an affordable price.

Toyota has aspired to a "reproduction" abroad of the "home-country model". Hyundai has taken as an opportunity the incomplete infrastructure, including Russia's logistics, the rudimentary distribution network, and the troublesome local procurement of components, and, in coming up with a way of doing things appropriate to the locality, have been successful. Hyundai in this way has realized a "business development (BD)" which realistically pursues business success.

Toyota is a multinational company based in developed countries, and has built a strategy having emerging markets as a foundation for world-class financing, resources, technology, and human resources. However, they have attempted to utilize these resources in a way not adapted to the local market with its incomplete infrastructure, and have only been able to access the high-end global segment. Then they have stuck to the "reproduction" of the "home-country model" vis-à-vis Russia's "incomplete infrastructure". While such an approach is certainly able to maintain high quality, it has led to a reduction in market share, unable to get the sales volume. Mid-to-high-range cars, which are Toyota's forte, certainly have a high profit margin, but its share of the "volume zone" has been stolen by Hyundai by means of popular value-for-money C-segment cars, and has led to a decline in the strength of the brand.

Initially entering the market, they targeted the wealthy using the Toyota brand, and after they achieved success with the world-class business model of "reproduction", as the next stage, they shouldn't stick to excessive "reproduction" to access other market segments, and it will be necessary to consider flexible responses regarding their emerging-country strategy, such as the substitution of alternative methods. Moreover, leading companies are tied to dealing with high-end customers, and are being beaten by companies entering the market in segments where their original dealings could have worked; taking up the challenge will be necessary by way of a "business development" that runs counter to the rationale on success which leading companies hold.

[Translated by ERINA]