Toyota: the New Number One?

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For the past several months news reports have been focusing on the declining fortunes of the worldâ€™s largest automaker, General Motors, as well as on the rise of Toyota to pre-eminence. Many are predicting that this will be the year that Toyota overtakes General Motors in sales while others are expressing caution regarding this assessment. Does it really matter who is number one? In many ways it does. Letâ€™s examine the fortunes of the Top Two to determine whether Toyotaâ€™s ques to overtake General Motors will happen this year.

So, why does it matter who is the top selling automaker in the world? In one word: prestige. Being number one in any category tells consumers that you are at the top of your game. No, there isnâ€™t anything wrong with being number two â€“ just ask Avis â€“ but saying that â€œwe try harderâ€• doesnâ€™ into being number one no matter how cute your commercials may be.

General Motorsâ€™ decline combined with Toyotaâ€™s ascension is remarkable. At one time, General Motors produced well over half of all vehicles sold in the U.S. Today, that number is down to about 25% and falling. Toyota, on the other hand, has gone from being the maker of poor quality cars to being a manufacturer that everyone points to when building their vehicles. A true â€œbenchmarkâ€• in an industry overloaded with manufacturers.

Originally, many thought that the Toyota ascension would not occur before 2010, if ever. Although General Motors is losing market share, it does have a strong presence elsewhere especially in China where it is the number one automaker and double digit sales growth from year to year is common. Thus, the overseas market has been what has kept GM strong.

GMâ€™s home market though may be what causes the capitulation. With planned layoffs and plant closings in progress, GM is dumping excess capacity in favor of anticipated need. Toyota, on the other hand, cannot keep up with capacity as demand for its three lines of vehicles â€“- Toyota, Lexus, and Scion â€“- continue to drive growth. Indeed, if there is factory space available, Toyota will use it to produce more vehicles. So, the prediction for Toyota overtaking GM is based largely on available capacity and demand.

Toyota, however isnâ€™t about to claim the #1 position so easily. In 2005, General Motors sold the most cars that it has since 1978, so things are not as gloomy as thought when looking at the company from a global perspective. Growth in China, capacity through its Korean subsidiary Daewoo, and renewed interest in several new or modified home grown models may stem the bleeding. Some are thinking that GM has cut back as far as it needs to go and with new models online including pick up trucks, SUVs, the Saturn SKY and Aura, and others GM may be poised for a surge in sales.

None of us can predict the future, but it does show us one thing: the battle for automotive pre-eminence will only grow stronger and neither automaker can afford to take anything for granted. For consumers just like you, you stand to benefit as quality improvements and pricing strategies give you the best bang for the buck.

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