Spring 2006

Ready, Steady, Go: Toyota's Advertising in America, 1958-1979

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by

REBECCA HOPE SMITH

(Under the Direction of Craig Roell)

ABSTRACT

The objective of this thesis is to determine the marketing strategy of Toyota Motor Corporation in America and place these strategies into their historical context. The advertisements will ultimately tie in with trends inside the United States, as well as the development of the company as an international business.

INDEX WORDS: Advertising, automobiles, Toyota.

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MA, Georgia Southern University, 2000

A Thesis Submitted to the Graduate Faculty of Georgia Southern University in Partial Fulfillment of the Requirements for the Degree

MASTER OF HISTORY

STATESBORO, GEORGIA

2006

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Electronic Version Approved:
May 2006.

ACKNOWLEDGEMENTS

I would like to Dr. Craig Roell for his continued guidance and input as I developed and researched this topic. Not only has he provided insight into the world of advertising, but he patiently aided my development and growth as a writer. Without his sustained help, this thesis may very well have stalled. He spent countless hours reading and editing, as well as pointing me in the right directions. Dr. Paul Rodell and Dr. Charles Thomas, both members of my committee, also provided a number of suggestions, advice, and encouragement. A decent portion of this thesis would not be complete without the help of my advisor and my committee.

Second I want to thank Michael Foertsch of the Toyota Owner's and Restorer's Club for pointing me in a number of helpful directions. Amy Lucadamo at the Toyota Motor Sales Archives provided a number of documents and advertisements, free of charge, to give me a jump-start in my research.

Finally, to my fellow graduate students and friends, I give special thanks. Without their continued support and reassurance, I may have never finished. Special thanks goes to Mary Kearns, Pamella Card and Melinda Ricker for not only listening to me gripe and complain, but offering advice and being there with comforting words when needed. Without the help of my friends I most certainly would have declared this task impossible and given up hope.

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INTRODUCTION

Some fifty years ago, it was inconceivable for most Americans to imagine owning a Japanese vehicle, for at that time, Americans considered Japanese products to be cheap and not to their standards. In 1958 Albert E. Birt, the president of Manhattan's Hambro Automotive Corporation believed that the import sales would never top 300,000.[1] In 2004, Toyota sold over 400,000 Camry models alone, a far cry from the president's estimate of 300,000. Today, it is hard to imagine the mindset of those people, especially with the proliferation of Japanese products in most households, small appliances and consumer electronics such as televisions, VCRs, DVD players, stereos, and of course automobiles. Japanese vehicles often outsell American vehicles, and many out perform them as well. What caused this change in the industry? How did the Japanese manufacturing and advertising influence the market? How much of a role did the oil crises of the 1970s play in this change?

These questions are applicable to all Japanese automobile companies, including the Toyota Motor Company. As a case study, it is interesting to follow the development of Toyota to draw these conclusions. How did Toyota make the transition from a manufacturer of weaving machinery to producing automobiles? What conditions led to Toyota becoming the world's second largest manufacturer, producing more than 5.5 million vehicles each year?[2] How did their products become so valuable and desirable that they frequently appear on the list of cars most often stolen?[3]

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[1] *Time*, March 31, 1958, p. 76

[2] Information found at the Toyota Motor Corporation's Website, at http://www.toyota.co.jp/en/about_toyota/history The figures refer to both unit and net sales.

[3] For 2002, National Insurance Crime Bureau states that the Toyota Camry is the most frequently stolen car in the US, with the Toyota Corolla at number ten. Similarly, the Honda Accord and Honda Civic are numbers two and three. Available through the State Farm Insurance Website at the following address: http://www.statefarm.com/insuranc/auto/nicbcars/grndthft.htm

More specifically, I hope to address some of the following questions directly. How did Toyota manage to rise from a small company that produced mainly trucks to one of the top automobile companies in the world? How did the company gain a foothold in America? What types of advertisements did Toyota use to draw in the early customers? Was there a specific age group in mind with some of the advertisements? Did Toyota (or other manufacturers) attempt to address their foreignness, or did they instead focus on other aspects, such as price or quality? How did Toyota attempt to set itself apart from the competitors? What were some of the advantages that Toyota highlighted in their ads? How did Toyota design and promote its image as an attractive alternative available to American consumers? How could a Japanese icon become so American?

Toyota is an interesting case study because of the unique conditions the company faced. One of the most influential features of the story was the fact that the company did not have direct aid, either monetary or otherwise, from a foreign company. For example, Nissan, Toyota's closest competitor in Japan, had tie-ins with Aston Martin, a British manufacturer. While Toyota studied other companies, learning directly from Ford, they never had direct ties with any foreign manufacturers. Toyota also quickly emerged as an industry leader after the end of World War II, and managed to stay on top of the Japanese market from the 1960s to the present. Indeed, Toyota was the first Japanese automobile company to debut its vehicles in the United States, all imported, of course, until the building of the first American plant in the 1980s.

Because advertising can serve as an effective window through which to view Toyota's phenomenal and strategic growth, as well as its projected image, this study will

focus on how such ads changed to fit current trends and events. Advertisements, especially for automobiles, change to fit the growing demands and concerns of the world market. So, for example, during a time of high gas prices, companies will seek to highlight fuel efficiency. In other periods, the same companies may emphasize the amount of legroom, or the horsepower, or the price of their vehicles. With increasing worries about the environment, some companies like to emphasize meeting strict standards. Technological advances in product design as well as strategic, effective marketing campaigns are the two-edged swords in successful market penetration.

The most important practice for the development of Toyota was the successful marketing campaigns in Japan and the United States. Toyota used slogans and terms that promoted features of their cars, such as fuel-efficiency or durability. The company first focused its attention on showing ads in the local markets before jumping to national media. By using a variety of media, including television, magazines, and newspapers, Toyota guaranteed a large audience. One of their vehicles was even featured in the 1967 James Bond film *You Only Live Twice*. Their strategic advertising campaigns effectively enabled Toyota to counter any negative misconceptions about their products. It also helped to introduce people to the vehicles, as well as their popular features and strengths. Toyota used a number of memorable slogans in their ads such as "Get your hands on a Toyota and you'll never let go" and the signature Toyota jump[4], with which the company worked to entice consumers to purchase one or more of their available products. Again, technology and marketing worked hand-in-hand in creating interest, which would hopefully result in a test drive. This technology would also make an excellent form of

[4] The Toyota jump was common in advertisements from the 1980s and 1990s. They featured a person in the middle of a joyful leap, one arm usually extended into the air.

marketing through the envied product reliability record. These methods would allow new owners to justify and identify with their wise purchase, and hopefully eliminate any feelings of "buyers remorse."

Nearly all of the writings on Toyota, or the Japanese automobile industry in general, come from recent years. Since the development of the automobile industry is a fairly new area of historical study, the number of works about these companies is limited. One of the first trends in writing about the industry developed to attempt to explain to American executives the different techniques employed by the Japanese companies. Many of these works focused on such themes as quality control and why the Toyota system was especially popular. Others looked at the Japanese style of management, or the working environment.

Another string of writings were memoirs by important people in the history of the company. For Toyota, these included founders Eiji Toyoda and Shotaro Kamiya. The Toyota Motor Corporation even released a few books to the public, some as general histories and another as a long pamphlet. Some people inside the company also published works describing their systems, such as the famous *kanban*[5] and the Toyota suggestion box.

There are a few works, both articles and books, which look at the Japanese automobile industry in general. These works typically take a statistical approach to comparing the Japanese industry with the American one. Other documents examine a specific problem or part of the industry and compare it with other companies. These texts

[5] This system is sometimes called the just-in-time system. It will be explained in more detail in Chapter One.

tend to include a number of charts and tables, but often obscure the reasons why the numbers differ from year to year.

One of the most monumental of these works is Michael Cusumano's *The Japanese Automobile Industry: Technology and Management at Nissan and Toyota*. Published in 1985, this book, replete with charts, graphs, and tables, examines the history and rise of Nissan and Toyota. Yet, while Cusumano compares and contrasts the vehicles, types of vehicles, numbers sold, and more, he does not examine advertising and makes little reference to some of the historical events that shaped the direction of the company and industry.

Wanda James' *Driving from Japan: Japanese Cars in America* is an excellent survey of the major Japanese companies, as well as some of the minor ones. Because it is relatively new, published in 2005, it covers the newer trends that the older works could not discuss. The book details the companies' development in Japan, and then their move to the U.S. The work is excellent in providing general information as well as details about the vehicles, along with awards each vehicle won. In some cases James even discusses changes in the culture and the world situation. Nonetheless, there is very little mention of advertising, nor any detailed analysis for why these cars changed or experienced increases in sales, especially in the early years.

Indeed, given the historically significant role of strategic advertising, it is curious how little attention has been paid to the actual advertisements and the way that the company targeted specific segments of the population. While some of the memoirs or company histories mention certain ads, most is done in passing. There has been little

work focusing on the advertisements and their influence in popular culture, or how contemporary events changed the ways the companies advertised.

Some might argue that advertising is not a valuable field to study, and would instead point to topics such as the components of the vehicles, fuel efficiency, or even the Japanese system of management. However, other authors have already covered these topics in great detail. Yet, none has attempted to analyze the advertising specifically. If, as critics would argue, advertising does not influence the consumer, then why would companies such as Toyota continue to pour money into these means? By the time Toyota attempted to break into the American market, other manufacturers, both domestic and foreign, already dominated the market. Without advertising, how else would Toyota inform the consumers about their new alternatives?

Advertising history is also valuable as it allows the author to weave several different stories into one, in hopes of presenting a picture that is more clear than a simple business history. Advertising is tuned in to the numerous trends of the culture, and the companies must tap into these trends to succeed in the market. The growth of a company can also be shown through their ads, as the more money a company makes the more they can spend on advertising. Their growth may also be evident in the phrasing of their ads, and can include numbers sold in previous years, or set them apart from close competitors. Advertisements are also important, because as consumers, we can all relate to advertisements. People can often recall some of the jingles or images that permeate television, magazines and radio. In fact, most consumers can recall slogans and jingles better than specific details about a product, and fondly recall jingles even from childhood.

The history of advertising is as young a field as the history of the automobile industry. Advertising in the United States did not begin to develop in any modern sense until the 1920s, long before the Toyoda family was even making vehicles. By the time Toyota reached America, the television was just beginning to be a major feature in American households. Print advertisements were still important, and cheaper to make.

Advertising and marketing are subfields of the larger area of consumer culture, but can stand alone in their own right. As per Dr. Craig Roell, there are at least eight main schools of interpretation of consumer culture. The first school is the oldest, and is the basis for much of the work done in business schools and seminars. Two of the most influential works from this school come from the "Father of Public Relations," Edward L. Bernays. In both *Crystallizing Public Opinion* (1923) and *Propaganda* (1928)[6], Bernays sought to explain how to create effective advertisements to establish a consumer base. Recent works, such as *The 22 Immutable Laws of Branding*[7] seek to offer training and advice to companies searching for a way to expand their business. A second school is the great man (or woman) theory. This school celebrates the people who contributed to the growth of the advertising industry. The most influential work from this school is Stephen Fox's *The Mirror Makers: A History of American Advertising and Its Creators* (1984).

The apologetics school emphasizes the role of consumers as participants in advertising rather than simple victims. James B. Twitchell is the most outspoken advocate in this subject. Even the titles of his books display his optimism in consumerism: *Adcult USA: The Triumph of Advertising in American Culture* (1996),

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[6] Edward L. Bernays, *Crystallizing Public Opinion* (New York: Boni and Liveright, 1923), *Propaganda* (New York: Liveright, 1928).
[7] Al Ries and Laura Ries, *The 22 Immutable Laws of Branding: How to Build a Product or Service into a World-Class Brand* (Collins/Harper-Collins, 2002).

Lead Us Into Temptation: The Triumph of American Materialism (1999), *Living It Up: Our Love Affair with Luxury* (2002) and *Twenty Ads That Shook the World: The Century's Most Groundbreaking Advertising and How It Changed Us All* (2000).[8] Contrastingly, the conspiracy school, often following the ideas of Karl Marx and Thornstein Veblen, stresses the role of advertising in creating consumers to buy the goods created in the industrial system. The main proponent of this field, Stuart Ewen[9], argues that advertising serves to keep people tied to the industrial system. Wilson Bryan Key's controversial work, *Subliminal Seduction: Ad Media's Manipulation of a Not So Innocent America* (1973)[10], presented the use of subliminal messages in advertising.

Along the same line of thought, the realist/activist school presents evidence of marketers and advertising taking advantage of the consumer. This school often promotes activism, and is headed by Juliet Schor.[11] The victim/feminist school places emphasis on those that make consumers victims, with special focus on women. Both Jean Kilbourne's *Deadly Persuasion: The Addictive Power of Advertising* (1999) and Naomi Wolf's *The Beauty Myth: How Images of Beauty Are Used Against Women* (1991)[12] fit into this school. The textual/image analysis camp sees advertising as manipulative and wants to

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[8] James B. Twitchell, *Adcult USA: The Triumph of Advertising in American Culture* (New York: Columbia University Press, 1996), *Lead Us Into Temptation: The Triumph of American Materialism* (New York: Columbia University Press, 1999), *Living It Up: Our Love Affair with Luxury* (New York: Columbia University Press, 2002), *Twenty Ads That Shook the World: The Century's Most Groundbreaking Advertising and How It Changed Us All* (New York: Crown Publishing Group, 2000).

[9] *PR! A Social History of Spin* (New York: Basic Books, 1996), *All Consuming Images: The Politics of Style in Contemporary Culture* (New York: Basic Books, 1988), *Captains of Consciousness: Advertising and the Social Roots of the Consumer Culture* (McGraw-Hill, 1976, 25th anniversary edition with new introduction by the author, New York: Basic Books, 2001).

[10] Wilson Bryan Key, *Subliminal Seduction: Ad Media's Manipulation of a Not So Innocent America* (Englewood Cliffs, N.J., Prentice-Hall, 1973).

[11] *Born to Boy: The Commercialized Child and the New Consumer Culture* (Scribner: 2004), *The Overspent American: Why We Want What We Don't Need* (New York: Basic Books, 1998), *The Overworked America: The Unexpected Decline of Leisure* (New York: Basic Books, 1992).

identify and analyze the "signs" in an ad to interpret the deeper meaning. The classic work of this school is Judith Williamson's *Decoding Advertisements: Ideology and Meaning in Advertising* (1994).[13]

The informational/historicity school looks at the advertising industry without taking a strong stance, and instead wants to present the information without pressing into one of the larger worldviews. These works serve the crucial function of showing the development of the consumer culture and marketing. Some of the influential works of this line of thought are Susan Strasser's *Satisfaction Guaranteed: The Making of the American Mass Market* (1995), Gary S. Cross' *An All-Consuming Century: Why Commercialism Won in Modern America* (2000), Daniel Pop's *The Marking of Modern Advertising* (1983) and Craig H. Roell's *The Piano in America, 1890-1940* (1989). This thesis falls into this category.

There are a number of different strategies to analyze advertisements, campaigns and slogans. An effective test for slogans is known as the reverse strategy. In this method, you simply "reverse the strategy and ask if the reversed strategy applies to the competition."[14] So, for example, Coca-Cola's famous "The Real Thing" would fit this method. Reversed and applied to Pepsi, this method would suggest that Pepsi is the "fake" thing.

There are six main techniques that advertisers will use to attempt to push the product. The first way is through involvement, which is an important technique in

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[12] Jean Kilbourne, *Deadly Persuasion: The Addictive Power of Advertising* (New York: Simon & Schuster, 1999) and Naomi Wolf, *The Beauty Myth: How Images of Beauty Are Used Against Women* (New York: Morrow, 1991).
[13] Judith Williamson, *Decoding Advertisements: Ideology and Meaning in Advertising* (London and Boston: Marion Boyars, 1978; re-issued 1994).
[14] Al Ries, *AdAge.com*, "Why Guatemala's New Tourism Slogan Doesn't Work" February 20, 2006.

telemarketing and mass mailings. One way to involve the consumer is to have them complete a task, such as peeling off a sticker and placing it on an envelope, or by getting them to answer questions before launching into the spiel. Other ads will appeal to the emotions, especially acceptance and the creation of a sense of community and belonging to a larger group. Ads also may attempt to appeal to an association, to encourage consumers to associate that product with an idea of wealth, fame, or happiness, and occasionally use contests to allow people to enter into these fantasies. General Motors is one of the best examples of market segment or positioning. The company will position their brands as just for you, the consumer. So, for example, if you cannot afford a Cadillac, GM has other cars available that might fit in your price range. Fear is another method, but because it can backfire and force the consumer to associate fear with that product many companies do not use this technique. But fear can be more than just a public service announcement to scare people away from drinking and driving, and some can use phrases that are similar to what a mother might say to her child ("sit up straight, eat your peas, don't make faces like that").

Finally, some ads will use buzz words, like "free," "save," "new and improved," all of which are sometimes used in conjunction with other subjective words. Advertisers will frequently use these subjective words to puff out their advertisements without making them false. The Federal Trade Commission's stance on the matter is that "[a]n advertiser cannot be charged with liability with respect to every conceivable misconception, however outlandish, to which his representation might be subject among the foolish or feeble-minded."[15] There are numerous types of puffery. The most basic form includes adding subjective modifiers, such as sexy or younger or great. But this

type is not limited to just words, and can apply to images or scenes, such as the Marlboro Man implying independence and ruggedness. Advertisements may also use meaningless comparisons where they do not state what the product is more or better than, for example "Magnavox gives you more."[16]

This work, in short, will examine the various advertising strategies and advertisements of the Toyota Motor Corporation in an attempt to decipher the levels of meaning in the ads themselves, as well as possible interpretations of the target audience. Thus, it is important to place them in their larger historical picture, as well as examine a few contemporary advertisements from competitors. The competitor ads can help to show what Toyota did differently, or how Toyota worked to fit into the mold provided by other companies.

Covering all of the ads in the history of Toyota is impossible. Therefore, I limited my focus to the early years of Toyota, covering their meager beginnings and eventual rise to surpass the first of the Big Three. Looking at the big picture, it would seem that going through the end of the second oil crisis, which started in 1979, would help to explain Toyota's rise. However, before the crisis even began, Toyota was the third largest automobile manufacturer in the world. Also, in 1980, Toyota launched a new advertising campaign that would carry them through the early 1980s. Stopping with the end of an advertising campaign fits with the overall focus of the thesis, which is about the specific advertisements and campaigns of the company. The oil crisis that started in 1979 merely allowed Toyota to make further inroads into the American market, but also helped to

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[15] http://www.lawpublish.com/ftc-decept.html

[16] For more on puffery see Ivan L. Preston, *The Tangled Web They Weave: Truth, Falsity and Advertisers* (University of Wisconsin Press, 1996) and *The Great American Blow-Up: Puffery in Advertising and Selling* (University of Wisconsin Press, 1975).

establish clashes between the American and Japanese governments about the automobile industry. However, it would take time before these problems could begin, as the U.S. government had more pressing events, such as the oil shortage and hostage crisis, on the table.

In a time when news of rising gas prices and the problems of continued dependency on foreign oil often dominate the headlines, examining a company that often positions itself as an alternative to the gas guzzlers gives unique insight into the realm of the automobile industry. With the continued decrease in prestige and power of the American automobile industry, and the steady interest in Japanese vehicles, Toyota seems an obvious choice. But even without these problems, studying Toyota specifically provides a glance at just how much the United States, and the world in general, has changed over the past fifty years. In many senses we really are "Moving Forward."

CHAPTER ONE

A BRIEF HISTORY OF THE TOYOTA MOTOR COMPANY

Before one can begin to understand Toyota advertising, it is important to know the background of the company. Events that took place early in Toyota's history influenced their progression, and their advertising. The early beginnings of the company also played a large role in the way that the leaders responded to various attacks and challenges, such as pollution legislation or rising gas prices. The goals and outlook of the company come from the ideas established at its founding. Knowing the history of the company can also explain why they established a branch in the United States when they did, and why they would advertise certain ways during particular periods. The history of the company displays the struggle to survive under outside pressures, as well as the adaptation to their surroundings. All of these factors help explain why Toyota is the company that it is today.

The history of Toyota Motor Company actually begins farther back than the establishment of the company itself. For roughly two hundred and fifty years, from the early 1600s until 1868, the Japanese lived in relative peace, stability and isolation from the outside world. Under the Tokugawa Shoguns, Japan restricted interaction with foreigners, both Western and Chinese, to the port city of Nagasaki. The shoguns ended the long period of civil war and unrest during the warring states period and provided the Japanese with the calm they needed to develop the merchant class. This isolation changed in 1853, when Commodore Matthew Perry arrived in Edo (now Tokyo) Bay, confronting the Japanese with Western technology and strength. By 1868, a group of

rebels succeeded in removing the shogun from power and restoring the emperor. This instance, the Meiji Restoration, pushed Japan along the path to industrialization.

The new government sought to promote industrialization and Westernization. Japan realized that it needed to catch up with the advanced Western world or else face the fate of nations such as China and India. After creating a new constitution and a new army, the government also promoted education. The Japanese imported Western technology and worked to promote a "rich country, strong army," as one popular slogan stated. Under this period of rapid change, the Japanese economy grew and new business started to compete with the West.

Toyota's Founder, Sakichi Toyoda

Born in February of 1867 in a small town in Shizuoka Prefecture, Sakichi Toyoda[17] first trained as a carpenter under his father. He quickly grew bored with that life, and so turned his energies to inventing. He started by examining the looms local women employed to make cloth. He wanted to improve the standard of living for the Japanese. Sakichi wrote that "[a]lthough everybody in my village was a farmer, every house also had its own handloom. I began thinking about ways to power the looms so that weaving could be done faster, and more cloth could be made more cheaply. People could then buy cotton goods for less, and that would benefit society substantially."[18]

He began to build working wooden models using trial and error methods until he could improve on these designs. By 1890, he had a wooden manual loom that dramatically increased output by 50 percent and even increased the quality of the fabric.

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[17] All names will be presented in the Western form of first name then last name. Members of the Toyoda family will be listed by their first names during the paper, while others will be listed by their last name.
[18] Toyota Motor Corporation, *Toyota: A History of the First 50 Years (*Toyota City: Dai Nippon Printing Co., Ltd, 1988), 26.

He received a patent from the government for this design. Moreover, by 1897, he designed and implemented his first power loom. It was still a wooden frame, and the cloth produced was at a Japanese, not Western, standard.[19]

That year, the Mitsui Corporation stepped in to make a deal with Sakichi. They would sell the looms, finance a plant and provide a business manager so that Sakichi would do research. It is during this time that he developed the concept of *kaizen* or continuous improvement. By 1902, Sakichi resigned from the company. In 1905, he lent the patent rights to the Kanebo Company, who built a loom in Osaka. The company did a comparative test and found that the British Platt Brothers loom was more efficient.

Sakichi took a trip to the United States and saw first hand the automobile industry at work. He realized that there was a market for cars and that it would be a good idea to try to start his own automobile company in the future. In 1918, he established Toyoda Spinning and Weaving Co., Ltd., with Risaburo Toyoda as the director. Risaburo was Sakichi's adopted son and replaced Kiichiro as the oldest. A Shanghai branch of the company was set up in 1920. The 1920s were also important for the automobile industry as both Ford and General Motors established offices in Japan in the middle of the decade. At the time, however, Toyoda was not producing automobiles, so the American intrusion did not mean anything for the company. However, once Toyoda entered this field, they had to fight the stronger American companies for a share of the market.

Sakichi continued to work on loom and loom production rather than turning his energies to automobiles. He established Toyoda Automatic Loom Works Ltd., a company that would produce the looms in 1927. By 1929, Toyoda looms could

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[19] Yukiyasu Togo, *Against All Odds* (New York: St. Martin's Press, 1993), 15-20. Japanese cloth was made at 16 and a half inches wide, while most of the world used cloth that was 36 inches wide.

outperform the British Platt Brothers models. Sakichi sold them the patent rights and then directed that the money should be used for the development of cars. Before he died in October 1930, Sakichi directed that Kiichiro should be in charge of the development of the automobiles. Therefore, Risaburo and the board of directors provided money for Kiichiro to begin his research.

First automobiles

It was not until December 1933 that the company had an automobile department, still under the "Toyoda" name. The following year, the company completed its first Type A prototype engine, to be followed by the First Model A1 passenger car prototype some eight months later and the Model G1 truck after that. Production of Model AA passenger cars began in April 1936, almost a year after the introduction of the prototype. The next month, the company opened an assembly plant, and the following month they established a laboratory. In July, they exported four G1 trucks to Northeast China, the first export shipment of the company.[20]

During this period, the automobile section operated under Toyoda Spinning and Weaving. Kiichiro was in charge of that section, but his adopted brother, Risaburo, was in charge of the company. The two clashed on numerous occasions, especially when Kiichiro requested more money in order to continue working on automobile designs and production. However, Kiichiro did have some power, as he was the true son of Sakichi. In fact, he made an agreement with of the head of the Toyoda branch in Shanghai, to send money from a profitable area to fund the production of trucks.

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[20] Information available on the Toyota Motor Corporation's Website at http://www.toyota.co.jp/en/about_toyota/history

The company developed principles based on Sakichi's ideas. On October 30, 1935, the company codified them into the Toyoda Precepts, which stated:

> Be contributive to the development and welfare of the country by working together, regardless of position, in faithfully fulfilling your duties. Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement. Be practical and avoid frivolity. Be kind and generous; strive to create a warm, homelike atmosphere. Be reverent, and show gratitude for things great and small in thought and deed.

These are the basic tenets of the organization even today, and have greatly influenced the direction and growth of the company.[21]

Shotaro Kamiya joined the company in October 1935, leaving his position in General Motors (GM) to work for a company that would build Japanese cars. Kamiya's experience at GM would prove to be highly beneficial, as he could provide some insight that Kiichiro and others needed. Kamiya was also on good terms with dealers and used nationalistic ideas to convince them to sell these new vehicles. Shortly after his arrival, he worked with the staff to complete preparations for a small exhibition in Tokyo on November 21. The company sent five model G1 trucks, and although they had many problems on the way, the show was a huge success.

December 8, 1935, marked the first showing of the vehicles to the local market, with an exhibition at Hinode Motors in Nagoya. Kamiya started working on a sales network and wanted, as he put it, to establish "dealer outlets using local capital and local managers…. [He] thought that the most effective way to establish a network quickly was to convince dealers of imported cars to join Toyoda and sell domestic cars."[22] The company now produced buses and the AB Phaeton, as well as other vehicles, and

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[21] Toyota Motor Corporation, *Toyota: A History of the First 50 Years*, 38-39.
[22] Shotaro Kamiya, *My Life with Toyota* (Tokyo: Toyota Motor Sales Co., 1976), 40.

Kiichiro established a Tokyo office for research. Eiji Toyoda, Kiichiro's cousin, worked at this office.

However, sales of the automobiles were low for the entire industry, as the American made cars were not only better built but had a better reputation. May 1936 was an important turning point for the company. The Japanese government passed the Law Concerning the Manufacture of Motor Vehicles.[23] It "provided in part that automakers would be exempt from income and business taxes for five years, and exempt from duties on materials, tools, machinery and other imported items needed for conducting their manufacturing operations."[24] The government required all companies to obtain a license; only Toyoda and Nissan applied for one. With government relief as well as protection from imports, Kiichiro and his staff could focus on production.

Toyota Motor Co., Ltd.

In August 1937, Kiichiro established the Toyota Motor Co., Ltd. (TMC), with Risaburo as president and Kiichiro as vice-president. The company made the name change to "Toyota" for several reasons. They held a contest for a new logo design, which had to include the characters for Toyoda. After examining the entries, the company changed names to Toyota for clarity in pronunciation. In addition, for the Japanese, eight is considered an especially lucky number. The characters for Toyoda require ten strokes, while Toyota only takes eight. Therefore, the company changed their name and began using the new logo. Additionally, by November 1938, the new plant at Koromo was in operation.

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[23] Sometimes referred to as the Automobile Manufacturing Industry Law.
[24] Kamiya, *My Life with Toyota*, 109.

During these early years, Toyota focused its energies on the production of trucks. The government continually pushed Toyota to produce trucks for the military, especially as the conflict in China became more heated, erupting soon into a world war. From 1936 until 1941, the company produced a limited number of buses, but due to supply and pressure from the military, they stopped production on those vehicles.[25] For example, in 1940, almost 92 percent of the vehicles were trucks, and by 1945 it was 100 percent of the total production.

The same was also true for Nissan, Toyota's main domestic competitor. In 1941, Nissan produced mostly standard sized trucks (86.6 percent), and only 8.1 percent of their total production went to small cars. In that year, they did not make any standard size cars.[26] In comparison with Toyota, in 1940, 92.7 percent of the vehicles were trucks. By 1945, Nissan, like Toyota, was at 100 percent truck production as well. From 1934 until 1945, Nissan only produced 19,627 cars, and their total production of trucks during that period was 84.7 percent.[27]

Kiichiro became president of Toyota Motor Company in January 1941. In a far-reaching strategic move, he immediately decided that the company should make 45 percent of its own components. Therefore he introduced the now famous and much copied just-in-time[28] system of production. This system basically follows the principle that you create the products you need just-in-time. It follows the same logic as stocking

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[25] Ibid., 111. Kamiya includes a chart of Toyota's Motor Vehicle Production from 1935 to 1945 that lists the number of passenger cars, trucks and buses produced during those years.
[26] Michael A. Cusumano, *The Japanese Automobile Industry: Technology and Management at Nissan and Toyota* (Cambridge, Mass: Harvard University Press, 1985), 12.
[27] Ibid., 46.
[28] This system is often referred to as the *kanban* system. However, as explained later, *kanban* specifically refers to the name cards placed on the cars. Both American and Japanese authors frequently call the just-in-time way *kanban*. For the purposes of this paper, I will refer to the just-in-time system of stocking as just-in-tine, and use *kanban* only when discussing those cards.

items at a grocery store; you replenish the stock as you go, giving the customers their items just-in-time. The company would therefore develop expertise in its product, as well as reduce the need for large stocks. This decision forced the company to establish a section that would later become Nippondenso, one of the largest producers of electronic equipment for automobiles.

The conflict with China helped save Toyota. With only two companies able to produce the trucks ordered by the Japanese military, Toyota was able to sell old inventory. The government's ban on the production of automobiles forced Toyota to focus solely on trucks. Toyota made different models and worked to create trucks that could operate on a variety of terrains as needed in the different islands and fronts. For tactical purposes, one truck could be taken apart and put back together when needed, as the company developed a frame with multiple sections. Another vehicle was amphibious and could run on the water and on sand.

Nonetheless, Toyota faced several problems with material supplies as the war progressed. With a shortage of metals needed to produce the trucks, Toyota had to stockpile existing materials. This surplus of materials, however, went directly against the just-in-time system laid out by Kiichiro. The stockpiling strategy not withstanding, it became harder and harder for Toyota to produce the required amount of trucks due to the continued supply shortages. Their total production declined over the war years, and the make-up of employees changed to include virtually all levels of society. Eiji remembered that "in addition to our regular employees, we had people from the army and navy

working for us, as well as schoolchildren and townspeople – both men and women. There were nuns and geishas, and even convicted criminals."[29]

Post-War Reconstruction

Close to the end of the war, on August 14, 1945, the United States bombed the area surrounding the Toyota plant. One bomb leveled a portion of the plant, but an advanced warning assured that no one died in the attack. Once Japan surrendered, Kiichiro started to look for ways to provide the basics to his employees. He recognized that there would be no market for automobiles for some time as Japan rebuilt itself from the destruction of the conflict. He looked into producing food, including raising loaches (fresh water fish that resemble eels) and making fish paste. He set up a chinaware franchise and worked to produce concrete for housing. Much needed clothing was already being produced, as the spinning plants were still in operation. As part of the Toyoda *zaibatsu*, the spinning plants enabled the automobile company to survive even when the Japanese economy could not support automobile consumption.

Nevertheless, Toyota received orders from the occupation government that allowed them to build trucks and buses in 1946. The only project Kiichiro started in the immediate post-war era that continued was the concrete production, which became Toyoda Soken. Later, to support the company, Toyota opened some dry-cleaning businesses. Also, in 1946, the government passed the Labor Union Law, creating unions in all businesses in Japan. Toyota was no exception, thus forming the Toyota Motor Koromo Labor Union in January 1946.[30] The labor unions were a huge obstacle to the Japanese, as to this day, unions in Japan have little power over the company.

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[29] Eiji Toyoda, *Toyota: Fifty Years in Motion* (New York: Kodansha International, 1987), 64.
[30] Toyota Motor Corporation*, Toyota: A History of the First 50 Years*, 98.

Management did and does not view unions in a positive light, as they feel that the company should do what is best for the employees, and that a union will only hinder the day-to-day business. However, since the order came from the occupational forces, the Japanese had to comply.

Toyota worked closely with the Allied Headquarters (GHQ). In 1946, Kiichiro found that the company could produce a limited number of trucks to use for reconstruction efforts. Moreover, he began working on plans for a new car, so that when GHQ eased restrictions on cars the company would be ready. Kamiya was also selected as an advisor to the GHQ for the automobile industry. He often used his knowledge and influence to make gains for the company and the industry as a whole. Kiichiro's work paid off. In June 1947 GHQ asked Toyota for 50 cars to use for their office. The company also held a contest to find a nickname for the new car. The company selected Toyopet.

The United States worked to restrict the rising inflation in the Japanese economy. One measure was the "Dodge Line" instituted in 1949. Highly controversial, it insisted that the Japanese would need to balance the budget while decreasing the money supply. The government would also need to reduce intervention in the economy through a gradual phase out of price controls. Finally, the government would eliminate support and funds given to private companies.[31] Eiji noted that while the policy "was successful in curbing inflation, it threw the country into a deep recession."[32]

As part of the strategy of occupation, the Supreme Command for the Allied Powers (SCAP) also wanted to remove concentrations of power, like those found in the

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[31] James L. McClain, *Japan: A Modern History* (New York: W.W. Norton & Company, 2002), 573.
[32] *Toyota: Fifty Years in Motion*, 101.

zaibatsu, which propelled the Japanese economy to its pre-war power. *Zaibatsu* were large and diverse operations, essentially a form of big business. Unlike the American model, the Japanese *zaibatsu* frequently contained manufacturing and mining ventures, as well as banks, shipping, and trading companies.[33] While Toyota was not as large a *zaibatsu* as Mitsui or Mitsubishi, its diversification was still troubling for the Allied commanders. The commanders were nervous because, during its early years, Toyota was part of the "new" *zaibatsu*, "business complexes firmly based upon heavy industries – steel, chemicals, engineering, electrical machinery and automobiles."[34] Therefore, by order of SCAP's Enterprise Reconstruction and Reorganization Plan, Toyota detached some of their companies, such as Nippondenso and Toyoda Spinning and Weaving.[35] Moreover, Toyota, as a restricted concern, could also not "own stock in another company" nor "have their personnel serve as staff members or employees of another company. Furthermore, staff personnel or employees of a restricted concern were either forbidden to own any stock in another company or the number they could own was limited."[36]

Fortuitously, in 1947, Taiichi Ohno came to the Toyota Motor Company from Toyoda Spinning and Weaving. He was put in charge of the second machine shop and immediately saw a great deal of waste in the manufacturing process. The just-in-time system started by Kiichiro declined during the war, but he saw that now with recovery the system could once again aid the company. Ohno worked to refine this system, and first started this process in the machine shop he managed. His first suggestion was to arrange

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[33] Mansel G. Blackford, *The Rise of Modern Business in Great Britain, The United States, and Japan* (Chapel Hill: The University of North Carolina Press, 1998), 106.
[34] Ibid., 159.
[35] Toyoda, *Toyota: Fifty Years in Motion*, 101.

the machines in the shape of an L to have workers operate more than one machine. Employees at first resisted the implementation of this process, but Ohno's system eventually triumphed with the backing of management.

Additionally, Ohno initiated another system that of the *kanban*, or signboards, that would convey "information in and between processes on instruction cards."[37] Along with the signboards and cards, Ohno encouraged workers to question the processes, asking "why" five times to find the solution. The company limited wasted movements as well, and would arrange machines and tools in such a manner that would support the flow of work. Some of these techniques were supposed to help morale and worker pride, but more often than not, forced the workers into a confined area for the entire day. While production increased, the workers frequently felt more like robots than humans.

One reason for the implementation of these new arrangements, as well as with the *kanban* system in general, is the way that the Japanese unions operated, and continue to operate today. Quite different than in the U.S., most unions in Japan are company, not occupation, based. At Toyota, like many Japanese companies, employees learn a number of skills and jobs rather than focusing on one specific area. This allows for the company to make changes to operations that unions in America would never allow. The workers often focus more on what is good for the company than what is good for themselves. This practice tends to create company loyalty and unity between the employees. Employees feel ties to the company, and would rather work with management than fight

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[36] Kamiya, *My Life with Toyota,* 112.
[37] From the Toyota Motor Manufacturing, Kentucky, Inc., http://www.toyotageorgetown.com/history.asp

them at every step. Also, the Japanese system tends to create bonds of trust and assurance between employees and management.[38]

Rebuilding and Recovery

The year 1950 was a tough and busy one for the company. The union went on its first, and only strike, when Kiichiro found himself forced to go against his words. In order to raise money to continue production, Kiichiro had to turn to the banks. The bank managers decided that to save money, the company needed to cut back on employment. When Kiichiro announced this decision to the workers, they went on strike. Negotiations dragged on for some time. Following traditional Japanese bushido beliefs, Kiichiro took the blame for the problems and sought to restore the honor of the company by resigning thereby ending the conflict.[39] Taizo Ishida, then president of Toyoda Automatic Loom Works, came to take his place. Eiji believes that Kiichiro selected Ishida in order to "win back confidence in the company" from the banks and employees as the Loom Works consistently made high profits.[40]

Also in April 1950, the company opened Toyota Motor Sales Company (TMS) with Kamiya as the head. As with other branches, the anti-*zaibatsu* laws would not allow the sales department to function within the same company. The three main business objectives for the new company were "marketing automobiles and automobile

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[38] For more on Japanese labor unions see William K. Tabb, *The Postwar Japanese System*: *Cultural Economy and Economic Transformation* (New York: Oxford University Press, 1995), James C. Abegglen and George Stalk, Jr., *Kaisha*, *the Japanese Corporation* (New York: Basic Books, 1985) and Mansel G. Blackford, *The Rise of Modern Business in Great Britain, The United States and Japan* (Chapel Hill: The University of North Carolina Press, 1998). Eiji Toyoda briefly covers the role of the Toyota union in his memoirs.

[39] For more information on the ideas of bushido, and how they influenced Japan, see *Bushido: Samurai Ethics and the Soul of Japan* by Inazo Nitobe (Mineola, New York: Dover Publications, Inc., 2004), first published in 1899. The bushido beliefs and samurai ethics stressed loyalty and honor, with the central tenets stating that the samurai would give up everything for his lord. In a business sense, the president would give up everything for the company, including his job, if that is what the company needed.

components; acting as an accident insurance agent; and performing all business related to the foregoing two items." The company decided to act autonomously and not favor the Toyota dealers or the company. Another goal was to "keep its profit margin at the approximate level as Toyota's former Sales Department, and therefore not cause an increase in production costs." Kamiya also stated that they would study the market to promote sales of vehicles to all people, as well as maintain close relations with other dealers.[41]

The year 1950 brought other changes as well, when Toyota started to draw up cooperation plans with Ford. Unfortunately, or possibly fortunately for Toyota, no sooner had the two companies finalized the deals, when North Korea invaded South Korea, launching the Korean War. Part of the deal stated that Ford would send technicians to Japan to help Toyota, but the U.S. government would not allow these people to leave the country and the deal had to be cancelled. Nevertheless, Eiji and others were allowed to view the Ford plants and took this opportunity to travel to the United States. Eiji was startled to find that Toyota was not all that far behind Ford and other companies in terms of capabilities. Indeed, if Toyota would increase the output, they could easily reach the same numbers as Ford and GM produced.

Eiji instituted the suggestion system in 1951 after his trip to the United States. Under this system, the company encouraged employees to make suggestions to improve the products, working conditions, and other aspects of the company. The company set up a new board, the Creative Idea Committee, to review these suggestions. Top managers often held positions on the board, supporting the involvement of employees from all

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[40] Toyoda, *Toyota: Fifty Years in Motion*, 104.
[41] Kamiya, *My Life with Toyota,* 115.

levels of the company.[42] Until 1965, however, the number of suggestions remained small. The company sought to encourage employees to make suggestions, and promoted a system that felt less formal. For example, the company replaced some kanji (formal, ideographic) characters with the phonetic ones. As a result, the amount of suggestions exploded after 1965, surpassing the three million mark by 1979. By 1979, over 90 percent of these suggestions were put to use, emphasizing the relationship between managers and employees.[43]

MITI, the Ministry of International Trade and Industry, granted financial assistance to Toyota, Nissan and Isuzu in 1951. Originally named the Ministry of Agriculture and Commerce, and going through other name changes as the country propelled itself to industrialization and world war, MITI as it came to be known was first established in 1949. MITI was the most important agency in industrializing and propelling Japanese business in the post-World War II era. The ministry could interfere in business, and would often focus the economy on one industry to push Japan forward.

By the time MITI granted assistance to the three main automobile companies, American occupation forces were starting their withdrawal from Japan, leaving the Japanese to work out their own policies. Toyota, Nissan and Isuzu received tax exemptions on imported production machinery, as well as other assistance in order to rebuild the industry. While other companies developed ties with foreign automakers, Toyota focused its energies on in-house production. Eiji hired Kenya Nakamura to develop a new passenger car that would be good for the taxi industry. The company asked representatives to send feedback on what they wanted, so that Toyota could

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[42] Yuzo Yasuda, *40 Years, 20 Million Ideas: The Toyota Suggestion System* (Cambridge and Norwalk: Productivity Press, Inc., 1991), 19.

produce a car that would sell. In March 1952, Kiichiro died, and Risaburo died two months later. These two men, so important for the early developments at Toyota, left behind a legacy that the new leaders felt had to succeed. But to do so, the company needed to sell the cars that Kiichiro so struggled to produce.

That summer, Kamiya pressured Ishida to reduce the cost of the cars. In order to continue to sell cars, the company had to produce vehicles that could compete with imports. In order to do so, the price had to go down. The company cut prices twice, and in December 1952, the company saw a rise in sales. Kamiya believed that lowering the price on the vehicles would increase demand, which would in turn raise production and lower the costs. Moreover, as a tandem strategy, Kamiya noted that they starting in 1952, the company moved to a fixed-price system. In 1953, Toyota decided to promote a new automobile marketing system, partially by employing college graduates as salesmen.[44]

Taiichi Ohno, the father of the *kanban* system, used technology from Ford to once again increase production. He implemented the use of a monitoring switch, along with lights, to allow workers to watch more than one machine. The switches would shut down any malfunctioning machine, and a light would notify the workers of the problem. As a result, he saw a rapid increase in production in his machine shop. The new system was put into place in other areas, as well, but there was some resistance to the increased responsibility. Nevertheless, upper management supported Ohno, so the company implemented the new measures.

To promote sales and prepare for a new car design, Kamiya set up Tokyo Toyopet Company in March 1953. Essentially, this company, located in Tokyo, was a dealership

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[43] Ibid., 71-72.
[44] Kamiya, *My Life with Toyota*, 58.

under the management of Toyota Motor Sales Company. He wanted to increase sales in Tokyo to influence the market in the rest of Japan, and establish Toyota as a successful company.[45] Moreover, this office could act as a testing ground for new sales techniques, which other dealers could later implement. It would also act as a barrier in case of decreased demand, as the new dealership could strategically hold some of the unsold cars.

The two big sellers for Toyota at this time were the Toyopet Super and the Crown. The Super sold well in the taxi market. The first Crown model came off the assembly line on New Year's Day, January 1, 1955, driven by Eiji himself. The car sold well to private individuals, and later to taxi companies. Toyota released a new model of the Crown, the Deluxe, to draw in new consumers. One of the most interesting features of the Crown model is that the rear doors opened from the center to the back, and that most of the components for the vehicle came from in-house production. With these two successful models, Toyota was now well on its way to establishing itself in the Japanese automobile market.

Despite these few successes, trucks still constituted the majority of the vehicles that Toyota sold. Rival Nissan dominated the domestic car market, and Toyota struggled to surpass them. In 1950, Nissan produced 54.3 percent of the total number of cars in Japan, while Toyota only made 29 percent. Within a year, Toyota had significantly evened the odds with Nissan at 47.2 percent and Toyota at 40.7 percent. Over the next few years, the two companies competed for dominance, even as other companies began to emerge as competitors as well.[46]

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[45] Ibid., 63.
[46] Cusumano, *The Japanese Automobile Industry,* 98.

Specifically to battle Nissan, Toyota created a new model, the Corona. The first Corona models were available by the late 1950s. Unfortunately, the car did not perform well. The company received reports that it was not sturdy enough for the Japanese roads, which at the time were incredibly bumpy and uneven. Regrouping, they labored to fix the errors and make the Corona another quality car. Once these updates were complete, the company deliberately decided to advertise the improvements. The advertising campaigns focused on the cars going through torture and still running. One commercial even showed the car pushed over a cliff, and once it landed, a driver managed to drive it away. These ads led to increased sales, but Nissan continued to outsell Toyota.

Push to the United States

Ever resourceful and far thinking, Shotaro Kamiya pushed the company to open an office in the United States. He realized that the company needed to gain a footing before the American government began to restrict imports in response to the rise of European vehicle sales. In October 1957, Kamiya set up Toyota Motor Sales, USA in Los Angeles. Shortly afterward, two Toyopet Crown models sent to the United States received a warm welcome. Ironically, road tests showed that the car could not perform on the smoother American roads. The engines could not handle the higher speeds common on American highways either, leading to breakdowns. The name of the cars was problematic as well, going by the nickname Toyopet.[47]

Eiji recognized the need for a new plant in Japan to keep up with the possibility of increased demand. At first, he wanted the plant to accommodate 10,000 vehicles a month, but after some time, submitted a proposal for one that could produce 5,000 a

month. Soichiro Toyoda was put in change of the production committee, and worked much like his father, Kiichiro Toyoda, did in watching the construction. He often went to the site to ensure the building went smoothly. The company named this new facility the Motomachi Plant, which was really three smaller plants, a body shop, a painting shop, and an assembly line, combined in one location.[48] By August 1959, after eleven months, the plant was ready for operation.

Meanwhile, in the American branch, the company decided to postpone selling passenger cars in the United States. Instead, they would sell only the Land Cruiser model, until the engineers in Japan designed a vehicle that would be a viable product in the American market.[49] The Land Cruisers sold relatively well and managed to keep the fledgling branch open. In 1963, Toyota sold 1,096 Land Cruisers. The next year, they offered limited numbers of the Tiara car models, which were only a slight improvement over the Toyopet. Significantly, in designing their next car, the company researched the desires of Americans and found motorists wanted some luxury in an affordable car. In the summer of 1964, engineers had a prototype of the Toyota Corona ready. By May 1965, the American staff had their new cars to sell, including adjustments made to fit the American standards.

Part of the reason for the import market's decline and then rapid rise was due to the actions of the Big Three - Ford, GM and Chrysler - in America. In response to the rise of imported vehicles, in the late 1950s and early 1960s the American companies cut

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[47] Toyopet looks like a combination of Toy and Pet in English, something that would detract American buyers. The company realized that people would not want to buy an automobile that had toy and pet in its name. This problem is just one of the hazards of foreign markets and brand names.
[48] Toyoda, *Toyota: Fifty Years in Motion*, 125.
[49] Toyota Motor Sales, U.S.A., Inc., *Toyota USA: The First Fifteen Years* (Torrance, California: Toyota Motor Sales, U.S.A., Inc., 1973), 9.

"size, weight, and price" for their own cars, causing a sharp decline in the percentage of imports sold. By 1963, these American companies reverted to their old standards, as the import market was now only a small percentage. The majority of these American vehicles increased in both size and weight. The length increases were only a few inches, but the weights increased often by 300 pounds or more over the decade. As a result of the changes in the American vehicles, as well as an increase in the status of owning an import, the sale of imports began to rise, reaching 15.1 percent of the U.S. market by 1971.[50]

The new Corona model, called the Tiara in the United States, "was the first imported car tailored exclusively to the needs of the American motorist."[51] It was set at an affordable price and offered some of the comforts of larger vehicles. As part of a strategic marketing campaign, Toyota waited for dealers to have enough vehicles on hand to sell before they launched the advertisements. When they did advertise, the company used the local version of national magazines, like *Life* and *Time*. They also worked with the dealers to make a television commercial, which ran for eight months.[52] In 1967, the company developed a new slogan, based on a customer testimonial. This slogan, "Get your hands on a Toyota and you'll never let go," reflected the growth and respectability of the company in the United States.

In the late 1960s, Toyota Motor Sales, USA sought to expand their network to handle the new models. One man they recruited was James Moran, one of the largest Ford dealers in the United States. His story is typical of many Americans. At first, he

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[50] John E. Kwoka, Jr., "Market Power and Market Change in the U.S. Automobile Industry," *The Journal of Industrial Economics* 32, No. 4 (Jun., 1984): 516-517.
[51] Toyota Motor Sales, U.S.A., Inc., *Toyota USA the First Fifteen Years*, 12.
[52] Ibid., 13.

was reluctant to work with Toyota. He decided to test-drive one of the vehicles before making any decision. "Moran took the car out on the interstate, and he was amazed by its balance and tightness. Durability, however was a different matter, so Moran decided to give the car the ultimate test. While driving at fifty-five miles per hour, he threw the car into reverse. To Moran's amazement, nothing broke."[53] The more he learned about the company and their close relations with the dealers, the more that Moran realized he wanted to help the company and be part of it, and thereby also help the American consumers in the quest for an automobile that was of high quality yet also affordable.

Toyota released the Corolla in October 1966, six months after Nissan launched the Sunny (Sentra). To battle the competition, Toyota put a 1100cc engine in the Corolla, and then in their advertising, Toyota emphasized the extra 100ccs.[54] The car received a warm reception, selling 12,000 in 1966 alone. By 1976, the cumulative production of the Corolla was at five million cars! The name Corolla means "crown of the flower" and follows in the general tradition of naming the early passenger cars at Toyota. The company "gave all [their] early passenger cars names associated with 'crown' because [their] first passenger car, the Crown, had been something of a success and this was a good image [they] wanted to keep."[55]

Despite this success, shipping to the United States continued to be a problem for Toyota. The first shipments often arrived with heavy damages, with the average costs at $18 a car, or in 2004 dollars, $101.92 after adjusting for inflation.[56] After some talks

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[53] Togo, *Against All Odds*, 178.
[54] Toyoda, *Toyota: Fifty Years in Motion*, 134.
[55] Ibid., 135.
[56] The exact year for that figure was not provided, but judging by context it was around 1967. I used that year as the comparison year. Information on inflation was found at the following site http://eh.net/hmit/compare/

with the shipping company, damages decreased. Nevertheless, Toyota knew that it needed to enter the shipping business for the best solution.[57] During the summer of 1971, the International Longshoremen's Warehouse Union went on strike, causing shipments of Toyota vehicles to divert to other ports. The strike concluded in October, with help from a manager at Toyota.[58]

The Tumultuous Seventies

The 1970s were turbulent and trying years for the Toyota Motor Company, and automobile manufacturers in general. In both Japan and the United States, the governments passed emissions restrictions requiring full cooperation for higher standards by the late-1970s. In Japan, the government set up the Central Council for Control of Environmental Pollution. The council set deadlines for 1975 and 1976, with the most stringent deadlines in 1978. Larger companies in Japan, like Toyota, had a harder time meeting these deadlines, as they had to find different solutions for every car they produced. The Japanese press therefore often made Toyota a villain, pointing to smaller manufacturers' progress.

Toyota "swallowed [its] pride and asked [Honda] for the technology," of the CVCC (compound vortex-controlled combustion) engine, which enabled Toyota to get an extension on meeting the deadlines. In order to meet the restrictions, Toyota had to go to a rival, as on its own they could not meet the first levels.[59] The CVCC engine would not work for the later restrictions, so Toyota had to find other ways to reduce pollutants. The main problem was finding a catalyst for the engines. The company finally settled on using platinum and rhodium, for a short-term solution. The methods of using noble

[57] Togo, *Against All Odds,* 168-69.
[58] Togo, *Against All Odds,* 182-83.

metals and a three-way catalyst were expensive, so Eiji had the team continue until they found a better way.[60] By 1984 Toyota had a new engine design that used an "oxidation catalyst rather than a three-way catalyst to cut auto emissions."[61]

Most of the industrialized world depended on imported sources of oil, especially Japan. The major oil producing countries formed OPEC (Organization of the Petroleum Exporting Countries) in 1960 to protest demands placed on them by the major oil companies. This organization did not show its true strength until the 1970s when it first threatened to, and then did, cut and limit exports. OPEC holds nearly two-thirds of the world's oil reserves, and its members include countries from the Middle East, Africa, and South America.

The two oil crises, one in 1973 and the other in 1979, hit the automobile industry as hard as the environmental legislation. In the midst of dealing with emissions standards, the companies now also had to deal with rising oil prices and a slumping consumer market. With increasing tensions in the Middle East, which holds a majority of the oil, and is often seen as the core of OPEC, member nations tried to influence the West by threatening to cut off exports. When they did cut their oil exports, oil shortages in many nations, including the United States and Japan, were the norm. Toyota responded well to this problem, as their vehicles were smaller and more fuel-efficient than those of American companies. Oil was necessary to fuel the vehicles, lubricate the engineers and run the factory machines.

Overall automotive production increased in Japan until 1973, and after a slight drop in 1974, the numbers started to climb again. The only other dip in total production

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[59] Toyoda, *Toyota: Fifty Years in Motion,* 142.
[60] Togo, *Against All Odds,* 202.

came in 1981 and 1982. Toyota was even out producing Nissan by this point, sometimes by more than 10 percent.[62] Shotaro Kamiya's long-term plan finally paid off for the company.

Corollas continued to sell well, and the Celica, released in the mid-1970s, was a huge success. The Celica won Import Car of the Year Award in 1976, further raising Toyota sales. As oil prices stabilized, however, Toyota cars did not sell as well. Ever the entrepreneur, James Moran responded with "Toyotathons" to sell cars and people came around the clock. These sales were such a huge success that other Toyota dealers copied the idea. While sales did being to rebound, the second oil crisis proved a major sales ally in 1979. Again, people turned to fuel-efficient and well-made vehicles. By now, Japanese automobiles were so associated with these ideas that even American auto executives reluctantly recognized the quality.[63]

Starting in the late 1970s and early 1980s, the United States government, under pressure from domestic automobile companies, started to push the Japanese government to restrict the number of imported cars. As an alternative, some automobile companies in America suggested that the Japanese should build factories in the United States, an idea that six Japanese automobile companies, including Toyota, Honda and Nissan, later implemented. They did not specify how to build these factories, and some went in them as sole ventures, and others, like Toyota, tested joint-ventures. Toyota first decided to build a joint-operation plant to test the waters and develop strategies for further plants if needed. After unsuccessful attempts with Ford, the company turned to General Motors and the two agreed on reopening a recently closed plant in California. The new company

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[61] Toyoda, *Toyota: Fifty Years in Motion,* 143.
[62] Cusumano, 98.

became New United Motor Manufacturing, Inc., (NUMMI). After this test, the company decided to build its own venture in Kentucky. The plant was in operation by 1987.

Conclusions

What specifically attributed to Toyota's success in both Japan and the rest of the world? One of the most important features of Toyota, its emphasis on *kaizen*[64] and lean production, has continually helped the company produce affordable cars. These methods have also allowed for any problems with parts or cars to be solved before the company spends too much money on labor, back stock and production runs. By implementing the just-in-time method, Toyota does not need to stockpile large amounts of parts, and eliminates the need for giant warehouses. The suggestion system has helped improve company loyalty, as well as lead to improvements in the automobiles and work environment. The decisions of Taiichi Ohno, Taizo Ishida, Eiji Toyoda and Shotaro Kamiya gave the company a head start in certain areas, notably in the U.S. market. Military conflicts and government intervention kept the company alive and invigorated during difficult times. Still it was the two oil crises of the 1970s that gave the Japanese automobile industry as a whole the opportunity to fully break into the US market. With the rise of gas prices, the public in the United States and across the world demanded fuel-efficient cars. The affordable prices of the Japanese automobiles also aided their appeal. Along with high quality and dependability, as seen by the number of awards and glowing reviews, Japanese automobiles attracted consumers who were searching for an alternative to the often crude, unsafe, and low quality American-made vehicles.

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[63] Togo, *Against All Odds,* 203-07.

[64] *Kaizen* literally means "change for the better" or "improvement" and is a practice of continuous improvement. When applied to the automobile industry, it will often include the just-in-time system.

Because of their quick and able responses to all of the challenges facing the company, Toyota was able to surpass most American and many Japanese manufacturers. The foundation of the company going back to Sakichi continue to keep the employees and managers striving for perfection in their product. Moreover, good leaders enabled Toyota not only to adapt to new changes and overcome the challenges that often threatened to destroy the company, but the Japanese automobile industry as a whole often followed the example of Toyota. Even the once proud and unassailable American automobile manufacturers, finally accepting the blame for their decline in the domestic and world market, sought to emulate the Japanese methods to improve their products. Eiji Toyoda's educational tour of the United States to see what he could learn from the American system had finally come full circle.

American companies found themselves ill equipped to deal with imports. At first, many dismissed them as a fad, or found that they held such a small percentage of the market that it did not directly harm their profits. Even more serious than not responding to the threat effectively was that American manufacturers sent cars to their dealers expecting the dealers to fix any problems before and after selling the vehicle. The disastrous results, frequently reported to consumers in magazines such as *Consumer Reports* and *Time*, as well as by consumer advocates such as Ralph Nader, increasingly persuaded consumers to look elsewhere, and especially to the Japanese alternatives. Toyota and other Japanese manufacturers instead focused on fixing problems on the line and sending quality cars to the dealers to sell.[65] Japanese cars quickly gained a reputation of reliability and quality, even free of small defects, such as the trim falling off

[65] Togo, *Against All Odds,* 176-77.

the car.[66] The companies often included small "gifts" with the cars that other companies did not include, such as extra fuses or a trunk release inside the glove box.[67]

Nevertheless, for all of their technological achievement, from the advanced factories, fast responses to the environmental challenges, and constant innovation, and their quality, vehicles do not always sell themselves. It was the creative messages and the high quality of Toyota's advertising that propelled this once modest company to be one of the top companies in the world.

[66] Ibid., 177
[67] Ibid., 207.

CHAPTER 2

READY: INTRODUCING TOYOTA TO AMERICA

In 1957 Toyota was unknown to the American market. So, the first thing that the new branch had to do was to introduce itself to the American people. That task was not as easy as it may sound. In a world where the Big Three (Ford, GM and Chrysler), plus American Motors as a distant fourth, dominated the markets and convinced the typical consumer to look for bigger and bigger cars, Toyota seemed outclassed. The post-World War II prosperity only furthered the desire for "bigger and better" as consumers could spend where they previously saved and hoarded. European cars dominated the small vehicle market, making it even more difficult for Toyota to find a niche.

To make matters worse, the vehicles Toyota made did not handle well in America. But Toyota, fearing that they would be locked out of America if they did not open a branch soon, plodded ahead and launched themselves into the market. It took the new branch a number of years to find a small car to fit the needs and desires of the American consumer, but until then, they at least had a foothold in the country.

But the United States was not the first country to receive imports from Toyota. In the early 1950s, the company sent vehicles to South and Central America, and entered into agreements with nations in Southeast Asia. Although, Toyota found that many Australians harbored negative feelings towards the Japanese from World War II, they persevered there and even exported to the Middle East and Africa, with sales picking up in the late 1950s.

By the time Toyota was facing problems with its imports in America, the Big Three further aggravated conditions by releasing their own smaller cars. The ongoing

slump forced Toyota to close branches in America and focus its energies on one vehicle, the Land Cruiser, and plan for their comeback. That comeback came in 1965 with the introduction of the Corona.

Toyota Vehicles

One the main problem facing Toyota, as well as Nissan, in these early years was the price of their vehicles. For example, in 1957, European import cars sold for less in their home countries than Toyota and Nissan vehicles sold in Japan. Their cars were simply not competitive. Luckily for Toyota and Nissan, in Japan there was "a 40-percent value-added tax, in addition to shipping costs for importers," which kept the European prices high.[68] As a result, only 3.8 percent of vehicles sold in Japan in 1957 were imports.[69] It wasn't until the 1960s that these two companies began to improve the performance and output of their vehicles for the foreign markets.

As previously mentioned, the first Toyota to be a big success in the United States was the Land Cruiser. The vehicle itself was quite popular with American drivers, particularly rural ones. Toyota noted that the vehicle sold well in more rural areas, and it held up better than its competitors. After it debuted in the U.S. in 1958, the Land Cruiser was the only vehicle that the company sold in America. The Land Cruiser also sold well in other nations, as it was rugged and tough enough to handle extreme conditions.

Without the Land Cruiser, Toyota almost surely would have failed in its ventures in the United States. Their other products did not handle well on American roads. For example, the Toyota Crown was popular in Japan, but it tended to vibrate on American roads at speeds common to most Americans. Furthermore, the Crown would often

[68] Michael A. Cusumano, *The Japanese Automobile Industry: Technology and Management at Nissan and Toyota* (Cambridge, Mass: Harvard University Press, 1985), 131.
[69] Ibid., 387.

overheat on long stretches of road or when driving over mountains.[70] The name of the vehicles themselves, Toyopet, was unpopular with the public.

By 1965, Toyota was ready to introduce a new vehicle to the United States, the Toyota Corona. It was more powerful than the Volkswagen Beetle, and was similar in horsepower to the more popular American vehicles. After careful research and surveys of the American public, the company introduced features the customers desired. This was the first car the company was going to sell to American markets. The 2000 GT was a sporty model, noted for its speed. The company tested it in 1966, and set a number of speed records for automobiles. However, it was only available in limited numbers and for a limited amount of time.

Competitor Vehicles

As early as 1958, domestic manufacturers noticed the boom in small-car sales. American Motors, *Time* noted, "made an even smaller, 100-in.-wheelbase 1958 Rambler American." The car was small and economical, coming with its own "do-it-yourself instruction book to cut repair costs." That same year, by contrast, Ford redesigned its popular Thunderbird, making it bigger and more powerful. In fact, it grew in length by two feet, and had a V-8 engine.[71]

When the U.S. Senate voted to spend money to build a new parking deck for their cars, citing the growing size the vehicles, one Senator, Prescott Bush from Connecticut, stood up to deride the American automobile industry. *Time* reported that he rose against

> these gargantuan monsters being forced down the throats of the buying public. They are too big, too fast, too powerful. They are rapidly making obsolete our highways and endangering life and limb, and are enormously wasteful of raw

[70] Toyota Motor Corporation. *Toyota: A History of the First 50 Years*. Toyota City: Dai Nippon Printing Co., Ltd, 1988, 168. The company notes that the vehicle would vibrate at speeds over 100kph.
[71] *Time*, "The T-Bird Grows Up," January 6, 1958, p. 65.

> materials' that should be saved for national security. "Unless American manufacturers meet the public demand for smaller, cheaper cars, European imports will take over a steadily increasing share of the domestic market with serious effects upon employment in American automobile plants."[72]

Despite the now obvious foresight, however, other Senators stood up for the automobile industry, while some even failed to see the problem with bigger cars.

Even worse for the American automobile industry, the Senate Antitrust and Monopoly Subcommittee investigated the Big Four in 1958. The president of American Motors, George Romney, complained that the problem was "too much concentration of power by Big Business and Big Labor, too little competition." He proposed that Ford and General Motors should be split into smaller companies, as should any company with at least 35 percent of its industry's sales, and 25 percent if the company engaged in more than one industry. And since these companies had large investments in the industry, they were unwilling to work on building smaller vehicles. The president of Chrysler countered that the public wanted bigger cars and that the majority did not buy smaller models that Chrysler introduced in earlier years.[73]

A recession hit the country in 1958, spurring further problems for the automobile industry. Sales were "down about 25 percent from last year" in March of that year.[74] By the end of March, sales of even the middle-priced vehicles were down. One possible explanation, at the time, was that "[t]he decline in popularity of the middle-priced car parallels the decline in prestige of buying." Another explanation is the rise of foreign cars, which were becoming dominat in the small-car market. Some consumers enjoyed the prestige of owning a foreign car, but many in the market believed that foreign-car

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[72] *Time*, "Small *v.* Big Cars," February 10, 1958, p. 90
[73] *Time*, "Break 'Em Up," February 17, 1958, p. 88.
[74] *Time*, "Slowdown in Detroit," March 10, 1958, p. 82

sales would decline after some time. One person, the president of Manhattan's Hambro Automotive Corporation, believed that the import sales would never top 300,000. And at the time, his estimate seemed appropriate as "the U.S. auto industry has narrowed from more than 2,000 different automobiles to 17 makes turned out by five major companies that produce 96 percent of all cars sold in the U.S."[75]

Toyota's main competitor, in terms of the size of vehicles and market Toyota wanted to break into, was Volkswagen. Before 1965, Toyota was still a minor player in the American market. Consumer Reports noted

> In the United States, all small cars live, in a sense, in the rotund shadow of the *Volkswagen 1200*. *VW*'s sales figures are double all its rivals' put together. By comparison with monthly *VW* sales of around 30,000 cars, two of the three cars tested for this issue, the *Datsun* and *Sinca*, sell about 1000 per month, and *Saab* sells even less.[76]

But by 1965, the Volkswagen was facing more serious competition. Besides the release of the Toyota Corolla, others, such as Datsun and Saab released their vehicles in the American market. *Consumer Reports* obviously liked the Datsun. In 1965 they reported that it was most like American cars "with its familiar arrangement of components, its comparatively quiet running, its relatively soft ride, full equipment and a level of quality in details of finish that would put many U.S. cars to shame."[77]

Between 1959 and 1965, the American market, in general grew. In 1959, the Big Three introduced their own small cars – the Chevrolet Corvair, the Ford Falcom and the Plymouth Valiant. European imports continued to dominate the small car market

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[75] *Time*, March 31, 1958, p. 76
[76] *Consumer Reports*, August 1965, p. 406.
[77] *Consumer Reports*, August 1965, p. 410.

however, with Volkswagen accounting for the largest percentage of sales.[78] Sales of American vehicles increased in 1959 and 1960, briefly dropped in 1961, and then climbed again through 1962 and 1963. For example, in 1959, Ford sold over 1.3 million automobiles, but in 1961 sold just over 700,000. By 1963, the company jumped back to over 900,000 vehicles.[79]

The American market was booming, as evident in the rising sales of the period. GM's earnings in 1964 were a remarkable $1.735 billion[80] after taxes, or higher than those posted by any company in American history.[81] In January 1965, U.S. automakers sold 693,323 passenger cars, an increase of 21 percent over sales of the previous year, and Chrysler and Ford increased their market shares to 14.4 percent and 27.4 percent respectively. The car that sold the best was the Ford Mustang, carving out an incredible 5.1 percent of the market in its first year.[82] Throughout the year, automobile manufacturers continued to sell and produce at amazing speeds, and some factories worked three shifts, seven days a week and still could not meet demand. More and more people were buying cars, and with an annual auto scrappage rate of 6,100,000 people needed to buy cars more frequently. 1966 models across the board grew longer, and compact cars were expected to fade out over the next few years.[83]

By 1965, more and more consumers desired luxury models, taking the sales of those vehicles to a record of 400,000 in a year. Seeing the increase, other manufacturers released models to compete with the market that Cadillac once dominated, including the

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[78] John B. Rae, *The American Automobile Industry* (Boston: Twayne Publishers, 1984), pp. 121-22. By 1968, Volkswagen accounted for 68% of all import sales.
[79] Ibid., pp. 124-25.
[80] Adjusted for inflation, this number would be the same as $10,565,448,517.52 in 2004.
[81] *Time*, "Wall Street," February 5, 1965, p. 101.
[82] *Time*, "End of a Cliffhanger," February 12, 1965, p. 84.
[83] *Time*, "Changeover in Detroit," August 13 1965, p. 65.

Chrysler Imperial, the Buick Electra 225 and the Chrysler New Yorker. Sales on sports cars rose as well, prompting new models in that field, from the Oldsmobile Starfire to the Chrysler 300-L. The luxury cars included a number of features as standard equipment such as automatic transmission and power brakes. More frequently these models had more comfortable seating, better suspension and larger engines.[84]

Ralph Nader and Safety

Nevertheless domestic vehicles faced a number of potentially crippling challenges. In their January 1965 issue, *Consumer Reports* noted that both Ford and Chrysler had problems with their early model 1965 vehicles. The letter that Ford sent to consumers did not mention possible safety factors, and later statements from the company underplayed the dangers of the vehicles. *Consumer Reports* believed that

> Ford is to be commended for extending this modification to cars already in the field. But the letter fails to mention that, without the "improvement," the rear suspension arm attachment may break loose from the chassis frame; this could result in the car's veering completely out of control.[85]

Even more disturbing developments came later in the year. In a Senate subcommittee inquiry on auto safety, Arjay Miller, the president of Ford,

> devoted the bulk of his testimony to summarizing the contributions that Ford has made toward safety on the highway. Among these contributions Mr. Miller included the "service campaign" that Ford "conducted to add reinforcement on the rear suspension on 1965-model *Fords* and *Mercurys* produced before September 24, 1964." The campaign was undertaken, Mr. Miller explained, because "severe tests at our proving grounds led us to believe that a failure could occur under extreme operating conditions after extended use."[86]

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[84] *Time*, "That Luxurious Feeling," May 28, 1965, p. 99.
[85] Consumer Reports, Jan. 1965, pg. 4
[86] Consumer Reports, October 1965, p 473-4.

Chrysler's response to the problems in their vehicles seemed to be better, if for no other reason than *Consumer Reports* did not later comment on their defects. Their problems were on a number of different models,

> all early *Plymouth Furys, Chryslers,* and full-sized *Dodges* are being called in from owners by their dealers for inspection to determine whether the steering-gear support needs re-welding. Without this reinforcement, the steering gear could break loose from its mooring, possible to result in loss of steering control.[87]

Chrysler, at least, seemed ready and willing to admit their defect, while Ford, it seems, was more concerned with profits than customer safety. Neither company stressed the importance or dangers of not fixing the flaws, which is not only regrettable, but unethical, yet sadly characteristic of the dark side of the American industrial culture. The emphasis on the "throw away culture" is clearly evident in this industry, as oftentimes the manufacturer made cars that would not last for more than a few years.

Amid the problems of Ford and Chrysler, General Motors also faced several crises. Despite lawsuits and claims that one of their vehicles was unsafe,

> GM's response has consistently been an unembellished assertion that the *Corvair* is a safe car to drive. It has said so to its critics, and it has said so to the plaintiffs in more than 160 lawsuits that have now been filed. It even said so while settling one lawsuit out of court for a reported $70,000. [88]

To make matters worse, GM stalled on delivering documents to a judge in one case. In continuing problems, the Federal Government and others began to draw up plans for a safety commission to set standards for vehicles.

While dealing these problems, the industry also had to face Ralph Nader's *Unsafe at Any Speed: The Designed-In Dangers of the American Automobile*, first published in

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[87] *Consumer Reports*, January 1965, p. 4.

1965. This work, along with complaints and lawsuits against automobile companies, set in motion what would become important legislation to improve the safety of motor vehicles. Nader felt the need to publish this book to display just how unsafe automobiles were, as most people did not realize the toll, both in human life and monetary, this new technology exacted. "In accidents involving all modes of transportation - motor vehicles, trains, ships, and planes – the motor vehicle accounts for over ninety-two percent of the deaths, and ninety-eight percent of the injuries."[89]

The major target for Nader's attack was General Motors and its Corvair. He tells the story of the woman who lost her left arm in an accident, and the cover-up by General Motors to settle out of court to avoid "expos[ing] on the public record one of the greatest acts of industrial irresponsibility in the present century."[90] As the trial revealed, General Motors knew about a defect in the vehicle, but did not instruct the public or the dealers in proper care or special products to fix the problem.[91]

Nader asserted that "the automobiles are produced with faulty features or components" and that it is "commonplace knowledge to those working in the industry." These vehicles were not limited to the *Corvair* but other models from General Motors, Ford and Chrysler. Nader reported on vehicles with brake problems, steering gears that broke loose, transmission problems, and many others. He applauded the work of Consumer Union, but many times due to budget constraints, these people could not fully test every vehicle, and certainly could not test them for extended periods of time.

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[88] *Consumer Reports*, September 1965, p. 426.
[89] Ralph Nader, *Unsafe at Any Speed* (New York: Pocket Books, 1966), 129.
[90] Ibid.,, 4.
[91] Ibid, 5-6.

One of the major problems of automobiles at the time, Nader contended, was that the steering columns were not collapsible and were responsible for harming drivers more often than the accident itself. Despite numerous reports and studies about the dangers of the steering assemblies, automobile makers at the time had yet to make "effective energy-absorbing steering wheels and non-penetrating steering columns either separately or, even better, in combination." In fact, the industry made excuses even with technological advances already available.[92] The designs of the automobiles were the cause of a number of serious injuries, and the manufacturers seemed unwilling to change their vehicles.

Besides faults with the vehicles and their design, Nader also attacked air pollution. He approvingly noted that already California began to issue new standards for vehicles to meet with their 1967 models. The industry's response was that the consumer would have to pay a higher price for these vehicles and the research to comply with the new standards.[93] Nader did applaud the implementation of safety-belts, although no automobile company promoted them as a safety feature at the time.

So what did this book mean for the automobile industry? Within a year of publication, Congress passed the National Traffic and Motor Vehicle Safety Act and the Highway Safety Act. The National Traffic and Motor Vehicle Safety Act was responsible for setting minimum standards that all automobiles must meet. The Act also created an advisory council that would collect data, inspect and sometimes test vehicles. Every vehicle, both imported and domestic, would have to meet the standards, as well as report defects, and turn over required information on vehicle testing. Since its passing,

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[92] Ibid, 75.
[93] Ibid, 112-28.

Congress amended this Act a number of times to include more strict timelines and broader goals for safety.[94]

Even before the book hit shelves, some American manufacturers made seat belts a staple for both the front and rear seats of their cars. The added cost, around $22, would be passed on to the consumer. In addition, Ford installed some 1965 models with a shatterproof windshield, and GM developed a device to limit the speed of a car should the consumer desire.[95] During the Ninth Annual International Auto Show in April, some doctors protested against certain practices of the automobile industry. Along with changes the U.S. government required for vehicles sold to the General Services Administration, including shock absorbing steering wheels and exhaust controls, these doctors pushed for similar changes on all models manufactured by the companies.[96] For its 1966 models, GM made a number of safety features standard, including rear seat belts, padded dashboards, backup lights, electric windshield wipers and outside left-hand mirrors.[97]

Toyota's Specific Advertisement Strategies

Amid these incurring challenges for the American automobile industry, Toyota made some major decisions about their advertising. First, they concentrated on four cities Los Angeles, San Francisco, Portland and Seattle. This move enabled them to "concentrate [their] forces" as well as "maintain control of the quality of the entire marketing and merchandising process."[98] The company also decided to focus on gaining a foothold in the import market first, comparing their progress only against non-

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[94] *Motor Vehicle Safety. U.S. Code Annotated*. Vol. 49, sec. 7 (1966).
[95] *Time*, "Safety, Front & Back," February 19, 1965, p. 92.
[96] *Time*, "The Price of Safety," April 16, 1965, pp. 87-88.
[97] *Time*, "Steps Toward Safety," July 16, 1965, p. 83.

American vehicles. Another strategic decision was in the choice of dealers: the company selected only those of high quality to sell their vehicles. To help implement their plan, the company also fostered relationships with financial institutions. Finally, they built and stocked parts in America.

By concentrating on a limited area, Toyota could focus their advertising budget on that area as well. They ran print ads in some of the major magazines, but knew that they needed to advertise on television as well. In order to find the funds to make the more expensive television commercials, the company "formed the first Toyota dealer advertising association. The dealers pooled their resources with Toyota on a 50/50 basis with Toyota furnishing all of the advertising materials" for brochures and pamphlets.[99] The company produced its first television commercial in three versions and ran it for eight months. This method allowed Toyota to set itself apart from the competition. Only American companies were producing commercials, and Toyota was the first import to break into that market. Toyota's sales increased, allowing them to turn to other forms of advertising, including billboards, radio and newspapers. They would no longer have to rely on the dealers to help subsidize their accounts, and could move into newer media.

Another big help to the company was the 1967 James Bond film *You Only Live Twice*. The sporty Toyota 2000GT brought the car and Toyota to the attention of more viewers than a single commercial or print ad. In the movie, which is set almost entirely in Japan, a female Japanese spy named Aki drives the sporty Toyota. Not only does the car handle well, it is also fast and looks good. And like a good spy vehicle should be, this one is equipped with numerous toys, including a television monitor. Bond's character,

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[98] "The Toyota Marketing Story," 6.
[99] Ibid., 7.

played by Sean Connery, seems impressed with the vehicle, especially when it out-maneuvers the bad guys in a chase sequence. The 2000 GT comes across as the kind of vehicle that both capable and good looking females drive, as well as one that even James Bond, a suave ladies man, could enjoy. Not only would it appeal to males, who would want to look as dashing as 007, but also some females who would like to mimic the style of the beautiful and competent spy Aki.

The company launched its first slogan in 1967, running it until the 1970s. This theme, "Get your hands on a Toyota and you'll never let go," was popular and came from an actual customer's comment. This slogan works well, especially when analyzing it from the reverse strategy test. Reversing the slogan gives you "Get your hands on a Ford (or GM or Volkswagen) and you *will* let go." The fact that this slogan is based on a customer comment also tends to lend credibility, at least for the consumer. If some customer felt that strongly about the vehicle, then it must be a good purchase!

Toyota's Print Advertisements

Toyota's early advertising was limited to specific markets and regions. Because the company only sold a restricted number of vehicles in precise areas, the company advertised in those areas only. This localized marketing enabled Toyota to save money on their advertising budget and work to build relations with consumers and dealers to prepare for future moves. In the earliest ads, Toyota's goal was to introduce their vehicle specifically to potential buyers rather than to make grand assertions about their company or the cars.

One of the first ads Toyota released in the United States was for their 1959 Toyopet Crown Custom. The ad itself was elegant, and prominently featured a strand of

pearls behind the vehicle. These pearls served to convey a known meaning, that of elegance, to an unknown, the vehicle. The text highlighted the interior space and the low cost, both to purchase and maintain. It even included the slogan "World's Greatest Automotive Value." In fact, the only other word in the ad that was as large as value is the name of the car, Toyopet. The company went as far as to assert that "[t]his is value unattained in any other automobile, regardless of price." Interestingly enough, the strand of pearls was the largest object in the ad, while the vehicle was centered slightly to the lower end of the ad. It was the pearls that communicate the value of the car. While they may not be diamonds, pearls can be just as elegant, and a strand of pearls is said to make any dress elegant. The ad, then, conveyed a sense of elegance. Buy this car, and it will be like buying a strand of pearls. You will have the beauty and elegance of larger cars (diamonds) for a lower price (pearls). And of course have money left over!

Another early ad was for the Toyopet Crown Custom Station Wagon. The ad was meant to appeal to families, with its mention of a roomy interior and extra space. It even utilized the theme of a vacation, with a dog and what appear to be a young boy in the front seat, and some suitcases in the back. The company highlighted the vehicle as serving dual purposes, "the double duty," which can include a beach trip or towing capability. One of the most striking features of the ad was that it attempts to place itself in the same category as other imported luxury vehicles. Looking at the ad, you can see the message that if you buy this vehicle, not only will you have family vacations, but your child will actually be looking forward to these trips. Additionally you are making a good purchase, as you will own one of the "World's Smartest Double Duty

Automobiles." All other vehicles are not only dumb, and their owners by extension, but not capable of functioning for more than one task.

The earliest ad for the Land Cruiser vehicle featured it completing a climb up a hill on some kind of off-road adventure. Besides the vehicle, the only other words were the name of the car, the company, and the horsepower of the Cruiser. This type of ad would appeal to those looking for a vehicle to handle the rough roads of the outdoors, or at least give the appearance as such. The Land Cruiser looked almost like an army jeep. Such a vehicle would easily appeal to men who want to appear manly and rugged, following the same vein as the Marlboro Cowboy.

The ad for the 1960 Tiara featured another interesting concept. On the right hand side of the ad, there was a color picture of a young person playing golf. One of the captions read that the Tiara has ample trunk space, enough to hold golf clubs and several suitcases. The ad mentioned that the trunk was larger than what is found on many other vehicles. It then described the easy opening and closing of the trunk, the benefits of the "canted center pillar" which made it easier to open the door, and the fact that the gas cap was behind the license plate. Clearly, owning the car was one step in the path to becoming successful, successful enough to play golf, as well as to store your clubs and suitcases in the trunk. Buying the vehicle might even improve your game, as the person golfing has just hit a ball that was heading towards the hole.

In 1965, Toyota had an attractive line of products available to hit the market. One ad played on that line, and announced the vehicles "[f]rom the world's most modern automotive plant." The word *modern* was especially important, as Toyota had in fact, recently completed their new plant that was filled with the newest and latest equipment.

Owning a Toyota, therefore, was to own a modern car, not one of those old and outdated vehicles that "other" people drove. The ad then mentioned the popularity of the Land Cruiser, stating that not only is it available in 78 countries, but that this vehicle was "recognized as the world's toughest, fastest and most powerful of 4-wheel drives." These terms are all subjective, as what is tough or fast or powerful may be different depending on the person asked. The slogan for this ad stated "the tough ones come from Toyota." Reversing that slogan would imply that the other companies, such as Ford or GM, don't make tough vehicles. And if they don't make touch vehicles, what do they make? And what does that say about you? By driving a Toyota, according to the ad, you were a rugged individual, a cowboy or frontiersman if you like. In addition to a number of different Land Cruiser models, Toyota included two models of the Crown, the Corona, and the Stout. And in case you did not want a rugged vehicle, the ad also mentioned that the passenger cars have "outstanding beauty and power." All of those "other" cars, and by extension the people that own them, are ugly and weak. Toyota owners, if you followed the logic of the ad, were tough, powerful, modern, and beautiful (or handsome).

By 1967, Toyota had more models and awards to mention in their ads. One ad from this year featured the Toyota 2000 GT and the Corona. The GT was noted for its speed records, and the Corona for being the "'Hottest of Imports.'" The print explained that the Corona has increased Toyota's sales and position from simply being one among many, to fourth or higher depending on the list.

Competitor Print Advertisements

Toyota was not alone in the American market. Besides competing against the well-established American manufacturers, Toyota also had to compete against companies

from around the globe. Several of these companies, like Volkswagen or Fiat, penetrated the market before Toyota hit the shores. To properly examine Toyota's advertisements, therefore, it is important to study several competitors to show how Toyota attempted to either set itself apart, or blend in with other companies.

Time reported that in 1958, Buick moved to a new advertising agency. Before 1958, their advertising was rather successful. In the hands of Kudner Agency, Buick went from "selling fewer than 100,000 cars a year" to "third place in 1954 (513,497 sales)," placing Buick just behind Ford and Chevrolet. Kudner was responsible for slogans, used in many print ads, that were catchy and appealing: "Better Buy Buick" "Hot? It's a Fireball" and "When better cars are built, Buick will build them." However, Kudner did not do well with television ads, and sales began to slip.[100] Buick eventually picked McCann-Erickson, and that company dropped their account with Chrysler to move to Buick, in hopes of courting other General Motors accounts.[101] By April, Kudner was off all of GM's accounts.[102]

One of the most surprising competitor ads in 1958 was for La Dauphine by Renault. La Dauphine was even written in a script font, to make it seem even more French and exquisite. The main feature that Renault announced was that their vehicle was "4-Door, 4-passenger, over 40 miles per gallon!" In the smaller print, the ad continues with "...the *finest low-cost way* to beat today's high cost of driving! Distinctively French…and, feature for feature unexcelled in its field." The company was playing to consumers who would want to look refined and cultured by emphasizing the

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[100] *Time*, January 6, 1958, pp. 65-66. The article notes that sales "dropped from 737,879 in 1953" to "332,102 for the first ten months of 1957."
[101] *Time* February 24, 1958, p. 88.
[102] *Time*, April 7, 1958, p. 96-97.

country of origin. But price would also be a concern to some drivers, as noted in the ad with the high cost of driving. Buying a Renault, therefore, could lower their cost, as this car achieved "over 40 miles per gallon!" What a deal!

Another ad for the same vehicle portrays it as a fun car to own. The picture showed a large group of people gathering at a large body of water to fish. The slogan pushed this angle stating, in a font made to look like handwriting, "made in France to make driving fun again!" It is complete with a lipstick-smeared kiss for accent. At the top, the ad pushed even more French at the consumer "le plus=the most!" This vehicle was "the most fun" has "the most mileage per gallon" with "the most comfort" in "the most smallest" and "most versatile" all at "the most lowest cost" for "the most immediate delivery!" So, not only would the consumer invest in "the most chic" vehicle, they would also have a great deal with plenty of comfort and amenities, and save money on gas.

By contrast, Buick launched a series of ads for their new vehicle, the Limited. Even the name conveyed a sense of elegance and importance. This vehicle was limited, and therefore special! The phrase served to remind the consumer of the "limited special edition" frequently used for items of limited production, making them not only special but seem expensive and high class. Each ad pushed the focus on comfort and luxury. The vehicle was so limited and important, and large, that it requires a full two-page ad! In one ad, a group of men who look like old nobility or at least members of the upper class, dressed in fancy suits complete with top hats, seem to be admiring the new Limited. In another, a young woman on horseback comes up beside the car to admire its luxury. The headline for each ads emphasized that it is "The World's Finest

Automobile." Even the text that accompanies the ads appealed to those looking to appear classy, ending with suggestions that the consumer make an appointment for a "personal inspection and demonstration" as "your Buick dealer will be understandably proud to introduce you to" the Limited.

Conclusions

As Toyota entered a market filled with large cars from the American manufacturers and dominated by European vehicles in the compact-car area, they not only had to introduce their products, but attempt to carve out their own consumer base. Their early advertisements sought to introduce the public to the Toyota vehicles and models. After building a small customer base, the company was able to launch a larger campaign, although in a limited area. In 1967, Toyota increased its exposure with the 2000 GT appearing in *You Only Live Twice* as well as their slogan "Get Your Hands on a Toyota and You'll Never Let Go."

Compared with their competitors, Toyota seemed to do little to set itself apart stylistically, both in the substance of the ad and in the target markets. Unlike Volkswagen and its famous "Think Small" campaign, Toyota did not use creativity to break into the American market. Instead, their ads are similar to contemporary competitor advertisements, such as the Buick Limited series. Not all of their advertisements are loaded with information either, but the majority contained enough print to inform consumers about Toyota vehicles. Nonetheless, neither Buick, Volkswagen nor Renault, and probably not even Toyota itself, could have envisioned how prophetic Toyota's slogan could actually be: "Look who's talking like a champion."

CHAPTER 3

STEADY: TOYOTA'S EXPANSION INTO THE AMERICAN MARKET

By 1970, Toyota had established itself as an alternative automobile for the average consumer. Moreover, the company had met what would be their first goal in America – to establish themselves and grab some kind of share, no matter how small, in the market. In fact, Toyota was the second largest automobile importer in the United States, just behind Volkswagen. Their next goal would be to set themselves apart from the competition. The economically turbulent 1970s would provide the perfect ground to make the transition.

At first, Toyota sought to set itself as a contrast to other imports, both from Japan and those from Europe. This task proved to be easier than first imagined, especially as more and more Americans flocked to purchase smaller cars. Toyota's sales not only increased, enabling the advertising budget to increase, but word-of-mouth and favorable reviews aided Toyota's exposure. Indeed, amid such success, as early as 1971, many American industries feared the Japanese industrial powerhouse. Some even started calling the country "Japan, Inc." in response to its rapid rise from post-war destruction, like a phoenix being reborn from the ashes. More and more, Japan was something that American industry was beginning to fear and face in the market. Being dubbed "the Japanese miracle," Japan was now the third most productive economy in the world, behind only the United States and the Soviet Union.

Japanese industries, at this time, had to deal with rising protectionism in the United States. The same is true for those looking from the American perspective. In 1971, many American managers were upset with the help their Japanese counterparts

received from their government. Especially irksome was the policy of the Japanese government to close "its domestic economy to many foreign goods and most foreign capital investment." The automobile industry, especially, felt the blows. "Ford and Chrysler have been delayed for years in attempts to buy into the booming Japanese auto industry, and General Motors has won permission for only a limited investment."[103]

Part of the reason for the success of Japan and Japanese businesses came from their own government. The Japanese government was willing to support businesses, and gave money to sectors that they, via MITI, marked for priority. But more importantly, it would seem, the Japanese automobile industry was able to respond quickly to external threats and consumer desires. But even more important and helpful were the conditions facing the automobile industry. The response of the Japanese manufacturers, and the general trends they set, helped them as the industry dealt with a number of unpredictable attacks. From the environmental standards to the oil shortages to inflation, the markets became highly unstable during this tumultuous period.

Toyota Vehicles

Toyota's sales in 1969 were 130,044 vehicles in the United States alone. American manufacturers began to notice the increase in sales of imports and made an attempt to halt their progress. Nonetheless, despite the huge differences in number of dealerships (almost 10 to 1 against Toyota), Toyota managed to increase sales to 208,000 in 1970 and to almost 310,000 in 1971. These skyrocketing numbers troubled the Detroit-based companies, and with a sudden surcharge on imports and a dock strike in

[103] *Time*, "Japan, Inc.: Winning the Most Important Battle," May 10, 1971, pp. 85-86

1971, prices on Toyota vehicles increased. Toyota had to turn to advertising to set itself apart as more than just the most affordable vehicle in its class.[104]

By 1971, Toyota had the highest-ranked car in its class, according to *Consumer Reports*, which called this class of cars subcompact. At the time mainly foreign vehicles dominated this group. Although domestic manufacturers sought to break in, by 1971 most had not fared well. Toyota had three vehicles ranked by *Consumer Reports* in this class with the Toyota Corona Mark II at the top of the list followed shortly by the Datsun 510 and the Fiat 124B. It is not until fourth place that a domestic maker scored a hit with the Chevrolet Vega, and even then, it was tied with two other vehicles - the Opel 1900 and the Toyota Corona.[105]

The problems that *Consumer Reports* found with Toyota's vehicles were common with most of the other vehicles in the subcompact class. They were loud, or they did not handle as well on bumpy roads, or there was not enough leg-room or space in the back seat of the vehicle. The company corrected some of the problems they found with earlier models. For example, a sample of the Toyota Corolla 1200 in 1971 shows some of the following trends:

> Pedal efforts were moderate…
> In normal driving, the car responded predictably and fairly quickly to its steering. Neither bumps nor crosswinds pushed the *Corolla* far off course. Directional stability and normal handling were good…
> That change in the car's attitude was controllable, though, and we judged the emergency handling fair-to-good…
> We judged the *Corolla*'s light-load ride poor-to fair. The incessant buzz of the engine and the road roar made the *Corolla* noisy…
> We judged the rear-seat comfort poor…
> Our *Corolla* arrived with only 12 defects – about half the average number for cars that CU has tested this year – and most were minor.[106]

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[104] "The Toyota Marketing Story" p. 11.
[105] *Consumer Reports*, September 1971, p. 548.
[106] *Consumer Reports*, September 1971, pp. 544-5

Compared with other vehicles they tested, some of the complaints were indeed minor. The Chevrolet Vega was cited as having horrible ground clearance. "With no one in the car, a scant five inches separated the exhaust system from the road. With a full load, clearance dropped to 3.8 inches. During our pre-test driving, the engine oil pan (0.2 inches higher than the exhaust system) struck the road several times; that should never happen."[107]

Competitor Vehicles

Toyota faced stiff competition in the American market. Toyo Kogyo Co. Ltd., the company that makes Mazda, bought the rights to produce the Wankel engine in the 1960s. This novel engine, designed in Germany, swapped cylinders and pistons with a triangular rotor that rotated in a figure eight shaped combustion chamber. More importantly, this engine was easy to alter to meet the 1975 standards for automobile emissions in the United States. While Mazdas were more expensive than other similar cars, some consumers enjoyed the "jackrabbit speed and smooth riding. The Mazda can accelerate from zero to 60 in 12 sec., and the faster the car is driven, at least up to 100 m.p.h., the quieter it sounds to passengers."[108]

In 1970, U.S. consumers bought over one million imported vehicles, for over 14 percent of the market. Small car sales accounted for 33 percent of all automobile sales in the United States at that time. American companies hoped to hold the number of imports sold at that number, but in January of 1971, 15.5 percent of all vehicles sold in America were imports. In fact, the Japanese made the most gains. "Toyota's U.S. sales in January [of 1971] almost doubled from the level of the previous year to 20,016 cars; Datsun's

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[107] *Consumer Reports*, January 1971, p. 10

almost tripled to 13,610." While American manufacturers were producing small cars to compete with the imports, these cars did not sell well. As *Time* Magazine reported, some argued that "Detroit did not make its subcompacts quite good enough or cheap enough to win over the majority of import buyers." Some consumers still preferred the American models, though, for Detroit did sell some subcompacts. American manufacturers even released a few more automobiles to that market in 1971, including the Pontiac Ventura II, a second model of the Ford Pinto, along with the preexisting Chevrolet Vega and the American Motors Gremlin.[109]

Lincoln-Mercury went through an overhaul of its products in the late 1960s, with new models out in 1967-68, and sales picking up shortly afterwards. In the wake of the failed Edsel, Lincoln-Mercury had little to offer the consumer until these new models debuted. Soon, the new Cougar outsold Pontiac's Firebird, and the new Continental Mark III "picked up 19 percent of the luxury-car market, which was once the all but exclusive preserve of Cadillac." The president of the company, Ben Bidwell, eagerly watched their growth and enjoyed selling what he believed the consumers wanted. "'You can't bull the public about cars. All the pizzazz in the world can't hide an ineffective dealer organization or a poor product… Little cars and luxury cars are selling well, … and we happen to be one of the few division that have both.'"[110] Lincoln-Mercury's success was remarkable, but it would not be able to recover to its former glory with import sales on the rise.

Sales for the compact sports vehicles dropped in 1971 compared to sales of the same vehicles in 1968. These cars, such as the Ford Mustang, Pontiac Firebird and

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[108] *Time*, "The Wankel Challenge," April 5, 1971, p. 84.
[109] *Time*, "First Round to the Foreigners," March 1, 1971, p. 74.

Chevrolet Camaro, contributed to a subculture of music and television in the 1960s. At their height these vehicles accounted for 11 percent of the market. For the model year 1971, they dropped to 5 percent, and the last months of 1971 their sales accounted for 3.9 percent. The vice-president of Chrysler commented about the changing preferences of American consumers: "'The emphasis now is on practicality, quality and convenience, and it is the young people who are leading the parade.'" The sports vehicles suffered from an increase in price, size, and insurance premiums, making them slightly less desirable.[111]

One of the most common concerns for drivers was safety. *Consumer Reports* concluded, in January and September of 1971, that it was difficult to tell how safe these smaller vehicles were:

> A preliminary report on a large-scale accident study by the State of New York concludes that the likelihood of severe injury or death increases as car weight goes down. Apparently, also, small sedans become involved in more one-car accidents and more rollovers than larger cars. However, those statistics are cooled by the fact that a great proportion of the subcompacts in those studies were pre-1968 *Volkswagen* Beetles. Because of their design, those Beetles tend to spin out and roll over more easily than many other small cars.[112]

But these cars could still be safe, if properly handled. While there might have been more risk for a smaller car, such as the ones Toyota offered, there were benefits, such as greater fuel efficiency, frequently lower insurance, and a lower overall cost to purchase.

When compared with vehicles sold in the United States, Toyota was in the top five in fuel efficiency in 1973. According to results issued by the EPA, the Datsun 1200 topped the list, followed by the Volkswagen Sedan, the Chevrolet Vega, the Ford Pinto and the Toyota Corolla. Each of these vehicles averaged over 20 miles per gallon.

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[110] *Time*, "Up from Edsel," August 2, 1971, p. 59.
[111] *Time*, "Putting the Mustang Out to Pasture," December 13, 1971, p. 77.

American vehicles dominated the bottom of the list: the Chrysler Imperial, the Plymouth Fury, the Oldsmobile 98 and the Cadillac Eldorado. But the least efficient was the Ferrari 365 that averaged 6.3 miles per gallon, although those that could afford a Ferrari more than likely did not care about fuel-efficiency.[113]

In the midst of the 1973 oil crisis, sales of larger vehicles shrunk while small car sales took off. Standard sized models by companies such as Ford and General Motors for the first time lost to the smaller cars, such as the Chevy Vega, the Ford Pinto, the AMC Gremlin and the Dodge Dart. Consumers were buying these smaller vehicles faster than the companies could make them. And to make matters worse, for the Big Three, consumers were not buying the larger vehicles and total sales in 1974 were down some 25 percent from the previous year. American Motors, on the other hand, was doing well, and had sales that were 21 percent higher than 1973 sales. The Big Three rushed to develop new small car models, although most would not be ready for at least another full year. These companies also started to add more luxury to the smaller models, which pushed up the prices, but consumers bought "cars plain and fancy, low and high-priced – anything as long as it [was] small."[114]

By March 1974, AMC was doing even better. Sales of its five vehicles, the Gremlin, Hornet, Javelin, Ambassador and Matador, were up 16 percent from 1973. In all, AMC jumped from a 3.8 percent market share to 6.7 percent in 1974. While GM and Ford had rather large stockpiles of inventory, enough to stop making cars and have supplies last for the next five months, AMC had a 17-day supply of their Gremlin. Profits for the last quarter of 1973 decreased for the Big Three, 22 percent at GM, 12

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[112] *Consumer Reports*, January 1971, pp. 8-9
[113] *Time*, "The Gas Guzzlers," May 7, 1973, pp. 78-9.

percent at Chrysler and a startling 76 percent at Ford, but AMC's profits increased 22 percent. And while the other American companies laid off workers, around 85,000 total, AMC had to hire new workers for its plant in Wisconsin. One of the main reasons for AMC's success was that in 1967, the company decided to focus on small cars. By 1974, 70 percent of AMC's sales were for their smaller vehicles. The company also decreased the number of dealers, eliminating those that did not sell many cars. In 1971, they introduced a Buyer Protection Plan for 12,000 miles or 12 months, as well as deciding to pay for any defects that could be traced to the company.[115]

For 1975 models, Ford introduced the Granada and Mercury Monarch, what then president Lee Iacocca called "the biggest small cars the company has ever made." These cars were bigger and heavier than the Mercedes 280, and both Ford vehicles averaged 14 mpg in the city. The two cars were priced between $3,600 and $6,000, and offered what the consumer desired: modest size and luxury. GM also planned a new Cadillac that would be shorter than previous models and cost around $10,000, along with a rotary-powered Vega. These new vehicles were direct competition with the growing imports.[116] GM also raised prices on most cars, including the Vega, and also increased the price of trucks by 10.9 percent, or an average of $624 per vehicle.[117]

By the end of 1974, Detroit sales were in a slump. While sales did increase in the late summer months, when the 1975 models hit showrooms, sales declined. The average cost per vehicle on these models rose an average of $450. GM's third-quarter sales of 1974 fell to a mere $16 million, 94 percent below 1973 numbers. In response to the

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[114] *Time*, "The Small Inherit a Shrunken Market," February 25, 1974, p. 85.
[115] *Time*, "The New Pacesetter," March 25, 1974, p. 82.
[116] *Time*, "The Battle of the Little Big Cars," August 6, 1974, p. 63.
[117] *Time*, "Anatomy of an Inchback," September 2, 1974, pp. 70-71.

slump, some manufacturers planned layoffs.[118] With the entire American economy in a slump, Detroit men pushed consumers to fight inflation and buy a car. Some urged that buying a new car would help the American economy. Chrysler was the hardest hit of all American manufacturers, with third-quarter profits at a loss of $8 million. In response, Chrysler planned to temporarily close all but one of its plants. With decreasing sales, dealers and manufactures offered higher deals and more money for trade-ins.[119]

Ralph Nader and the Continued Campaign for Safety

Ralph Nader didn't just push for new safety and pollution standards in America, he also visited Japan in 1971 and talked to a number of audiences about a variety of issues, including the automobile industry and pollution. He encouraged Japanese citizens to speak out, especially for the sake of their environment. In a talk with the Prime Minister, Eisaku Sato, Nader suggested "that cars sold in Japan should have the same safety devices – seat belts, headrests, dual braking systems – that are put on models exported to the U.S." He also pushed for the companies to recall automobiles in Japan that they recalled in the U.S.[120]

Nader wasn't the only person pushing for safety. The Institute for Highway Safety also researched automobiles. In 1971 this agency tested small cars from each American manufacturer against larger models. For example, they tested a Chevrolet Vega and an Impala. The test results clearly showed the safety advantage of a larger vehicle:

> In some crashes, the small car was smashed into a pile of twisted junk barely recognizable as an auto, while the bigger car sustained relatively moderate damage. In the Chevrolet crash, a dummy placed in the Impala only struck its

[118] *Time*, "Loud Backfire from Detroit," November 4, 1974, p. 65.
[119] *Time*, "Detroit Bucks a Buyer Rebellion," December 2, 1974, pp. 35-37.
[120] *Time*, "Nader Samurai," February 1, 1971, pp. 72-3.

> head against the dashboard, but the dummy in the Vega was beheaded by a section of the hood that was hurled back through the windshield.

The group did not test any foreign automobiles in this study, but they did report that the percent killed or injured in accidents increased as the weight of the vehicle decreased.[121]

In December of 1971, General Motors announced a recall on over 6.7 million cars and trucks. Investigations by both Nader and the National Highway Traffic and Safety Administration came from complaints by consumers that Chevrolet engines from 1965 through 1969 "were twisting loose from car frames, sometimes with the frightening result that the auto's accelerator pedal was pulled all the way down to the floor and the brakes failed." The problem was that many of those engines had "a rubberized layer between two pieces of metal on the mounts has deteriorated, loosening the entire assembly."[122]

As of 1972, the government required all new vehicles sold in the United States "to have a warning system that included a buzzer that screamed at the driver and front seat passengers until they had fastened their seat belt." Many motorists got around that system, some by simply buckling the belt and then sitting on it. Despite the advantages of wearing a seat-belt, many motorists rejected government interference in their driving. In 1974, the Department of Transportation "made it nearly impossible to start a car unless the driver 1) sat down in the seat, 2) fastened the seat belt and 3) turned the ignition key – in that proper sequence." [123] This law was unpopular with motorists and manufacturers alike, and eventually these requirements were reduced to a light on the dashboard and a short warning buzz, but nothing that would prevent a driver from starting the vehicle.

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[121] *Time*, "Small Size, Big Risk," November 29, 1971, pp. 75-76.
[122] *Time*, "The Largest Recall," December 13, 1971, pp. 77-78.
[123] *Time,* "The Nation Trussed," April 29, 1974, p. 71.

Automobile manufacturers also had to fight possible interference regarding airbags. In 1974, the Department of Transportation wanted to make them mandatory on all cars starting in 1977. However, Congress disagreed and passed an amendment that would only require air bags to be an option offered to consumers. These bags would add to the price of a car, with estimates suggesting as much as $200 more added to the cost to the consumer.[124]

Protecting the Environment

One of the first hurdles facing the automobile industry was meeting the new Environmental Protection Agency's standards for clean air. The EPA, formed in 1970, had considerable power in creating stringent goals for the industry to meet. The agency had to enforce the standards set forth in the Clean Air Act of 1970. The act was a two-pronged attack on both automobiles and industries for abuses to the environment. Specifically, the act stated that the emissions of the three major harmful gasses – carbon monoxide, hydrocarbons, and nitrogen oxide - be cut at least by at least 90 percent by 1975 for the first two and 1976 for nitrogen oxide. Manufacturers could apply for a one year-extension, and the EPA could fine violators if necessary.[125]

The EPA issued the testing instructions for emissions during the summer of 1971. According the both the EPA and the American automobile companies, these tests would make it easier to reach the targets set for 1976 models. The old testing method started with a cold engine, which would give off more pollutants than a warm engine:

> To approximate more closely the way a typical car is used during a day (the engine is often already warm from a previous trip), the new rules call for tests from warm to cold starts; this procedure should reduce the average emissions during tests.

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[124] *Time*, "A No to Belts and Bags," September 2, 1974, pp. 72-74.
[125] *Clean Air Act. U.S. Code Annotated*. Vol. 42, sec. 85 (1970).

Also, the test fuel would be unleaded, which "does not foul antipollution equipment; thus, the engineering problems of the automakers will be eased."[126]

As early as 1971, the U.S. auto manufacturers complained about the restrictions, stating that they would not be able to meet them on time. By 1972, most U.S. manufacturers appealed for an extension of the deadline in meeting the 1975 standards. The EPA, in turn, "gave the auto industry an extra year to meet the full, rigid requirements of the law, but set interim standards so tough that Detroit's reaction was immediate and angry anyway."[127] The industry's solution, the catalytic converter, was not reliable enough to solve the problems, yet still added at to the cost of the vehicle.

One of the industry's complaints was that "[b]etween the 1962 and the 1970 models… Detroit cut carbon-monoxide emissions by 70 percent and hydrocarbons by 90 percent." The further cutting only caused more problems for the industry, and the costs of the research would be passed to the consumers. The solution that most planned to use, the catalytic converter, increased nitrogen oxide while reducing carbon monoxide and hydrocarbons.[128] As part of the emissions requirements, nitrogen oxide was one of the gases companies needed to reduce.

The EPA, flexing its power, took Ford to court on charges of employees "deliberately tamper[ing] with 1973 model cars in order to make them seem less polluting than they actually were." The EPA won a court case for $3,500,000, plus another $3,500,000 on counts settled out of court.[129]

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[126] *Time,* "Exhaustive Test for Detroit," July 12, 1971, p. 57
[127] *Time*, "Partial Reprieve on Pollution" April 23, 1973, p 77.
[128] *Time,* "Exhaustive Test for Detroit," July 12, 1971, p. 57
[129] *Time*, "Serious Violations," February 26, 1973, p. 75.

Honda was the first automobile manufacturer to develop technology to meet the standards. By 1973, the company had "plans to begin exporting to the U.S. a 1,600-lb. four-seat car that will easily meet the 1975 emission standards." Their new engine would produce a "more complete combustion in the engine's cylinders and the reduction of polluting exhaust gases escaping from the tail pipe."[130] When tested, this new engine easily met the standards set by the EPA. In fact, under EPA testing in Michigan, "Honda's four-cylinder engines, using no catalysts, afterburners or other extra emission-reducing devises posted pollution counts well below EPA ceilings even after running for 50,000 miles."[131]

Honda's alternative, as the engineers pointed out, was unlike the solution that the majority of engines, both American and foreign, will need because the larger vehicles require expensive alternatives such as catalytic converters or thermal reactors.[132] This new engine was not powerful enough for larger models, especially those made by American manufacturers. However, in some of the smaller models, such as General Motor's Vega, "the Honda engines gave better than average [gas] mileage in the EPA tests."[133]

Even before the clean air standards, however, American companies faced government regulation in other areas of protecting the environment. As early as 1899 the U.S. government had decided to take a stand against water pollution with the Refuse Act. This act "requires polluters to obtain permits to discharge wastes into navigable waterways." Since the act was still in place, all American industries had to follow that

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[130] *Time*, "Help from Honda," June 11, 1973, pp. 67-68.
[131] *Time*, "Honda Comes Clean," January 1, 1973, p. 56.
[132] *Time*, "Help from Honda," June 11, 1973, pp. 67-68.
[133] *Time*, "Honda Comes Clean," January 1, 1973, p. 56.

law, in addition to the acts to clean the air. So, in 1963, the U.S. Army Corps of Engineers ordered General Motors to build a treatment facility for its waste at a plant in New York. By 1971, the company had yet to build the plant, and an ambitious employee for the U.S. Attorney decided to bring GM to court. The company "accepted a consent decree from a U.S. district court" where they "agreed to stop pouring noxious wastes into the Hudson [River] until its treatment facility starts operating" later in the year.[134]

Once the 1973 oil crisis hit the United States, the new environmental laws fell by the wayside. Many of the automobile, and other industrial, companies lobbied Congress to curb these acts so companies could save on oil and energy as many of the changes required to meet the air standards reduced fuel efficiency. After the oil crisis, the EPA required almost half of the gas stations in the United States to offer unleaded fuel by July 1 1974, which would be indispensable for most 1975 model cars. While more expensive, unleaded worked best with the new catalytic converters required to meet the standards set by the Clean Air Act.[135]

The First Oil Crisis

The oil crisis did not just happen one day; it was something that had been building for a few years before coming to a head in October 1973.[136] In March 1971, the Middle Eastern oil countries decided to increase prices, which would make prices rise in Europe and Japan. The United States, however, would not experience the same levels of price

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[134] *Time*, "The Burns Case," January 25, 1971, p. 43.
[135] *Time*, "The No-Lead Era," June 24, 1974, pp. 73-74.
[136] The definitive treatment of the pivotal power of oil and the oil crises is Daniel Yerger, *The Prize: The Epic Quest for Oil, Money and Power* (NY: Simon & Schuster, 1991). Other works include Paul Robert's *The End of Oil: On the Edge of a Perilous New World* (Houghton-Mifflin, 2004); David Lewis Feldman, *Energy Crisis: Unresolved Issues and Enduring Legacies* (John Hopkins University Press, 1996). Also helpful is Jahangir Amuzegar, *Managing Oil Wealth: OPEC's Windfalls and Pitfalls* (I.B. Tauris, 2001).

increase as only 3 percent of US oil imports came from the Middle East.[137] Such a crisis would have far-reaching consequences for a number of industries, but especially the automobile companies. Price increases would also hurt consumers, and they would be likely to turn to products that were both energy and fuel-efficient.

There were several other factors leading up to the 1973 crisis that aggravated the problem. In 1971, the U.S. averted a crisis, in part due to a labor strike at General Motors, as well as a recession in the economy as a whole. Differing government policies restricted the development of alternative energy sources:

> By administering oil import quotas, the Interior Department, for example, helps to keep domestic oil prices high, the Federal Power Commission tires to protect consumers by keeping natural gas prices low. The unintended result has been to discourage exploration for gas, a relatively nonpolluting fuel, because it is only one-third as profitable as oil when it is pumped out of the ground.[138]

Such policies would only increase U.S. dependence on oil, and thus forcing the country into a position where any shortage of the fuel could likely cripple the country.

In early 1973, the average American began to notice the increasing tensions in the Middle East. Some began to predict a conflict that might ultimately have far-reaching consequences for the Western nations. This conflict came to a head in with the start of the Yom Kippur War in October. The war began with an attacked on Israeli holdings in the Sinai and Golan Heights by both Egypt and Syria. At first, tensions between the United States and all of the Middle East did not materialize, until President Nixon asked Congress to send arms to Israel By the 17th, the nations of OPEC declared that it would not ship to countries supporting Israel in the conflict. For the next several months OPEC cut their output and exports. By May of 1974, most of the embargoes ended.

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[137] *Time*, "Power to the Producers," March 1, 1971, pp.74-6.
[138] *Time*, "Getting More Power to the People," April 17, 1971, p. 72.

The main reason for the scare in the early months of 1973 developed from a growing trend of reliance on imported oil. For some years, the United States had enough excess oil to export. However, as domestic consumption grew, more and more oil came from outside sources. Indeed, the U.S. received 16 percent of its crude oil from outside the country in 1970 and by the first half of 1973 that percent jumped to 23.5 percent. To make matters worse, from a political standpoint, countries that the United States traditionally relied on for oil (Venezuela and Canada) were experiencing their own shortages.[139]

By November the situation for the United States, much of Western Europe and Japan was grave. Besides cutting overall production, more countries joined the ban of exporting oil to the United States, and a number also banned exports to the Netherlands.[140] The cut in production reduced U.S. supplies by 10 percent, or between 1,500,000 bbl. to 2,000,000 bbl. a day. To further aggravate problems, Canada, Venezuela and Nigeria increased prices on their oil exports to the United States.[141]

Fuel for vehicles was not the only area hit by the crisis, as petroleum is necessary for many products, including chemicals, paints, plastics and synthetic textiles as well as oil to operate machinery at factories. The automobile industry would need to find a substitute for plastic, which, ironically, is a substitute material. Prices increased in other areas, as well, such as electricity, housing materials, as well as fuel for airlines and public transportation.[142]

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[139] *Time*, "The Arabs' Final Weapon," September 17, 1973, p. 33
[140] *Time*, "Still Tightening the Blockade," November 5, 1973, p. 55. The Netherlands was a major exporter of heating oil and petroleum products to the United States.
[141] Ibid.,
[142] *Time*, "The Pinch at the Pump Begins," November 12, 1973, pp. 107-108.

Throughout late October and early November the political situation worsened. Many Arab countries embargoed all oil shipments to the United States and the Netherlands in retaliation for their support of Israel. A total of ten countries decreased production. All declared to continue the pressure "until Israel withdraws behind its 1967 borders and settles the Palestinian refugees claims for land or money – or both." President Nixon pleaded for the American public to cut back on their oil consumption by turning down their thermostats, both at home and work. Many states and companies responded to the call by reducing the speed limits on roads or cutting off their outdoor advertising lights.[143]

Between 1971 and January 1, 1974, oil prices per barrel rapidly increased. In 1971, the minimum price per barrel for oil from Texas was $4.75, Saudi Arabia $3.40 and Venezuela $2.90. By 1973 the minimums had increased to $5.05 for Texas, $4.00 for Saudi Arabia and $3.50 for Venezuela. January 1, 1974 prices were staggering: $7.60 for Texas, Saudi Arabia's oil was $10.30 and Venezuela was at $10.50. American oil consumption continued to increase over those years, even though domestic production peaked and stabilized, forcing the country to turn to imports. But despite the shortage and rising prices, some Americans continued to live their usual lifestyle. Others did partake in voluntary conservation methods, such as driving slower or lowering their thermostats. The shortage was also held off, in part, by a warm fall and winter, making heating less of a problem than originally expected.[144]

By February of 1974 six states and some larger cities adopted some form of oil rationing. Most prescribed to the odd-even license plate number method, where those

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[143] *Time*, "The Arab's New Oil Squeeze: Dimouts, Slowdowns, Chills," November 19, 1973, pp. 88-89.
[144] *Time*, "The Whirlwind Confronts the Skeptics," January 21, 1974, pp. 22-27.

people who had a license plate number that ended with an even number could fill up on even days. Some areas made it mandatory for consumers to purchase a minimum amount, usually equal to about half a tank or $3. The U.S. refineries were operating at a lower level than normal, and imported oil dropped in the last weeks of February. Vast numbers of Americans still drove to work in their own vehicles, forgoing carpools and public transportation.[145]

In the early months of 1974, the Arab-Israeli conflict seemed to be coming to an end. The embargo ended a few months later, with the first shipments of Arab oil arriving by May 1974. Until those shipments arrived, however, the shortage continued and prices rose. In the wake of the end of the embargo, consumers immediately started to return to their old habits. Many ignored the 55-m.p.h. speed limits, others bought larger vehicles, and others stopped using the mass transit systems.[146]

Toyota's Specific Advertisement Strategies

Toyota used a series of slogans during this time period. Starting in 1970, Toyota launched the "We're Quality Oriented" campaign. This slogan was clearly effective for a number of reasons. Using the reverse strategy test to describe a competitor, Ford or General Motors or even Nissan, this slogan suggested that they would not be quality oriented. If they weren't quality oriented, then what were they? And why would any consumer want to buy from them?

Another slogan, "Small car specialists for 40 years," ran for a number of years, starting in the early 1970s. The reverse strategy test shows that this slogan was not as effective as others that Toyota used, but it did emphasize a few interesting features. The

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[145] *Time*, "Spotty Local Starts," February 25, 1974, pp. 26-28.
[146] *Time*, "Return of the Heavy Foot," April 15, 1974, p. 31.

first was the inclusion of time – 40 years. This made Toyota seem durable and reputable, especially when compared with other companies increasingly exposed by *Consumer Reports* as less reliable. The phrase "small car" clearly emphasized Toyota's strength in the subcompact market. Finally, by using the word "specialists", Toyota was attempting to set themselves apart from the other companies that made small cars. The implication was that these *others* were not specialists, and therefore following the logic of the ad, their cars were not as valuable or dependable. Concurrently with the "small car specialists" slogan, Toyota used, "See how much car your money can buy." Often, this slogan appeared alongside the "small car specialists" to emphasize both durability and price in Toyota. Purchasing a Toyota could give customers a quality vehicle at an affordable price.

Due to unforeseen circumstances in 1971, including a surcharge on imports and a dock strike, Toyota's price increased. To counter negative reactions from consumers, Toyota prepared new advertising once the prices of their vehicles stabilized in early 1972. Some of these "pointed toward telling the consumer once again that you could buy a Toyota for under $2,000." Toyota, at that point, decided to "not make head-on comparison claims against anyone. Instead, [they] would continue to sell Toyota as a quality product and an outstanding value." After these re-introduction ads, Toyota planned to focus on "all the extra features included in Toyota that are not included in the basic prices of most Detroit and European competition."[147]

In the summer of 1973, Toyota decided to hold a special seven-week campaign incorporating the theme "Only Toyota Offers You Both." This campaign would use a variety of media, including magazines, billboards, radio and even television. Toyota

wanted to highlight gas mileage and "other Toyota advantages such as style, the lowest sticker price in its class in America and the biggest engine in the small-truck field." To prepare for this campaign, an independent organization, Ogden Technology Laboratories, Inc., tested Toyota vehicles for "over 60,000 total miles in mileage tests" under conditions similar to what the average driver would experience. To reach viewers, the company released four new TV commercials utilizing a split-screen technique for the Celica, Corolla 1200 and half-ton pickup truck with test results and gas mileage appearing on the screen.[148]

In preparation for this campaign, Toyota conducted a test survey to see which messages the public might enjoy best. Each message in the test spots stressed a different selling point: for example, size, price, feature comparison, reputation, and even a direct attack on another import model. In the end, gas mileage was determined to be the most popular theme and became the basis for the new promotion. One headline for ads in magazines read, "Your solution to the gas shortage doesn't have to be an ugly one." To take it farther, Toyota emphasized that their vehicles could squeeze "extra miles out of the previous gallon" but also give the quality people expect from Toyota, such as styling, comfort and performance.[149]

Toyota's Print Advertisements

The 1971 Land Cruiser ad played up the rugged and outdoor nature of the vehicle. The headline boldly announced, "This is not a car." You have enough power to go up a large hill or pull heavy objects – just the kind of power someone who wants to appear

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[147] "The Toyota Marketing Story," p. 11.
[148] "Toyota Launches Seven-Week Summer Advertising Campaign," Toyota Motor Sales, U.S.A., Inc. External Affairs Department, June 29, 1973.
[149] "Summer Ads Keyed to Gas Mileage, Overall Economy," *Toyota Today,* August 1, 1973.

rugged might want to use. But if you want, you can also use the vehicle on the highway, or to let your wife get the groceries. "But those are fringe benefits. They're not what it was built for." No, this car was built to do all of the heavy-duty things that manly men, real men, would need to do, such as go out to "the land you want to preserve." Areas that the great heroes of American, like Davy Crockett, might have visited: the wild and untamed wilderness, the unexplored American frontier. The print details all of the advantages of the vehicle, from the number of windows to the spare tire. The Land Cruiser is made of steel and is tough, even a "real beauty," so it comes with features that people want – a gas cap with a chain for example. Toyota dubbed it "an honest machine" with an "honest price," a "beautifully functional 4-wheel drive machine."

The ad for the 1972 Carina poses as giving information about the vehicle. The top third of the ad is devoted to a picture of the car. Below that, in headline type, "Introducing the Toyota Carina. It might be new to you but we've been with it a long time." The obvious point from this statement is that Toyota has tested the Carina so that it is the best vehicle it can be. Reading the print further supports this belief, with Toyota attempting to convince the reader that they indeed put the car through rigorous and improbable situations. "We froze, drenched, buffeted, skidded and crash-tested the Carina prototypes without mercy." Toyota even lets the reader know why they tested the vehicle so much. "So just in case you don't show yours much mercy, it'll be better prepared." And to prove that they tested it, the ad comes complete with a picture of the Carina driving through a giant puddle of water. The ad then lists all of the features of the Carina – the large bumpers, the interior, the engine, a cutting-edge "electric rear window defroster," four headlights, and more. "All this and we still haven't mentioned Toyota

quality." The ad even explains what quality is, at least for Toyota. "It's something you work on, sweat over, pound in, rip out, check and re-check. Until you get what you want. Like the Toyota Carina." The ad effectively targeted those worried about safety and quality, issues the public learned about from both the original and the second edition of Nader's *Unsafe at any Speed*. Even if people did not know much about the company, they could read about all of the tests that Toyota claimed to put the car through. They could read about the different features, many not standard on American cars. The slogan even taunts American-made vehicles. "See how much car your money can buy."

In 1974, Toyota made a special appeal to owners of larger cars with their ad for the Toyota Corona. The emphasis is that big car owners finally "have something to turn to," which was an attractive option given the year 1974 and the gasoline crisis. Besides the usual blurb about the comforts that come with the car, Toyota emphasized the use of steel in the design. According to the ad, "[i]n a test conducted by Nationwide Consumer Testing Institute, people gave up their big cars to drive Coronas for three weeks." To make their car and the test seem even more valuable and special, Toyota appealed to the reader by including an opinion from a doctor! His testimony stated that during the test period, he never once wanted a large car. The ad even included his picture to make it all seem more authentic and trustworthy. No surprise, for after all, the tag slogan reads, "Small car specialists for 40 years."

The 1975 Celica GT was a sporty vehicle, which Toyota marketed strategically. In one ad, just below the headline introducing the vehicle, the print announced "2.2 liter, 4-seater, 5-speeder." The interior shots of the vehicle at the bottom of the page highlighted the muscle-car nature, showing the gauges, bucket seats and transmission.

The text detailed all of the things that make the Celica like those other sports cars. Yet, in a marketing twist, Toyota proclaimed that the Celica GT was not a sports car, despite its looks. "You see, it was built for people who want a great looking car. But don't intend spending the rest of their lives paying for it." The message: if you can't afford one of those sports cars from the other companies, Toyota can still give you what you want, and at a better price. "See how much car your money can buy."

Competitor Print Advertisements

Toyota was not the only company, of course, vying for American consumer dollars. Other companies sought to profit from the opportunities presented by the rising cost of gasoline. One example is Subaru, made by Fuji Heavy Industries, Japan. A 1971 ad for Subaru boldly compared it to other vehicles in its largest print. "The Subaru is not another Toyota or a different Datsun or a Japanese Beetle or anything like Detroit. The Subaru is $1900* and front wheel drive." Of course the catch was that the 2-door is $1890.40, and other models were more expensive. The bulk of the ad was devoted to detailing all of the great things about the Subaru, and the consumer was given five different views of the vehicle to make these details easier to see. These compared the Subaru with other vehicles ("One small Detroit car has it – but not with our front wheel drive") or added humor ("Ever see a tiny Texan?") or incorporate customer and professional comments ("a desert driving Californian says it's never once over-heated"). Subaru was still just one of many imports, and had not yet set itself apart from the crowd. This ad was an attempt to do so, and even ends with the following line: "The What? The Subaru."

Another Japanese make, Nissan's Datsun, emphasized its set price in two 1971 ads. The first emphasized price: "$1,990 Stripped" and "$1,990 Loaded." The text talked about how the Datsun came with all of the extra amenities for free, and the only extras the consumer paid "for are tax, license, dealer preparation and local freight." The ad encouraged the reader to "go ahead. Take a look at the other 'under $2,000 cars,'" but "Drive a Datsun… then decide." The featured 510 2-door sedan encompassed the majority of the lower half of the page. The car was foreshortened, making it appear bigger and longer. The next ad had a large asterisk and the message "Beware the asterisk" taking up almost two-thirds of the space. The text provided with the ad was nearly the same, emphasizing the fact that Datsun, presumably more honest, does not charge extra for the benefits "bucket seats, tinted glass, front disc brakes" and even a radio. These ads seek to appeal to consumers that want to break away from the companies who deceptively post one price, which cover only the most basic items, while "extras" cost significantly more.

Japan's American Honda ran a tongue-in-cheek two-page ad in 1973. On the left side was a scene familiar to most motorists – a congested highway. The title reads "The 8:40 a.m. Grand Prix." Reading the text on the right side, Honda reveals that their Civic model "has everything you need to fight the freeways." These features "rack-and-pinion steering, front disc brakes" and "a peppy overhead cam engine that gets up to 30 miles to a gallon of regular." In the midst of the first oil crisis, any fuel-efficient car, especially one with a high mpg was desirable. To make their vehicle even more appealing, Honda included a long quote from *Road Test Magazine* praising the vehicle for its comfort and economy, all at a low price. Their car "will get you where you're going" even in the

morning and afternoon races to work and home. What is remarkable about this ad is that the Honda Civic was not featured clearly or pointed out in the sea of cars.

Sweden's Volvo ran a series of ads that dealt with safety, and how their vehicles were the safest ones on the roads. One of these, read in bold capital face font "It shouldn't take an act of Congress to make cars safe." A clear jab at the American manufactures, as detailed in Nader's book, Volvo took advantage of that fear and desire for safety. The print detailed all of the safety features of a Volvo, including their brakes, being the first to put safety belts in the cars (9 years ahead of everyone else in fact!), as well as padded dashboards (12 years ahead of government requirements!). The ad ended with a series of questions: "Now who would you rather buy a car from? A company that builds a safe car because someone else made them do it? Or a company that builds a safe car because their conscience made them do it?" In influencing public opinion, this ad is appealing for its call for safety.

Conclusions

Although enjoying increased sales, Toyota and other imports still did not hold a majority of the total American market. Overall, small car sales did increase, but the public still went for larger vehicles. With the oil crisis of 1973, small cars in general gained ground, but in the lull that followed they were not able to make gains that large again. Nonetheless, the crisis, among other problems the industry faced, did help to weaken Detroit.

At first, it is surprising that a number of the ads did not continue to mention fuel efficiency even after the end of the oil crisis. While some would mention good mileage in passing, many of the ads remarked on other features, such as comfort or price.

However, by doing so, the companies, Toyota included, showed the diversity of their product and its uses. Not only would people remember the great mileage from other ads, but now they could be exposed to the comfort or quality of a vehicle (as presented in any number of delightful pictures, slogans, or catchy phrases). It was an effective strategic move, so that even when the oil crisis ended, people would associate the imports with more than simple fuel-efficiency, but also quality or other benefits.

This period was one of expansion of the imports, in terms of sales and notoriety in the United States. With the increase in sales, each company also increased its advertising budget. Toyota, for example, could now move to advertise across the country rather than just in the various regions. Moreover, the increasing number of dealers enabled the companies to sell their products to the consumers without having to ship the vehicles from larger cities. Perhaps most significantly, the often creative ads ensured that more Americans learned and were aware of what the imports had to offer – particularly Toyota, which soon launched some of the most effective marking in automobile history. "Oh, what a feeling!"

CHAPTER FOUR

GO: TOYOTA'S CONTINUED CLIMB TO THE TOP

During the post-oil embargo of 1973 the Japanese economy went through a rough recession that continued to plague the country through the mid-1970s. By 1976, Japan was seeing some improvements and increases in exports. In fact, exports "generated a Japanese trade surplus of $4.8 billion" by July 1976, which *Time* magazine reported led to "testiness among Japan's trading partners who do not like the idea of buying so much more from Japan than they are selling there." To combat the outcries, the Japanese government started to allow more imports, including autos "even if they [had] met Japanese air-pollution standards only at the point of shipment instead of the point of entry." By doing so, European and American vehicles could more easily sell their vehicles in Japan.[150]

But business and economic relations between the U.S. and Japan were never pleasant. Often tense, meetings between the two governments, as well as Japan and other Western nations, focused on the ever-growing gap of the trade. All too frequently, the United States charged Japan with dumping electronics into the American and world market. There was no shortage of books assessing this trade imbalance, notably U.S. trade negotiator Clyde Prestowitz's best seller, *Trading Places: How We Allowed Japan to Take the Lead* published in 1988.[151] While not specifically regarding the trade imbalance between the United States and Japan, Karel Van Wolfaren's *The Enigma of Japanese Power* (1989) and Chalmers A. Johnson's *MITI and the Japanese Miracle*

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[150] *Time*, "Bumpy Progress" July 5, 1976, p. 70.
[151] New York: Basic Books, 1983; revised edition, 1990.

(1982)[152], represent some of the attempts to understand "Japan, Inc." in these tumultuous years.

Toyota continued to receive glowing reviews and win awards for its cars, as sales climbed unceasingly. By the end of the 1970s, Toyota was ranked at number three in the world behind only General Motors and Ford in total sales, and was the leader in car imports to the United States. The Corolla became the most produced car in the world during this period. In 1978 alone, Toyota had combined sales of over $14 billion worldwide. That was a giant leap from its modest start in 1937 and its tenuous beginning in the United States in 1958.

Toyota's Vehicles

Through the reviews and awards, Toyota came to be recognized as more than just the average import by the late 1970s. The Corolla came in two different engine sizes by 1977 (1600cc and 1200cc) as well as different models (2-door, 4-door, wagon, and "Liftback"). The Corona took over as the top family car offered by Toyota as the company phased out the Mark II. The 1977 LE (luxury edition) model looked similar to a Mercedes Benz in design and offered a great deal of comfort. In addition to all of the standards already offered on the Corona, the LE provided even more luxury, such as "an interior done in cut-pile carpeting, with seats and door panels covered in a velour corduroy fabric." *Motor* Trend judged the car's looks and ride as smooth, but with "none of the vague, lack-of-control feeling that is normally associated with a ride that smooth." The car could also handle speed and seemed to be "a car with a dual personality." The

[152] Karel Van Wolfaren's *The Enigma of Japanese Power* (New York: Alfred A. Knopf, 1989) and Chalmers A. Johnson's *MITI and the Japanese Miracle* (Stanford, California: Stanford University Press, 1982)

1977 Corona LE was "conservatively styled, comfortable, nicely assembled, pleasant to drive – even in town- and move[d] fairly quickly."[153]

For a sports car model, Toyota had the Celica, which was available in three models in 1977: the GT liftback, GT hardtop and ST hardtop. While not necessarily as sporty or famous for being a sports car (such as the Jaguar or Porsche), the Celica sold for significantly less than most of the other import sports models. In fact, *Motor Trend* named the Celica Import Car of the Year for both 1976 and 1978. The 1978 Celica that *Motor Trend* selected was the GT Liftback, a sporty-looking model that was of high quality in every aspect. From the mechanical features, including "[h]andling, braking, acceleration, and the stick-shifting 5-speed gearbox" to the "good, sound mechanical features, improved gas mileage [over earlier versions], precise handling, excellent quality control, comfortable passenger accommodations and plenty of luggage space" the Celica left little to be desired. The interior was comfortable, with great visibility, a relatively smooth ride and agile handing. In fact, according to *Motor Trend*, the Celica was one of the better models in its class. The car not only had excellent mileage, but handled well and predictably and was "one of the more futurist cars available for less than $30,000."[154]

Toyota also continued to sell the Land Cruiser, the vehicle that kept the company afloat in its early years. *Motor Trend* reported on the durability of the Land Cruiser in its coverage of the Toyota 4WD Jamboree. The event would run the vehicles over the Rubicon Springs trail in the Sierra Mountains for 175 miles. Most of the vehicles were able to handle the tough trip, showing that Toyota could make tough vehicles as well. The course reportedly "would have wiped out the sides of a Blazer-size 4WD." And

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[153] Peter Frey, "Toyota Corona," *Motor Trend,* September 1977, pp. 91-92.
[154] *Motor Trend*, "Toyota Celica GT Liftback," January 1978, pp. 22-28

most people who participated commented "about how tough they were, how well the Toyotas did."[155]

The Land Cruiser Station Wagon was a tough vehicle as well, and one reviewer even felt that the vehicle gave "the feeling it [could] stop a rhino or climb the vertical face of El Capitan." By 1978, Toyota sold more than half a million Land Cruisers in the United States. Since the vehicle was primarily for off-roading, it had low horsepower, but was incredibly strong and durable, and built to last. However, the fuel efficiency was low, and with increasing EPA standards, the engine needed to undergo major changes to meet the emissions requirements. While the 1978 model was similar to the one from 1972, it did include a 4-speed rather than 3-speed transmission.[156]

The Toyota SR5 was a mini-pickup that got better EPA-rated mile-fuel consumption than its competitors. *Motor Trend* noted that the SR5 had excellent brakes, good torque, good forward mobility, but was also loud.[157] The 1978 model had a higher payload than the competitors (including a Ford and a Chevrolet), as well as a more powerful engine.[158]

Overall, Toyota vehicles were average priced for imports, not the most expensive nor the least. In 1977, a standard Toyota Corolla 1200cc cost $2788, while a standard Honda Civic went for $2779. A more powerful Corolla, which would compete with more vehicles, was priced at $3208, while the cheapest Datsun, the F-10, sold for $3849. European models of similar size included the Fiat X 1/9 ($5195) and the Volkswagen

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[155] Bob Kovacik, "Toyota 4WD Jamboree," *Motor Trend*, December 1977, pp. 99-101.
[156] Bob Kovacik, "Toyota Land Cruiser Station Wagon," *Motor Trend*, March 1978, pp. 89-91.
[157] *Motor Trend*, "Toyota SR5," September 1977, pp. 72-73.
[158] *Motor Trend,* "24-Truck Comparison," July 1978, pp. 62-77.

Beetle ($3599). Even the imports sold by American companies, such as the Dodge Colt ($2984) and the Buick Opel ($3282), sold for more than the standard Corolla.[159]

Competitor Vehicles

In 1974, *Time* reported that Volkswagen lost "$313 million – more than any of the world's business organizations except Britain's government-owned National Coal Board." By 1975, the company cut some of their losses and was on the road to recovery, partially due to an increase in auto sales in Germany. Beetle sales were slowing, so "Volkswagen and its subsidiary Audi NSU have introduced five new cars in the past 3½ years." These cars included the Rabbit, which was popular in Europe and America. Volkswagen's managing director strategically shifted some of the assembling of Volkswagen vehicles to the United States in 1976.[160] By 1979, the company developed plans for a second factory in the United States. The company experienced losses to the Japanese companies, notably Toyota, Datsun and Honda; nonetheless, Volkswagen was still the fourth largest seller of imported vehicles in the U.S. with 3.4 percent of the market.[161]

Chrysler, like Volkswagen, also experienced losses in the mid-1970s. *Time* reported that in 1975, the company suffered a net loss of $259 million and also lost some of its share of the domestic auto market, slipping from 16.6 percent to 14.9 percent in 1975. Part of the reason for some of their recovery in early 1976 was due to the success of their vehicles in the intermediate and compact categories. These vehicles included the

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[159] *Motor Trend,* "Import Car Buyer's Guide Part II," May 1977, vol. 29, no. 5, pp. 92–102.
[160] *Time*, "Beyond the Beetle," February 2, 1976, pp. 53-54.
[161] *Time,* "VW's New Drive," August 6, 1979, pp. 64-65.

heavily advertised Cordoba, Volare and Aspen, which accounted for about half of Chrysler's sales.[162]

Sales in early 1976 were unexpectedly high for Detroit. After the 1973 oil crisis, Detroit had a build-up of compacts, expecting that sales of that area would continue to rise. By 1976, however, consumers shifted their interest to reportedly "larger, somewhat more gas-thirstier compacts and intermediates that offer a bit more leg room, somewhat more trunk space and in some cases even a touch of high style." The fear of the gas shortage was now far from the minds of the consumer, as subcompacts fell from a ten percent share of the market at the end of the oil embargo in 1974 to just 7.7 percent in 1976. Sales of the Chevrolet Chevette, the AMC Pacer, and imports all decreased in the lull after the embargo. The largest sales increases were for the domestic compacts priced from $3,200 to $4,500: Chevy Novas, Ford Granadas, Dodge Aspens, and Plymouth Volares. Even with these numbers, the major manufacturers still had plans to slim down their larger cars, especially as some executives expected that the smaller cars would account for almost three-quarters of the market by 1980.[163] The Oldsmobile Cutlass was the fastest seller in the industry in early 1976, but both Ford and Chrysler continued to do well. "Only American Motors, which specializ[ed] in small cars, [was] faltering" in the early months of 1976.[164]

Nevertheless, 1976 was a good year for sales. In the first quarter of that year, General Motors reported huge profits of $800 million compared with only $59 million a year earlier." GM's enormous success was not repeated in other companies and industries, but many still bounced back after the recession that rocked the country in

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[162] *Time*, "Chrysler's Comeback," March 8, 1976, pp. 53-54.
[163] *Time*, "Too Small, Too Soon," April 5, 1976, pp. 64-65.

1975. For example, Chrysler's first quarter profits of $72.1 million contrasted sharply with a loss of $93.4 million in the opening three months of the previous year.[165] The boom in sales caught Detroit off guard, and inventories dropped "to an average of 52 days, well below the 60- to 70-day supply" that the manufactures preferred.[166]

Ford launched a new vehicle in Europe in 1976 – the Fiesta. The much advertised car was not imported to America until the following year. Before its debut, some in the industry worried that the Fiesta would be a repeat of the Edsel, the design and marketing disaster that eventually cost Ford losses estimated at $350 million, the brand name becoming enshrined as a byword for debacle. By July of 1976, Ford spent $800 million on the Fiesta. It would come in three versions, each with different motors. The car itself was smaller than the Pinto, and the price for the standard version would put it "in direct competition with such popular models as the VW Rabbit, Audi 50 and Fiat 127" in Europe.[167]

For the 1977 models, only one American manufacturer decreased the size and weight of their vehicles. General Motors "unveiled a gallery of standard-sized cars" that averaged nearly a foot shorter and 700 pounds lighter than comparable 1976 models. GM also significantly increased the prices of the cars to an average of $6,000.[168] To increase fuel efficiency, General Motors knew that it had to make their vehicles smaller. The company also fine-tuned some of their technology, such as creating a devise called "MISAR, which monitors driving conditions and adjusts ignition-spark timing for optimal performances." Ford, on the other hand, did not decrease model sizes at that

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[164] *Time*, "Hearing the Sweet Ring of Prosperity," June 7, 1978, p. 65.
[165] *Time*, "A Most Robust Rebound," May 10, 1976, pp. 61-62.
[166] *Time*, "Back to 'More Car per Car,'" June 14, 1976, p. 53
[167] *Time*, "A Fiesta for Ford," July 12, 1976, p. 58.

time, and thus hoped to win a larger percent of the market from consumers who did not want to spend more money on smaller vehicles. In 1976, import sales decreased, from 18 percent in 1975 to only 13.6 percent by September of 1976. It did not help imports that, as *Time* magazine put it, "nearly all the foreign automakers last spring [1976] were targets of complaint to the Treasury that they were dumping cars in the U.S." To combat the complaints, many of these companies raised prices.[169]

American companies continued to decrease the size of their vehicles for the 1978 models. For example, the Chevelle decreased by over twelve inches, lost over 800 pounds, but managed to increase some of the room in the interior. Even Ford now also decreased the size of some of its vehicles. Foreseeing advertising problems, Ford feared GM vehicles would make theirs "look big and old-fashioned by comparison." The conflict in marketing goals started according to *Motor Trend* because "Ford didn't cut the exterior length of its new compacts, while in fact increasing interior dimensions significantly. At the same time, GM was reducing some of the interior dimensions on its new compacts."[170]

Among imports, Nissan, under the Datsun line, attempted to attack Toyota from a number of fronts with different models. Two Datsun models, the 510 and the 200-SX, would be in direct competition with Toyota, while the 810 and 280-Z were set against European vehicles. The 280-Z was considered to be one of the best sports cars available, while the 510 was one of the best vehicles in its price category. The B-210 series was a direct competitor for the Toyota Corolla; nonetheless, the Toyota still sold better. For

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[168] In 2004 dollars, that amount would be $18,697.16.
[169] *Time*, "For '77, an Amazing Shrinking Act," September 13, 1976, pp. 46-47.
[170] Jim Norris, "Dimensions Downsize," *Motor Trend*, August 1977, p. 13.

example, in December 1977, Toyota sold 17,500 Corollas, while Datsun sold 12,500 B-210s.[171]

Honda had two cars available in the United States during this period, the Civic and the Accord. The Civic was increasingly popular in America, and came equipped with the CVCC engine, and a number of different versions: hatchback, wagon, and two-door. The Accord was available with "a high level of standard equipment and some clever gimmickry – reminder lights that pop on whenever certain maintenance functions are due, and a little lighted diagram that shows if a door or the hatch is ajar or a stop light is out."[172] Considering that these gadgets were not standard on most competitor models, Honda seemed ahead of the time.

Not all competitor vehicles were well built or safe. In the case of Ford, the Pinto model pulled them into a court case. In June of 1978, the company recalled the models built between 1971 and 1976. But an Indiana court put Ford on trial for reckless homicide in the deaths of three girls who died in August 1978 when a Pinto erupted into flames. The court argued that the case should continue because Ford allowed to car to remain on the highways despite knowing about defect.[173]

According to a report issued by the Highway Loss Data Institute (HLDI), subcompacts had the worst coverage losses in collisions in 1978. Of the ten worst on the list, five were imports including the Toyota Celica, The Toyota Corolla, the Datsun 200-SX, and the Datsun 280Z. Other vehicles included the Chevrolet Corvette, the Pontiac Firebird and the Chevrolet Camaro. Of the ten best cars, all were domestic, some

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[171] *Motor Trend*, "Import Buyer's Guide," April 1978, pp. 91-106
[172] *Motor Trend*, "Import Buyer's Guide," April 1978, p. 92.

compacts and others intermediate, including the Buick Skylark, Chevrolet Nova, Dodge Aspen and Plymouth Volare.[174]

The Chrysler Company was in trouble in mid-to-late 1979. Because of the company's smaller size and earlier commitment to larger vehicles, Chrysler could not retool their vehicles as quickly as Ford and GM to meet the demands of consumers, who increasingly desired smaller vehicles. The company's sales dropped dramatically, down 13.4 percent in the first five months of 1979, a $53.8 million loss in the first quarter. Add to that the devastating losses of $204.6 million from 1978 and it is easy to see why the company was worried. Chrysler also had the oldest plants and highest costs of the Big Three, making modernization an additional problem. Even with a relatively long warranty (5-year, 50,000 miles), the company could not move its vehicles off the lots. The only cars that sold well, the Omni and Horizon, suffered from limited production due to the contract with Volkswagen to make only 300,000 engines a year. The government, however, did allow Chrysler to buy new emission and seat-belt systems from General Motors.[175]

By July of 1979, Chrysler was doing no better. Chairman John Riccardo informed the U.S. government that without aid, the company would no longer be a major force in the economy. This news was startling because Chrysler was the tenth largest industrial company in the nation. Sales for Chrysler were off 16.9 percent, while Ford was similarly down 16.2 percent even as GM decreased only 5.3 percent. Already

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[173] *Time*, "Pinto Ruling," February 12, 1979, p. 87. For more on the Pinto case see Matthew T. Lee, "The Ford Pinto Case and the Development of Auto Safety Regulations, 1893-1978," *Business and Economic History*, vol. 27, no. 2, Winter 1998.
[174] Ted Orme, "Study Ranks Best, Worst '78 Models in Collision Losses," *Motor Trend*, January 1979, pp.10-11.
[175] *Time*, "Chrysler's Skid," June 4, 1979, p. 42.

sapped by meeting both emissions and safety standards, Chrysler was in debt by $1.2 billion.[176] Chrysler request to the government was for a tax refund equal to what the company would have paid in taxes if not for all of the losses.[177] In December, Congress voted to approve a loan guarantee, with stipulations that Chrysler must raise $2 billion on its own, as well as cut future benefits and pay for the workers.[178]

To aid consumers who wanted to make a fuel-efficient purchase in 1980, *Motor Trend* published a list of 136 different vehicles that would be available in the United States along with their estimated mile-per-gallon rating. At the top of the list were the VW Rabbit (41 mpg) and the VW Dasher (36 mpg), followed by the Datsun 210 (35 mpg). The Toyota Corolla Tercel came in seventh with a rating of 31 miles per gallon. While both Dodge and Plymouth technically had cars in the top five, these two vehicles were actually built by Mitsubishi, another foreign company. The first true American-made vehicle did not appear until number ten, the Chevrolet Chevette, at 29 miles per gallon. The lowest ranking Toyotas, the Corona and the Cressida, both with 18 miles per gallon, were ranked at 96 and 97 respectively, although many other vehicles averaged 18 mpg as well. The vehicles listed at the very bottom of the list, all with less than 15 miles per gallon, were mostly luxury or sports vehicles, made by companies like BMW, Jaguar, Porsche or Rolls Royce.[179]

Sales of smaller vehicles increased during 1979 especially for imports, as some of the Detroit vehicles were still large and burned too much fuel. Toyotas and Volkswagens sold well, with total import sales nearing a quarter of the American market. Sales of

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[176] Adjusted for inflation, that amount would be equal to $3,123,373,271.89 in 2004.
[177] *Time*, "Chrysler Drives for a Tax Break," July 16, 1979, p. 55.
[178] *Time*, "Santa Calls on Chrysler," December 31, 1979, p. 14.
[179] *Motor Trend*, "The 1980 Cars," October 1979, pp. 41-99.

GM's new line of X car, as well as the Ford Thunderbird, Mark V, and Cougar all decreased. GM's overall sales even on the standard Chevrolet were down twenty percent from January. On the bottom end, sales of the Ford Cougar were the lowest, with fewer than a paltry 3,000 sold in the first six months of 1979 contrasted with 18,775 in the same period of 1978.[180]

Protecting the Environment

1975 was the original cut-off year for the new standards on automobile emissions in the United States. Yet, American manufactures still managed to push the deadline back a number of times, from 1976 to 1978. In the early months of 1977, the American automobile industry looked to be in dire trouble. Their vehicles were not going to meet the standards for 1978, but Congress had yet to grant them an extension. Congress erupted into an argument, with Senator Edmund Muskie (D-Maine) leading the outcry against Detroit manufacturers. He claimed that they were stalling, despite the fact that almost everyone agreed that the standards set for 1978 were too stringent for the companies to meet.[181] Even Honda's progressive CVCC engine would not be enough to meet the stricter standards in years to come.[182]

The majority of manufacturers in the industry decided to use the catalytic converter to meet the emissions standards. Much less expensive than redesigning engines, catalytic converters merely "remove pollutants from exhaust after it leaves the engine but before it blows out of the tailpipe." The ones the companies were using in 1976 would not meet the standards required in 1978. To meet the new standards, *Time* magazine reported, "carmakers [would] have to resort to lower combustion temperatures,

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[180] *Time*, "OPEC's Painful Squeeze," July 9, 1979, p. 20.
[181] *Motor Trend*, "The Big Gamble for Emissions Standards," February 1977, p. 4-7.

reduced compression ratios and other engine modifications." All of these changes would decrease fuel efficiency, the companies argued.[183]

In early 1976, both the California EPA and the Federal EPA fined American manufacturers. The California EPA, known for setting the tone for standards, went after American Motors for $4.3 million while also banning sales of the company's Gremlins, Matadors and Hornets with 304-cubic-inch V8 engines. The board accused A.M.C. of "producing polluting cars and submitting reports that falsely showed they met California standards." The Federal EPA "asked for a fine of $420,000" on forty-two 1974 Valiants and Darts from Chrysler that "were equipped with combinations of emission-control equipment not certified by EPA."[184]

The EPA announced tougher standards in late 1978 for the 1981 vehicles. *Time* reports that these standards allocated "the allowable level of evaporated hydrocarbon emissions at 2.0 grams, replacing the current standard of 6.0 grams with the 1978 models." The cost to meet these new standards would "run approximately $1 to $5.50 per car, and there will be no effect on fuel consumption or maintenance."[185]

Other Government Measures

The United States government did not just limit emissions on the automobiles. Safety continued to be a feature that the government pushed, as well as fuel economy and efficiency. One of the first measures was a national highway speed limit of 55-mph. But Congress also imposed gas economy standards of 27.5 mpg average for the entire fleet by 1985, a sixty-five percent increase over the average of 17.6 mpg for the 1976 models.

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[182] *Motor Trend*, "Tugging Pollution's String" January 1977, p. 16.
[183] *Time*, "Grasping for Clean Air," January 19, 1976, p. 55.
[184] Ibid., p. 55.
[185] Ted Orme, "More Aggravation from EPA," *Motor Trend*, November 1978, p. 12.

This move forced the American manufacturers to "steadily trim car size and weight" to meet these standards.[186]

During the Ford Administration, the U.S. government continued to enact new laws and restrictions concerning safety. One of the first challenges was the issue of air bags. The Secretary of Transportation William T. Coleman, who pushed for the bags as early as 1976, said that while he believed air bags worked, "they cannot be imposed instantly on people." Instead, he "asked the car companies to outfit 500,000 cars with air bags during the [1977-79] model years, in what would amount to a mass test." His order ended a seven-year conflict between some insurance companies and Ralph Nader on one hand, and automakers on the other. At the time, consumers did not want to purchase vehicles with air bags. Indeed, consumers purchased only 11,000 GM models with air bags as an option. *Time* magazine's analysis of the problem reported that air bags "are most effective in frontal crashes taking place at less than 30 m.p.h.… are not effective in side swipes, back-end collisions, or multiple jolts" and moreover, often did not work and would inflate and startle the driver.[187] To pay for the new devices, consumers would be responsible for pay $38 million of the $86 million required to institute the program. *Motor Trend* estimated the individual cost to be $100 for full front-seat air bags and $50 for driver-side only.[188]

When Joan Claybrook took over as the head of the National Highway Traffic Safety Administration (NHTSA), she immediately launched a massive recall campaign. In 1977 alone, the organization recalled over 12 million vehicles. While only one of the combined recall campaigns (195 domestic and 49 foreign models) in the United States

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[186] *Time*, "Back to 'More Car per Car'" June 14, 1976, p. 54.
[187] *Time*, "Air Bags: Will They Ever Sell?" December 20, 1976, p. 47.

was from a direct government order, many came from direct pressure from the NHTSA. Significantly, a Supreme Court ruling allowed the government to order "recalls without having to prove that the defect in question has caused, or will cause, a significant number of accidents, injuries or deaths."[189]

The Continued Struggle with Oil

Oil continued to be a problem area, although for the years between the first and second oil crises which book ended the decade, prices did stabilize. Despite the normalization of prices, however, the possibility of another crisis and shortage was always hanging over the heads of both the consumers and manufacturers. Between 1971 and 1975, officials predicted shortages for each winter.

Consumers, in the years just after the 1973 oil crisis, seemed to ignore and even forget the hardships incurred that winter. Though it seems astonishing, by the presidential election of 1976, only 2 percent of the voting population regarded energy "as the most pressing national problem." Yet, since the end of the Arab oil embargo in 1974, the country's dependence on foreign sources increased. In July 1976, America imported 41 percent of its oil whereas before the embargo the country imported only 29 percent. The suppliers also changed, as both Canada and Venezuela cut back their exports, forcing the U.S. to turn to Arab countries. Compounding the problem, the United States did not invest much in alternative sources, unlike the Japanese who by 1976 began working on nuclear and geothermal power.[190]

For the first week of December 1976, the price per gallon of regular gas in the United States averaged 58 cents. In Japan, a gallon would cost $1.34 (US) and some

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[188] Ted Orme, "Air Bags – A Non-Decision," *Motor Trend*, March 1977, p. 5.
[189] Ted Orme, "Recalls Set Record," *Motor Trend,* April 1976, p. 8.

European countries had even higher prices! As *Time* magazine reported in an expose entitled "Fiddling Dangerously While Fuel Burns," an increase on the price of oil by the OPEC nations would harm production in all nations. Yet, most governments still had not enacted strict conservation policies, the United States and Japan included. In fact, in 1975, the United States "consumed exactly as much energy for each dollar of G.N.P. as it did in the embargo year of 1973." Indeed, by December of 1976, the U.S. consumed oil as 47.2 percent of all energy, up from the 1973 figure of 46.7 percent.[191]

By the first week of February 1979 the oil problem was in full swing. The Iranian oilfield strike started in October 1978, meaning that Iran pumped virtually no crude oil between October 1978 and March 1979. In a strange turn of events, as *Time* reported, "the U.S. faced the bizarre situation of having to rush an emergency shipment of 200,000 barrels of diesel fuel and gasoline to Iran because local refinery output [was] insufficient to meet domestic needs." While the U.S. did not depend on Iran for most of its oil (only five percent at the time), other countries such as Japan, Western Europe and Israel did depend on Iran. Other OPEC members, such as Saudi Arabia, Iraq and Nigeria, increased production, but it was still not enough to meet the demands for all countries; the situation was further aggravated by low oil reserves in most countries. For the U.S., by February 1979, reserves were ten percent lower than they had been the previous year.[192]

By March, four major oil companies, Exxon, Texaco, Phillips Petroleum and Shell, cut their supplies and started to ration fuel shipments. Some gas stations across the country started to cut back on their hours or limited fuel sales. The price of a barrel doubled from December to March to $22, and members of OPEC planned for more price

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[190] *Time*, "Back on a Dangerous Binge" August 20, 1976, pp. 65-66.
[191] *Time*, "Fiddling Dangerously While Fuel Burns," December 20, 1976, pp. 48-54.

increases throughout the year.[193] By the first week of April 1979, the cost of a barrel of crude oil was now $14.55, as compared with the 1973 price of $2.41 or the 1978 price of $12.70. In 1973, a gallon of gas cost an average of 37.3 cents. By 1977 it was 61.6 cents and 1978 64.9 cents. For the first three months of 1979, the average prices were 68.2 cents, 69.8 cents and 72.8 cents respectively.[194]

Remarkably many consumers still did not believe there was a true crisis, and instead blamed greedy oil companies for the price increases. Many of the companies did show an increase in profits, and prices did rise, but their earnings would increase only with price increases. In fact, overall, the oil companies did not earn as much on their revenues as all U.S. industries (4.5 percent vs. 5.25 percent). It was OPEC that caused the price jumps, with the price of oil increasing 14.5 percent between January and early May 1979. With the U.S. dependent on OPEC nations for some 50 percent of its oil, any move by the cartel would influence overall prices and availability in the country. To make matters worse, the different types of crude oil could not be processes by every refinery. So, oil from Nigeria that was high quality could not be processed in a plant built to deal with the petroleum from Kuwait, which was heavier. Add to that an increase in demand by five percent from 1978 levels, and the crisis would only become worse. And while OPEC controlled 58 percent of the world's oil (actually a decrease from 65 percent in 1973), their supplies were necessary for a number of countries, including Japan and the United States.[195]

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[192] *Time*, "Oil Squeeze," February 5, 1978, pp. 131-32.
[193] *Time*, "Coming: The Crunch of '79," March 5, 1979, pp. 50-51.
[194] *Time*, "OPEC's Dangerous Game," April 9, 1979, pp. 56-60.
[195] *Time*, "Inside the Big Oil Game," May 7, 1979, pp.70-79.

By mid-May, many gas stations across the country began to shorten their hours, including closing on weekends, some even limiting the amount of gas a customer could buy. Oil companies had to limit their supplies to the gas stations, making the end of the month prime time for stations to be out of gas. While Iran resumed some of its exports, other OPEC nations cut their exports even farther to keep the market tight and drive up prices. With new drivers and more vehicles on the road, including some gas guzzlers like Jeeps or campers, gasoline sales only increased further. Even with the increase in more fuel-efficient vehicles, the average mile per gallon for all passenger cars in the U.S. only increased by half a mile, to 14.35 mpg.[196]

To combat the shortages, some states enacted the odd-even method of gasoline allocation. Further aggravating problems, the DOE ordered oil companies to begin stockpiling oil for winter heating rather than using it then for gasoline. The continued increase on the price of oil only hiked inflation, by some estimates around 2.5 percent in 1979 alone. Members of OPEC did not seem to want to increase production either, realizing that a limited supply would be in their favor.[197] In July, members of OPEC increased prices again, so that the average price per barrel was $20 to $21, up 15 percent from the first week of July, 50 percent since the start of 1979, and an amazing 1,000 percent higher than the price of $1.80 at the start of the 1970s. [198]

In late October, more nations again increased the price of their crude oil. Iraq, Libya and Iran increased their prices by 10 percent, following an announcement by Mexico to increase prices as well. These prices broke through the $23.50[199] per barrel

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[196] *Time*, "Drive Now, Freeze Later?" May 14, 1979, pp. 60-63.
[197] *Time*, "The Great Energy Mess," July 2, 1979, pp. 14–22.
[198] *Time*, "OPEC's Painful Squeeze," July 9, 1979, pp. 12-20.
[199] In 2004, that price would be equal to $61.17.

limit set in June that was supposed to last until the end of the year. One Saudi official told the U.S. government that the only way to stop the price increases would be to curb oil use and demand. Some oil countries decided to end their contracts and sell their oil on the spot, which would give them more money as the market prices were higher than what OPEC set for prices.[200]

Just when consumers thought that the situation could not get any worse, Iranian militants took over of the U.S. embassy, which stimulated further increases in oil prices. The hostage situation triggered fears in the U.S. and around the world about the price of gas, as well as the value of the U.S. currency. Indeed, gas prices only continued to rise in the United States, to a national average of $1.01[201] by November 1979. Iran declared that the U.S. could not buy Iranian crude oil, nor could anyone else deliver their oil to the United States. While the U.S. still did not depend on Iran for most of its oil, any decrease in the already strained imports further aggravated the problem.[202] In December, Saudi Arabia increased prices, this time by 33 percent, taking its price from $18 to $24 per barrel. Other nations, such as Venezuela, Qatar and the United Arab Emirates followed suit.[203]

Toyota's Print Advertisements and Marketing Strategies

Most of Toyota's print advertisements during this difficult era looked similar to each other and played along a similar theme. The top half of the ad would have some slogan, generally accompanied by, "You Asked For It," while the bottom half would feature the vehicle. Often these ads would have multiple versions, some one page, others

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[200] *Time*, "More Woes on the Oil Front," October 29, 1979, pp. 70-71.
[201] Adjusted for inflation, this price is $2.63 in 2004 dollars.
[202] *Time*, "The Economy Becomes a Hostage," November 26, 1979, pp. 40-43.
[203] *Time,* "Another Oil Price Stunner," December 24, 1979, pp. 60-61.

running for multiple pages and highlighting more and more features. Significantly, these multiple-page ads showed the increase in Toyota's advertising budget, which displayed their increased profits. Only a company that was so successful could afford extravagant ad displays. While later ads dropped the "You asked for it" part of the slogan, they always included some headline ("One reason why the Corolla is the world's most popular car") and would end with the "You Got it." Part of the reason for this campaign's success was that the ads paraded as informational, providing plenty of text material to "support" the claims of the slogan. The main terms were in bold print, making the ads easier to read even for the casual observer.

By the time the second oil crisis hit in the country in 1979, Toyota had already established itself as a viable alternative to the American manufactured vehicles. With the shortage of oil and rising gasoline prices, Toyota seemed an even better alternative, as Toyota had a number of fuel-efficient vehicles already available for consumers.

In 1976, *Motor Trend* selected the Toyota Celica as Import Car of the Year. Toyota advertising emphasized this award, even including quotes from the magazine. In fact, one of the excerpts mentions the quality of Toyota vehicles: "so although this award is for the 1976 Celica line, it is also recognition of the quality of all those that have gone before." Toyota even offered, for a limited time of course, plaques with the vehicle that would be customized with the owners name to commemorate the award and purchase.

Another 1976 advertisement "explained" what Toyota meant when it said that their vehicles were the better bargain. The better bargain was quality, 1976 prices, economy (most likely fuel), and the top seller. By quality, Toyota meant that its vehicles were built tough, coated to protect against rust, and so well built that "9 out of 10 Toyotas

sold in America are still on the road today." A great feat indeed for vehicles sold in 1958 to still be in use! Toyotas, according to the ad, were cheaper both in price (which was at the 1976 not 1977 price), as well as in operating costs, yet also commanded a high resale value. Toyota even told consumers, "If you can find a better built small car or truck than a Toyota…buy it." And what happened? Toyota's sales increased. Consumers judged that Toyota was obviously the better bargain, as who wouldn't want a car that would operate years down the road?

Toyota Corollas were full of quality, according to the different 1976 advertisements. "Quality. You Asked For It." But what does quality mean? Well, to Toyota, it meant inexpensive but not cheap. It meant quality in the entire line, not just the individual car, so all of the different lines of Corolla – the light back or the sport coupe – were quality. Quality meant fuel-efficiency, 39 highway and 24 city; it meant good handling, durability, convenience, reclining seats and lots of fresh air from the vents.

A 1979 ad boldly exclaimed, "Don't waste gas" and then proceeded to detail the benefits of owning a Toyota, with the feature vehicle being the Corolla. The ad highlighted the fact that Toyota met the EPA 1979 standards, averaged 31 mpg in the city (40 on the highway), with "minimum maintenance." What is minimum maintenance? Toyota explained that since their "engines energize every drop of fuel so cleanly and efficiently, you don't have the dirty problems of lead salts cutting into and eroding the guts of your engine." Not only that, but the Corolla was one of the lowest priced cars in America, at $3,748 (not including tax, transportation, California emissions or optional equipment). And if a consumer did not like the Toyota Corolla? That was okay, because

Toyota had 37 different models available! The informational text closed with, "When you got it, you got it," but does not explain what "it" is.

Competitor Print Advertisements

In the dark days of the 1979 oil crisis, many companies promoted their fuel-efficient vehicles, often comparing their model with competitors. One of the most humorous of this type of ad came from Subaru. One 1979 ad featured a quartet of African-American men in tuxedoes, reminiscent of The Temptations, with a Subaru in the background behind them. The headline read, "The Cadillacs drive Subaru." Reading the text, one learns that "The Cadillacs" was the name of this musical group. The print explained all of the great features of the Subaru, the rack and pinion steering, steel belted radials, high mile per gallon ratings, and a low price. In fact, "Subaru is built to become a golden oldie." A similar ad declared "Take it from a Ford, drive a Subaru." The picture featured a woman, named Susan Ford, standing in front of her Subaru, pointing a finger at the viewer. And what does Susan know? Well, Susan was a photographer, and she depended on her Subaru to take her as she went "barnstorming around the country." She knew that her Subaru was tough enough to handle the job. Both ads played on well-known American car companies, twisting them to fit into Subaru's favor. A casual reader would notice the pictures, as well as the bold text and wonder why a Ford or a Cadillac would support some tiny import. The print was chatty, but also explanatory, and the use of humor was sure to draw attention to the company. Subaru's slogan highlighted two important features for the slumping American economy, price and longevity. "Subaru: inexpensive. And built to stay that way." And we can take the words of a Ford and the Cadillacs.

Volkswagen's slogan during the 1979 crisis, "Volkswagen does it again," was not as effective without the context of their ads. Even within their ads, Volkswagen did not explain what exactly they do again, but the reader can only assume that it has something to do with their success with the iconic Beetle. These ads featured the Volkswagen Rabbit Diesel, which according to government estimates, was the most fuel-efficient car on the market. Naturally, one ad highlighted that feature. What appear to be clippings of newspaper headlines dominated the top of the ad, with the text "First the bad news" above them. And what was the bad news? The rising cost of oil and gasoline shortages, of course. Below these clippings, Volkswagen placed their car and the text "Now the good news," emphasizing the car's incredible ratings of 40 mpg in the city and 50 mpg on the highway. And if you drove a Rabbit, the ad punned, "You'd have 'em over a barrel." Another ad showed a man getting into his Volkswagen, with snow piled all over the yard, car and house. The print explained, "How does the man who drives the snowplow drive to the snowplow?" With a Volkswagen Rabbit of course! The Rabbit not only started easy in the winter, but was also highly maneuverable even in bad weather. Moreover, the Rabbit was the only car in its class with such excellent capabilities. A third ad following this format showed a man running, with a Volkswagen Rabbit Diesel pulling ahead of him. The catch? "It can run a mile cheaper than you can." The text explained, using math, that the Rabbit Diesel burned about 1.4 cents worth of fuel for a mile, while the average human would need around 18 cents worth of food to go the same distance. "Fact is, if you were a car, you couldn't afford <u>you</u>." Not only was it fuel-efficient, the Rabbit didn't need conventional tune-ups because it didn't have spark plugs or points or condensers or a carburetor – it was a diesel! And with a

low price and such amazing fuel-efficiency, “what you save with a Rabbit Diesel, can fuel you with steak.”

One Buick ad for their LeSabre 4-door proclaimed, “If one of these looks good to you, one of these should look terrific.” The company listed five imports, the Toyota Cressida, VW Dasher, Datsun 810, Audi 5000 and the Volvo 244, all with similar prices and mpg ratings. However, the LeSabre was the cheapest of all of those listed, advertised at $6110, and held more passengers (six) than the competition. But the ad does not highlight any other features that set the LeSabre apart from the competition, nor does it mention any extras available. The slogan is equally underplayed, “After all, life is to enjoy.” The ad does not explain how their vehicle would make life enjoyable, other than by saving the consumer some money up front, but that information must be inferred by the consumer.

Chrysler’s ad for its corporation played on its fuel-efficiency versus its American competitors. Chrysler had twelve vehicles available with 25 or more estimated mpg ratings, while GM only had four and Ford merely had one. The text even stated that Chrysler had four models that beat GM’s best car, and four that topped the lonely Ford, and twelve models that beat all of the new “X” cars by GM. The ad then listed the vehicles that were rated higher than imports, including the gasoline-powered VW Rabbit, and the Toyota Celica. “Nobody has more 30 est. mpg gas models than Chrysler,” the ad reminded. Chrysler’s slogan for this ad even highlighted their fuel-efficiency, “Chrysler Corporation. No. 1 in gas mileage of the Big 3.” The ad failed to mention price, however; that option was left to the consumer to research.

Conclusions

While some import sales dropped before the second oil crisis hit in 1979, Toyota managed to capture a large share of the American market, easing into the third spot even before the crisis began. Toyota's ads do not draw attention to their impressive jump in the American market, however, and instead continue to focus on the specific benefits of owning a Toyota. The company did note, often with glee, their awards and the overall efficiency of their products. Their slogan during this period, "You got it," was not as effective or memorable as others, but the company used this phrase as a jumping point to highlight various features of their cars, or line of cars.

By the end of the 1970's, Toyota was poised to continue its rise, hoping even to overtake Ford. Toyota was well known and recognized, a far cry from its position just twenty years earlier. In 1958, or 1965, and even 1970 to a lesser degree, few people took the company seriously. Some regarded Toyota, and most imports, as a fad, or as just a small portion of the market, even as late as the conclusion of the first oil crisis. But by 1979, Toyota was one of the major competitors in the market, and their cars were recognized for both quality and value. Detroit could no longer ignore them or dismiss the company as a small threat. Even among other imports, Toyota vehicles received notice, and some scorn. Companies would want to emulate Toyota's success, although by 1979, it was too late for many manufacturers. Toyota established its reputation and proved that it was here to stay.

EPILOGUE

GROWTH: TOYOTA'S RISE TO NUMBER 2

By the end of 1979, Toyota was already the third largest automobile manufacturer in the world. Combined with product design, technology and proven reliability, their strategic advertising campaigns paid off, and the goals set forth in the beginning by the Toyoda family enabled the company to build cars that the public desired. Aiding the company was the failure of the American manufacturers to respond to external threats, including safety, protecting the environment, and most importantly gas shortages. Toyota struggled to build brand loyalty in the early years of production, both in Japan and America, and the hard work paid off with increasing sales and continuous awards.

Toyota's growth is reflected in its developments in the 1980s and 1990s. In 1985, Toyota reached its 20 millionth cumulative export. In 1986, Toyota produced its 50 millionth vehicle in Japan, and in 1999 the company hit 100 million while annual overseas sales were at 3 million. One of the most successful vehicles ever produced, the Toyota Celica Camry (now Camry) launched in 1980. Since 1980, the company introduced several new vehicles, and two new lines of vehicles. The company also launched the Lexus line in 1989 to break into the American luxury market, which was a successful move on their part. While not yet available in Japan, the company plans to launch models to compete the with European luxury vehicles already available. More recent vehicles include some gasoline-electric hybrids, such as the Prius and Highlander. The Scion, which is growing in popularity, and was launched to appeal to the new generation of buyers, Generation Y. This model is easily customizable and features add-ons that customers can fit to their needs and desires.

Extending strategic global expansion, since 1980, the company built a number of plants worldwide, including some in the United States and Canada. Their first plant outside of Japan, a joint venture with GM, opened in California. By 1987, another plant, this time without the help of GM, was open in Kentucky and producing cars, especially the popular Camry model. In that first year alone, Toyota sold around 187,000 Camrys.[204]

Toyota's advertising has remained strong through the years. Building upon the decades of strategic success, the company has continued to run memorable, popular and successful campaigns, starting with the "Oh, What a Feeling" for their 1980 line. Then in 1986, the company launched the slogan "Who could ask for anything more?" By 1990, Toyota moved to their famous "I love what you do for me" theme. Since 1998, the company has moved from "Toyota|Everyday" to "Get the Feeling," and finally, "Moving Forward."

Since the fiscal year 2003, Toyota's global sales have grown by around 10 percent a year.[205] Significantly, the company also plans to build a plant in Russia, the first Japanese company to do so.[206] Toyota has two new plants opening in 2006, one in the United States. Another plant should open in 2008 in Canada, bringing the total number in North America to seven.[207] Since 1991, Toyota has increased the number of vehicles built in the North America to match the number sold. Many of the models are produced in the United States, including the popular Camry, Corolla and Tacoma lines. As of

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[204] Sales numbers provided at the website for Toyota's plant in Georgetown, Kentucky http://www.toyotageorgetown.com/salesdex.asp Accessed March 28, 2005.
[205] "Toyota plans capital outlay of 1 trillion," *Asahi Shimbun*, April 26, 2005.
[206] "Toyota: To Russia with caution," *Asahi Shimbun*, April 28, 2005.
[207] "Toyota to build 7th North American plant," *Asahi Shimbun*, May 31, 2005.

2003, several models are produced solely in Japan, and several only in America. Of the models the company makes, several are familiar from the early beginnings: the Land Cruiser, the Crown (although in different models), the Corolla, the Celica.[208]

Moreover, Toyota's global company is active in a number of different non-automotive enterprises. The Toyota Company is still more than just an automobile manufacturer, with branches working in electronics, mechatronics, and even textile machinery. Toyota remains both innovative and active in the community. Toyota was one of the major sponsors of the 2005 Aichi Expo, a World Fair exhibition. The company is even sponsoring research into the use of wind power, establishing Vestech Japan Corporation to represent Vestas Wind Systems A/S and their interests in Japan.[209] Furthermore, Toyota is moving into robotics, and the company has opened a division inside their company for that purpose.[210]

In the United States, Toyota USA donated over $7.5 million for relief in the Gulf Coast after the devastating hurricanes in September 2005.[211] The company annually donates money to education, including scholarships, teaching exchange programs, grants for math and science teachers, and summer youth studies. The company's guiding principles state that they will "dedicate [themselves] to providing clean and safe products and to enhancing the quality of life everywhere."[212] The vision statement for Toyota

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[208] For a full listing of the vehicles sold by Toyota, visit their worldwide website http://www.toyota.co.jp/en/about_toyota/manufacturing/product.html
[209] "Aichi Expo 2005/Wind power firm puffs up offshore potential," *Daily Yomiuri*, April 25, 2005.
[210] "By 2010, Toyota will fetch tea and tidy your home," *Asahi Shimbun*, June 1, 2005.
[211] $6.5 million was in corporate donations, but they also contributed vehicles , transportation, and funding on new vehicles for those affected. http://www.toyota.com/about/news/corporate/2005/09/27-1-donation.html Accessed: January 15, 2006
[212] "Guiding Principles at Toyota" on site Message from Top Management.

Motor Sales U.S.A. is "[t]o be the most successful and respected car company in America."[213]

Currently, Toyota is the number two automobile manufacturer in the world. Recent negative developments at General Motors have only served to increase Toyota's standing and popularity. Besides having a poor product reputation, GM experienced poor sales, massive profit losses and planned layoffs unprecedented in corporate history, making Toyota appear as an even better option in the global market. In the summer of 2005, Toyota announced that it might take measures to increase its prices in order to aid the floundering US industry. According to the *Asahi Shimbun*, one of the leading newspapers in Japan, Toyota planned to increase prices in the United States by two to three percent.[214] In August of 2004, Toyota was one of the Ten Most Valuable Brands in the World, worth $22.67 billion, and ranked above all but eight other companies.

Toyota is even planning to enter vehicles into Nascar's elite races, the Nextel Cup and Busch Series. Indeed, this will make Toyota "the first foreign-owned manufacturer to race in Nascar's premier series since Jaguar in the 1950's." In an interview, an executive for Toyota Motor Sales U.S.A., Inc., said "'There's 75 million fans, and Toyota wants to be a part of the culture of this country. And in order to do that, you have to be in the premier auto racing series.'" [215]

In the past year alone, both General Motors and Ford have announced a series of plant closings and reduction in their production. In November 2005, General Motors announced the closing of several plants and a total cutback of 30,000 positions. The

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[213] Mission and Vision Statements, on Toyota USA's FAQ section
[214] Asahi Shimbun, June 11, 2005 "Toyota to up prices in U.S. this October" accessed on-line
[215] New York Times "World of Change Is Likely as Nascar Lets Toyota Join", Jan. 23, 2006 http://www.nytimes.com/2006/01/24/sports/othersports/24nascar.html

company hopes "to achieve much of the job reduction via attrition and early retirement programs." It is part of their "four-point plan to return the company to profitability and long-term growth,"[216] which involves health-care reduction costs, as well as what they call a "product renaissance." Their plan also calls for a reevaluation of their advertising to target new buyers. The company also stressed the success of the advertisements for Chevrolet, which "[addressed] segment-leading fuel economy, safety and product quality."[217] On March 26, 2006, the GM offered severance packages to some 113,000 workers in an effort to cut back on labor costs.

Ford announced similar cutbacks in January 2006. The company plans to close fourteen plants, both stamping and assembly plants, and cut between 25,000 to 30,000 jobs. The closings should cut around a quarter of Ford's production. In the wake of their closings and cutting jobs, Ford announced a new recovery plan. Their plan, entitled "Way Forward," is designed to slow their rate of loss in the market by focusing on the consumer's needs. Mark Fields, a Ford executive vice president, stated that a clear view of the customer and our brands also improves product quality, as well as the

> quality of the selling process with straightforward pricing that is clear and simple. It leads to improvements in our cost structure and capacity. And it will unlock the talents and energy of the entire Ford team through bold leadership.

This "bold leadership" plan calls for being straightforward and "acting like a smaller, more agile company."[218]

In one recent release, Ford and General Motors were shown to be continuing to lose to the Japanese automobile industry, especially Toyota and Nissan. In fact, the

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[216] General Motors press release, Nov. 21, 2005, "GM North America to Undergo Major Capacity Reduction"

[217] General Motors press release, Nov. 21, 2005 "GM North America's Four Point Turnaround Plan"

import market increased to 43% of the total American market in 2005, with Toyota and Nissan making large gains (8.7% and 8.5% respectively).[219] In December 2005, Edmund.com reported that the Big Three together spent $2.7 billon on various types of consumer incentives. By great contrast, the Japanese industry spent only $496 million.[220] It is interesting to examine these numbers, as it shows that the Big Three seem to be using various types of monetary benefits to draw in customers. By giving so many rebates or allowing higher cash back incentives, these companies hope to draw in new clients. Unfortunately, their vehicles remained the same, and the companies still lost profits in the long term. While they increased traffic at the end of the year with special sales, the domestic companies still continued to lose in the overall market.

Some of the trends from 2005 include a continued decrease in domestic manufacturers' market share. Specifically, Toyota and Nissan gained ground in comparison with other brands.[221] In 2005, for the second time since it's founding, Toyota Motor Sales, USA reported sales of 2,260,296 vehicles, for an increase of 10.1% in overall sales from 2004. The Camry remains the best-selling car for the eighth time in nine years, and the fourth year in a row. Toyota's luxury brand, Lexus, reported sales of over 300,000 vehicles, making it the sixth consecutive year that Lexus was America's top-selling luxury car.[222]

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[218] http://media.ford.com/newsroom/release_display.cfm?release=22464 Press Release on January 23, 2006 Accessed Jan. 30.
[219] http://www.edmunds.com/help/about/press/108914/article.html Press Release on January 3, 2006.
[220] http://www.edmunds.com/help/about/press/108913/article.html The True Cost of Incentives[SM] includes a number of different incentives, such as dealer cash and rebates.
[221] http://www.edmunds.com/help/about/press/108914/article.html Toyota and Nissan gained 8.7% and 8.5% respectively. The import market share increased from 41.6% to 43.0%.
[222] Toyota released its year-end figures on Jan. 4, 2006. All figures for the 2005 year are available on their website http://www.toyota.com/about/news/corporate/2006/01/04-1-sales.html

As of the new century, Toyota ranks as the second largest automobile company in the world, only behind the ailing General Motors. Only recently did Toyota manage to surpass Ford to take the number two spot. According to 2004 sales, the Toyota Camry is the third largest seller under light vehicles, and the largest under the category of cars in the United States.[223] Even more startling for Detroit, a 2006 ranking of vehicles by *Consumer Reports* of the ten best vehicles does not list a single American model. In fact, all ten are Japanese made, with two being from Toyota. In another ranking of the ten hottest cars in America, Toyota took six of the ten spots. This ranking, by Edmunds.com, examined "actual selling prices closest to the vehicle's full sticker price; lowest amounts in rebates or other sales incentives; shortest times spent on dealer lots before being snapped up by buyers."[224]

With gas prices on the rise again, the American consumer is continuously looking for vehicles that are fuel-efficient, reliable and affordable. Toyota, having vehicles that are not only fuel-efficient, but hybrids as well, will surely continue to increase their profits. It will be interesting to see how these new developments continue to change the automobile industry. One gets the feeling that Sakichi, Kiichiro, and Eiji Toyoda would be astonished, but only momentarily, at such monumental success. After all, Toyota's inspiring vision continually provided the company with the means and drive necessary to succeed. Who could ask for anything more?

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[223] Information based on chart found at the Toyota Motor Manufacturing, Kentucky, Inc., http://www.toyotageorgetown.com/salesdex.asp

[224] "Toyota tops hottest cars in America," available online. Edmunds.com frequently provides information for CNN.com http://www.cnn.com/2006/AUTOS/03/16/hot_cars/index.html

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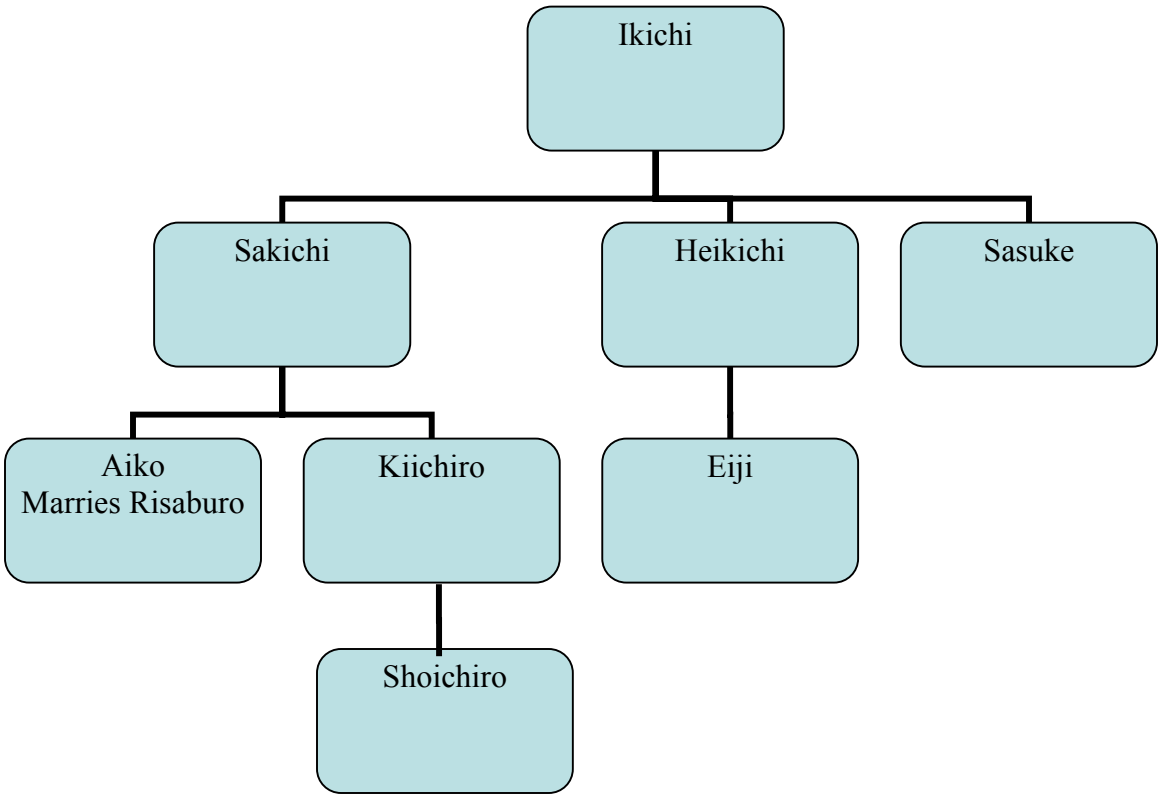
APPENDIX A: TOYODA FAMILY TREE



APPENDIX B: TOYOTA'S ADVERTISING SLOGANS

1967	Get your hands on a Toyota . . . you'll never let go.
1970s	We're quality oriented.
1972	See how much car your money can buy.
1974	Small car specialists for 40 years.
1976	You asked for it, you got it.
1980	Oh, What a feeling!
1986	Who could ask for anything more?
1990	I love what you do for me.
1998	Toyota|Everyday
2001	Get the Feeling
2004	Moving Forward