

DELOCALIZING THE JAPANESE AUTOMOTIVE INDUSTRY AND THE ROMANIAN MARKET

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Abstract

Japan's automotive industry is renowned for its technologically advanced cars, for their built quality and reliability, which makes this sector one of the best in the entire world. But despite these qualities, outside the national market, the manufacturers have to fight really hard for a slice of the European market. The answer for this is the delocalization. Although it's a controversial process due to its effects, using it offers the Japanese a better chance in competing with other car manufacturers.

Key words: *Delocalization, Japan, Automotive industry, Romanian market*

JEL Classifications: F1, F12, F13, F15, F21, F23, F63

1. INTRODUCTION

Background- The Japanese automotive industry is part of the global automotive elite, a statement reinforced by the top quality, the imaginative design and the reliability of Japanese products. These facts helped Japan to increase the production volumes every year so that it propelled the Japanese economy among the biggest car manufacturers in the world, over 70 years ago. Its development potential was so high that during the 80's and 90's even the United States of America got surpassed in terms of production quotas.

Today, although the growth rate is smaller than before, Japan's automotive industry is still in the big league, as it is ranked as the 3rd biggest car manufacturer after China, but it outperforms Germany.

Another important "branch" of the automotive industry is the motorcycle building industry. This sector has the benefit of the similar proven track record as the car manufacturing, as well as the fact, that during the 80's it took the American motorcycle market by storm and most of the traditional producers had to rethink their business strategies in order to keep up with the Asian manufacturers' success. Today, the Japanese bikes are very successful in all the sporting events that they race

¹ Lipsesc datele despre autor și notele de subsol

in and it is worth mentioning that they are two of the fastest production bikes in the world, that are recorded in the Guinness Book of World Records.

2. JAPAN'S AUTOMATIVE HISTORY

Giving all these successful facts, let us make a short inquiry down the memory lane and trace a few landmarks in the Japanese automotive history:

- 1902 – Komanosuke Uchiyama built the first car with a petrol fueled engine, called Takuri;
- 1904 – Torao Yamaha built the first bus powered by a steam engine. It had a capacity of 10 people;
- 1926 – JitsuyoJidosha Seizo Co. merged with Kwaishinsha and formed DAT Automobile Manufacturing Co. Later it became Nissan Motor Co.;
- 1936 –textile company, Toyota, began producing their first cars. The military truck production started earlier;

Despite all these pioneering and early steps taken towards a successfully developing automotive trendsetter and provider, it is noteworthy to point out that most of the passenger cars produced in Japan before World War II were not very original as they were based on European and American models. After WWII and up to the mid '60s, the production mostly consisted of trucks and the exports were pretty low during the respective period (3.1% out of all produced cars).

Although the automobile production was rapidly increasing, the most common ways of transportation were scooters, motorcycles and very small cars. These cars (called “kei” cars) were introduced during the 60's, and they were basically small cars with a very small engine. First cars had engines of up to 360 cc, to avoid larger tax. Such cars were Honda N360, Mazda Carol, Mitsubishi Minica, Subaru 360, SuzukiFronte.

During this period, the increase in passenger carsexports recorded a massive threshold of 200% which meant17% of the total production. Thegrowth in domestic and international demand meant a further increase in as much as the exports were concerned, and that the companies had to expand worldwide.

3. THEORETICAL APPROACH ON DELOCALIZATION IN AUTOMATIVE INDUSTRY

The concept of delocalization is more commonly used in recent times, but because there is not a unanimously accepted definition of it, its myriad implications remain unknown to some people. There are not a lot of studies regarding this

phenomenon, so, as a result, there is not a clear definition of it. But if we were to define this concept, a highly intuitive approach, based on the current economic scenarios where such phenomena can be observed or have been employed, would imply that delocalization means that one corporation will take one of its factories and place it in another country that will offer smaller operative costs.

The current economic situation has allowed for an intensive usage of this procedure as corporations strive for cost reduction not as much for increasing profit margins, but for surviving the competition.

In the automotive industry, which is one of the largest and most profitable economic sectors throughout the world, delocalization is successfully used as the costs are really high in an industry that produces high added value goods. Another strong motivation for using this management technique is the fact the competitiveness level is so high that every small advantage can make the difference between a successful product and company or a failure of epic proportions.

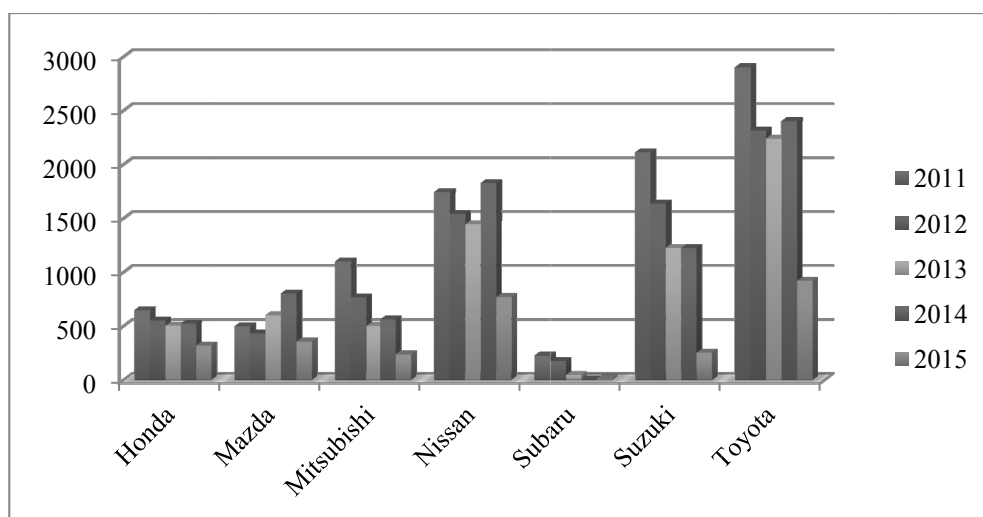
Regarding the Japanese automotive industry, almost all of the manufacturers have production facilities outside the domestic economy in at least two other countries and they are as follows:

- ❖ Honda – 24 factories where it produces cars as well as motorcycles;
- ❖ Mazda – 16 factories;
- ❖ Mitsubishi – has 9 plants outside Japan;
- ❖ Nissan – 28 plants outside Japan;
- ❖ Subaru – is an exception, since it has only one factory outside Japan, in Lafayette, Indiana, USA, and two branches for distribution in Canada and Philippines;
- ❖ Suzuki – is a bit more modest, with only 7 plants outside the home country, and just as Honda, beside motorcars they produce motorcycles, ATVs and engines for all sorts of applications;
- ❖ Toyota – 17 plants outside Japan and ten joint ventures licensed and contract factories.

4. SHORT ANALYSIS OF THE JAPANESE CAR SALES IN ROMANIA

In Romania, the Japanese car sales volumes are quite impressive as they are in top 10, but still not as big as they could be. A possible explanation for this state of affairs could be that they are perceived as high-maintenance, and if something breaks down due to the fact that they are produced in Japan, the waiting period for spare parts is quite long.

Chart no. 1 – New Japanese passenger car sales in Romania 2011 - 2015



Source: www.apia.ro, Statistical bulletin and my own computations

Out of all the brands that are officially imported, judging by the sales, the most successful one is Toyota. Despite the economic crisis and the quality scandals, it managed to remain a constant competitor each year. Ranking throughout the analyzed period (2011 - 2015²) may vary from the 7th to the 9th place.

The next successful Japanese manufacturer on the Romanian market is Suzuki. The first years of the economic crisis did not affect the company's sales, but since 2013, their figures have been dropping constantly. The remainder of the ranking is made out of Nissan, Mitsubishi, Mazda, Honda and Subaru.

Nissan, although it is owned by Renault, did not have its French partner success on the Romanian market. The best ranking that was recorded by this manufacturer was in 2014 when they managed to finish on the 10th place in an upward trend from the 13th place the year before.

Analyzing Mitsubishi's sales, the situation is a little worse since they managed to sell an average of 500 cars per year (2012 – 2015), after 2011 recorded about 1000 cars.

Mazda is on an upward trend regarding its sales, as it has constantly been growing since 2011, when they sold 499 cars to 2015 when it's foreseen to exceed the 800 cars sold last year.

In Honda's case, the sales are constantly dropping every year, since 2011. Although the reduction is not significant, it cannot be overlooked, as it dropped from 649 cars in 2011 to 523 units in 2014. The ongoing 2015 could be the comeback

² The available data goes as further as May 2015.

year for Honda as they managed to sell more than 300 cars during the first five months.

Suzuki has unfortunately been in freefall since 2011, when the manufacturer recorded 2111 cars sold. This volume puts it in a spot very close to the all-time Japanese best seller, Toyota. Although 2012 was a bad year, as the sales dropped to 1638 cars, it was the last year when Suzuki was still the second best sold Japanese car maker.

Subaru is a niche car manufacturer with successful World Rally Championship participation. The car's key features are the symmetrical all-wheel drive, the boxer engines and, for a few years, the frameless door windows. Although the brand and the cars have lots of qualities, throughout the years, the sales dropped from 227 cars in 2011 to 2 cars in 2014 and none in 2015 and, as a result, there is a rumor that the official dealer will be closed. Of course, if this happens, the customers that have already bought the cars will still have their cars professionally serviced by certain third-party dealers or repair-shops.

CONCLUSIONS

The Japanese automotive industry is a very successful economic sector both locally and internationally. The automobiles and motorcycles produced by the Japanese corporations have proven a sum of qualities that throughout time has translated into a recipe for success: quality, reliability and correct pricing, which often means "a lot of car/motorcycle for your money".

In recent times, the manufacturers have tried to better keep up the pace with the European competitors, in order to win a bigger slice of the market. Despite various counterarguments that can be brought against this claim, we dare to say that it's safe to assume that up to a point they succeeded.

A problem that is often brought up is the tradition of these manufacturers, which for some buyers is really important. Basically, there are buyers who acknowledge all the qualities of the Japanese products, but the name of the company that appears on that car is really important so they prefer a reputed and highly recognizable product (that most of the times is European).

Regarding the Romanian market, although we pinpointed Toyota as a successful brand here, judging by its sales, unfortunately its success is really shy. The reasonable explanation for this misfortune may be two-fold:

1. the lack of notoriety in our country, and the misconception that the best cars come from Germany;
2. the fear of poor aftersales services, long waiting periods for spare parts, and high maintenance costs.

The solution for these problems could be the introduction of more aggressive marketing campaigns that will allow possible buyers to find out about the qualities of these products and maintain the correct prices policy that are promoted by the Japanese automobile manufacturers.

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