

Ford Rubel

Andrew Wang

MKT 4270

Dec. 9th, 2022

Marketing Plan: JTEKT Expansion into African Automobile Parts Market



Executive Summary

As more people around the globe raise their standards of living and the demand for automobiles rises, so does the demand for the parts that make them. In particular, Africa is a market with huge growth potential in terms of automobile sales and by proxy automobile parts. By 2050, one quarter of the world's population will be African. JTEKT will capitalize on this opportunity by entering the African market and capturing a significant market share as an early entrant to take advantage of this potential. This plan lays out JTEKT's strategy for entering the African market in an effective and competitive manner that reflects the core values of the company.

The main goal of this plan is for JTEKT to capture 5% of the African auto parts market in the next 5 years. These goals will be achieved by foreign direct investment with the opening of 3 factories in 3 distinct strategic markets, South Africa, Gabon, and Egypt. These factories will be the launching off point for our actions in the region. JTEKT will utilize its great service, quality Japanese manufacturing, and low prices to create a comparative advantage that will allow JTEKT to gain the target 5% market share.

Overall, this plan reflects JTEKT's drive to expand to all parts of the globe and to provide superior quality and prices to our customers. With the opening of 3 factories in Africa, selling superior products at low prices, and providing customers with the trusted JTEKT name, it will be able to establish itself as a trusted brand in the African automobile market. Through this JTEKT will be able to generate billions of dollars of value for the brand and participate in investing in a market that will yield significant returns.

Situation Overview

Company Profile

The JTEKT group, formed as a merger between the Koyo and Toyoda companies in 2006, is a Japanese manufacturer and developer of automotive components, sensors, machine tools, and bearings. The JTEKT group operates 150 subsidiaries in approximately 30 countries and regions around the world. JTEKT can be described as a truly global company, as it does R&D, production, and sales across the global market. The consolidated sales for the JTEKT group in fiscal year 2021 was 1,428,426 million yen. Steering systems and driveline components make up about 70% of sales, with bearings and machine tools making up the remaining 30%. So, while JTEKT has a diverse portfolio of products, it is a big player in the automotive industry.

The company's mission statement is *"Seek to contribute to the happiness of people and the abundance of society through product manufacturing that wins the trust of society."* and by this statement JTEKT takes corporate social responsibility very seriously. Through employment and being responsible taxpayers JTEKT hopes to contribute to society and provide products that add value to people's lives. 'JTEKT GROUP VISION' states 'Shaping a Better Future through the Spirit of "No. 1 & Only One".' JTEKT aims to offer "good products at low prices." All these aspects of JTEKT make it a respected company worldwide that is known for making their customers happy. JTEKT holds its employees to a high ethical standard that reflects its mission. JTEKT also strives to be environmentally responsible and is committed to reducing the environmental impact of its activities around the globe.

A SWOT analysis shows JTEKT's current competitiveness in the market.

	Helpful	Harmful
	Strengths	Weaknesses
Internal	<ul style="list-style-type: none"> • Large market share in automotive parts industry. • High product quality with competitive prices. • Japanese manufacturing competency and employee loyalty 	<ul style="list-style-type: none"> • Lack of internal communications among subsidiaries. • Low and negative profits throughout covid-19 pandemic. • Lack of innovation; reluctant to integrate new technologies
	Opportunities	Threats
External	<ul style="list-style-type: none"> • Growing global automobile market. • Increase in global standard of living. • Development of EVs and autonomous driving technologies. • JTEKT well trusted brand among customers • JTEKT is already global seller with experience in entering new markets 	<ul style="list-style-type: none"> • Rising gasoline prices. • Competitors moving more quickly to adapt to changes. • Political Instability in Europe • Supply chain disruptions as result of pandemic • Competitors from other wealthy ASEAN nations

Market Overview

The global automotive industry is large and ever growing as many countries around the world begin to develop and the demand for automobiles and automobile components increases. Technological advancements in automobiles are also driving the demand for more high-quality components. We will examine specifically the market for steering and driveline components. JTEKT is engaged in both markets on a global scale with large market shares.

Currently the global automobile steering system market is valued at \$23 billion and is projected to reach \$34 billion by 2031. Companies in this market are driven by the objectives of reducing emissions and continually innovating their products. Autonomous steering systems are a quickly growing part of this market. JTEKT is very much a part of this innovation in their

power and hydraulic steering systems that can improve fuel consumption over other systems.

JTEKT's customers in this sector include large names such as Mazda and Honda. Other large steering system manufacturers (JTEKT's competitors) include Delphi Technologies, Mitsubishi Electric, and Hitachi Astemo.

The global driveline market was valued at \$4 billion in 2022 with a projected valuation of \$9.2 billion by 2028. The current and future growth of this market is driven by the high standard of living seen by people all over the world and more cars on the road. Based on drive type the front wheel drive segment holds the largest market share. Based on vehicle class, the mid-priced segment holds around half of the global market. The LAMEA region expects to see the highest percentage of growth in this market in the next decade. The major players in the global driveline market include BorgWarner inc., Continental AG, and the DENSO corporation. JTEKT's largest customers in this space include General Motors and Mitsubishi Motors.

Goal

The primary goal of JTEKT's expansion into Africa is to establish a competitive market share in the country. The quickly growing market gives JTEKT an opportunity to gain the trust of consumers and gain market share over other competitors who have not yet entered this market. The achievement of this goal furthers the objectives of increasing sales and profit and gaining a supply chain presence and supplier partners in Africa. The JTEKT group would like to establish a 5% market share over the next 5 years to become a leader in the African automobile market. Currently JTEKT holds one plant in Morocco, therefore this goal represents an approximate 4.5% increase in market share. Currently it is difficult to forecast the value of the African

market, however JTEKT is confident that it will see a return in its investment. So, market share will serve as our benchmark to track our success over the next 5-year period.

Strategy

JTEKT's target market in its expansion into Africa are African automobile producers and dealers of automobile parts. Given that the continent currently has 1.38 billion inhabitants and is projected to grow to 2.5 billion by 2050, the demand for automobiles in places with strong consumer car culture will grow with the consumer base. This high demand for automobiles will indirectly drive demand among auto producers who open production in Africa to meet that consumer demand. This provides a huge opportunity for JTEKT as there is huge potential for growth in the consumer base for automobiles and by proxy automobile parts.

Currently JTEKT operates 150 subsidiaries around the world and therefore has a wealth of international experience to draw upon. JTEKT will use that experience to create two new subsidiaries, JTEKT North Africa and JTEKT Sub-Saharan Africa. It is strategically important to split these areas up into two entities as infrastructure across the Sahara is undeveloped, and therefore the establishment of a supply chain between these two areas would be prohibitively expensive. The capital to establish these operations will come from revenue generated from other subsidiaries and institutional investors.

Considering collaborators, one of the largest challenges for JTEKT in the African market will be logistics and the movement of goods and resources. Therefore, it is crucial that JTEKT forms amicable partnerships with African rail and shipping companies, as well as African producers of raw iron and other valuable raw materials. The African Rail Company (ARC) would be a good start to forming a supply chain network, as the ARC covers from South Africa

to the Congo. The African Rail company is a good choice for a partner when JTEKT does business in South Africa because they cover a large part of the southern continent, making distribution into new markets more accessible. There are also many shipping companies that can be utilized to reach areas that trains cannot and to be the ‘last leg’ on any deliveries. Furthermore, Africa is a resource rich place, and so raw materials can be purchased from any number of mines. However, this may present a challenge when considering JTEKT’s commitment to ethical sourcing and the protection of labor rights.

Currently the African automobile and automobile parts market is currently made up of domestic producers that sell only in Africa. These companies will prove to be the main source of competition, as multinationals are just beginning investment to be competitive in Africa. Also, many of the producers are small compared to JTEKT, so JTEKT has an advantage when it comes from financial capital and taking advantage of economies of scale. We do not project that JTEKT will have major issues in competing with these domestic producers.

Context

Economic

Currently the economy of Africa is largely underdeveloped. Much of the population participates in agricultural labor and due to explosive population growth GDP per capita remains low. However, Africa is blessed with an abundance of natural resources that provides large amounts of income for the governments that control them. In the 20th century the economy of Africa went through a substantial development, adopting wage labor and beginning to trade internationally. Since the 19th century Africa has been going through rapid industrial development and is expected to continue to industrialize. The African economy is expected to

see 3.2% of economic growth in 2023 and on. The population boom is also expected to provide a large, young workforce for many years to come; a stark advantage over the developing world which is struggling with an aging population. Overall, the African economy is weak but has huge growth potential as industrialization continues.

Inflation in sub-Saharan Africa is currently 12.2% and is not expected to decline for several years. Unfortunately, this means that prices will be higher. But this also indicates economic growth in the region that is driving this inflation. Interest rates in Africa are higher than the global average of 1.85%. However, these rates vary wildly from 2.50% in Botswana to 38.34% in Madagascar. Therefore, is it pertinent to investigate each country's respective inflation and interest rate when entering a market. Overall, the economy of Africa is expected to see substantial growth in the next 10 years.

Technological

Recently Africa has seen huge improvements with the implementation of digital technologies that have the potential to transform the continent and in particular the automotive industry. Technology has touched every part of the automotive supply chain, from importing parts into the continent, consumer financing of vehicles, and into the aftermarket. Continued implementation of these technologies would prove beneficial to increasing efficiency industry wide.

Sociocultural

In many parts of Africa cars are primarily owned by the higher socio-economic classes, however more people of the lower class are purchasing cars. In Africa there is very much a preference for people driving their own cars vs riding buses or relying on friends and family.

This culture has made certain foreign car brands, such as BMW, Toyota, Honda, and Mercedes, very popular among African consumers. This culture bodes well for the automotive industry as the standard of living rises in Africa, those who can begin to afford it are more likely to buy a car.

Regulatory

Regulations in Africa are far more relaxed compared to the western world. This includes low standards of labor, environmental, and import regulations. Governments in Africa are also providing incentives for local producers. Kenya and Nigeria, for example, have introduced special tax zones, tax holidays, low utility rates, and discounts on tariffs when goods are used as intermediaries to produce automobiles locally. There is a clear effort from many African governments to incentivize companies to establish manufacturing operations in their countries. These incentives have already drawn in auto manufacturers such as Ford Motor Co. and have the potential to draw in many more.

Physical

Africa has within it many natural resources. The UN states that Africa holds 30% of the world's mineral reserves, 12% of the world's oil, and 8% of the world's natural gas reserves. In 2019 1 billion tons of natural minerals worth \$406 billion were produced on the continent. These minerals include aluminum, iron, copper, zinc, gold, silver, and many more. These resources will certainly play a major role in Africa's future economic development.

Value Proposition

Customer

JTEKT's OEM and aftermarket customers in the African market will be able to take advantage of the quality and price of the company's steering and driveline systems. By leveraging its existing global network and economies of scale once facilities are set up in the target market, JEKT will be able to offer exceptionally competitive prices to customers. Lower prices for products that are of equivalent or higher quality than what domestic producers can sell will translate into huge value for customers.

Customers will also be able to enjoy the benefits of working with JTEKT, a trusted and respected name in the automobile parts industry. Working with JTEKT will allow customers access to more specialized or rare products that can be procured from the existing global network. Customers will be able to derive value just from working with a company as professional as JTEKT.

Collaborator

Our main collaborators (railroads, delivery, supply chain consultants), will be able to reap huge benefits from the amount of business JTEKT plans to do with them. Each time the company procures supplies or ships products to customers, the shipping companies receive more business and can grow their networks. The result is a positive feedback loop whereby as JTEKT utilizes shipping the shipping networks will grow and JTEKT can utilize more services. The value proposition to our collaborators is new opportunities for growth and revenue as JTEKT participates in business in the local market.

Company

Africa is currently the least developed continent on earth. This leaves a large amount of potential as the region begins to develop and the population booms. Other parts of the world,

especially developed nations, are faced with aging populations and stagnating economies. The value proposition JTEKT faces is the potential of growth in Africa versus expanding into another more developed part in the world. By taking a market share in Africa JTEKT can benefit from huge profits derived from drastic economic growth in Africa.

Tactics

Product

JTEKT plans to sell its driveline and steering systems based on consumer demand and the types of vehicles being produced by customers in the African market. This could number into the hundreds of different products depending on what demand calls for.

Service

JTEKT will use its competitive advantage of experience in the auto industry to provide first-class customer service to customers. This includes taking purchase orders, arranging for payment, and making deliveries on time. JTEKT's service standards will set it apart from competitors. Local manufacturers will find doing business with us easier than others.

Brand

JTEKT's brand is known around the globe for supplying the largest auto manufacturers with parts. JTEKT also takes pride in the quality of its products, and the competitive price it can sell them at. Furthermore, JTEKT is respected for its sense of corporate social responsibility and environmental responsibility. The JTEKT brand will allow it to form trustful relationships with customers quickly.

Price

JTEKT offers its thousands of parts at competitive prices across the market, and by producing them in Africa can continue to competitively price product compared to the competition.

Incentives

When JTEKT sells to OEM customers, it will offer discounts for parts bought in bulk or wholesale. This will continue to push our competitive prices even lower. Furthermore, when JTEKT sets up facilities in Africa, it will provide local employees with high standard working conditions not possible with domestic competitors.

Communication

JTEKT will communicate these offers by reaching out to customers directly with representatives from the company to educate and incentivize customers to do business with JTEKT. JTEKT will also host career fairs for local employees to be hired at JTEKT's new facilities. Investing in the local community is an effective way to communicate JTEKT's commitment to doing business responsibly in the area.

Distribution

As discussed previously, JTEKT will utilize rail companies such as the African Rail Company and local shipping companies to deliver product to OEM and AM customers.

Implementation

Resource Development

The main action to achieve JTEKT's goals will be to set up factories in the target market to facilitate a large market presence. The most advanced economies in Africa include Gabon,

Equatorial Guinea, Botswana, South Africa, Namibia, and Egypt. Given the geography of these economic hubs, the first step will be to set up three factories. One in South Africa, Gabon, and Egypt. After these factories are set up JTEKT plans to open more factories in other opportunistic areas.

The need for supply chain infrastructure will be fulfilled by partnering with African shipping companies such as African Rail Company. Taking advantage of already existing shipping services will prove to be most cost effective. Furthermore, JTEKT will seek out firms that produce steel, rubber, and other materials needed for manufacturing. However, we will also partner with export/import firms such as Africa Shipping Logistics to fulfill the need for materials that cannot be acquired in Africa.

The challenge of acquiring employees who can work in our manufacturing plants can be solved by providing a high-standard working environment and high wages. JTEKT will also participate in career fairs at African universities to acquire skilled labor. Other types of labor will be recruited from the local communities where our factories are located.

The know how on how to properly manufacture the steering and driveline components will come from bringing engineers from the home office in Japan. JTEKT's engineers will train the local employees and ensure that manufacturing is proceeding smoothly.

Offering development

To bring JTEKT's expansion into the market and the company's products to the attention of our customers. JTEKT will send representatives to domestic automobile manufacturers to confirm which specific parts they need and to work with them to become a supplier for them. This will be the most effective way to determine which products JTEKT needs to manufacture

and to which customers JTEKT can sell to. JTEKT will also emphasize the value proposition to the customers by quoting them competitive prices for parts.

Commercial deployment

As mentioned in the previous section, JTEKT will be starting its entry into the African market by establishing 3 factories in South Africa, Namibia, and Egypt. JTEKT plans to start the construction of these factories as FY 2023 begins. It is estimated that the cost of setting up these new factories will total \$15,000,000. JTEKT will first sell in the countries that the factories are in, before beginning export activities into neighboring markets. It should take approximately 6 months from start to finish to set up the factories and another six months to begin export activities. From there JTEKT will expand its customer base and build more factories as demand increases in the region. JTEKT North Africa will take control of the Egypt plant while JTEKT Sub-Saharan Africa will have purview over the Namibia and South Africa markets.

Control

Evaluating performance

In accordance with JTEKT's previous defined goal of a 5% market share, performance will be measured as a percentage of market share in the African auto parts market. JTEKT will order a report of the African auto parts market at the beginning of each fiscal year and evaluate its own place in that market to determine what market share it holds. If JTEKT is not reaching its benchmark to obtain 5% in 5 years, then the company will reevaluate its strategy and make changes accordingly.

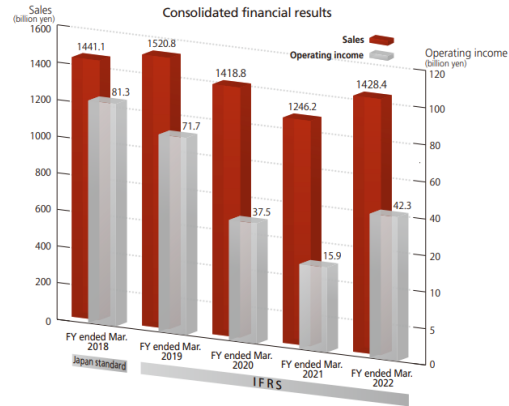
Monitoring the environment

JTEKT will work with local governments to stay informed of any changes to regulation, including local content laws and tax regulations. JTEKT will also continuously monitor sales in demand to detect changes that may be indicative of a market wide trend. JTEKT will also pay close attention to competitors entering the market as well as domestic competitors who try to become more competitive as the result of a more competitive market.

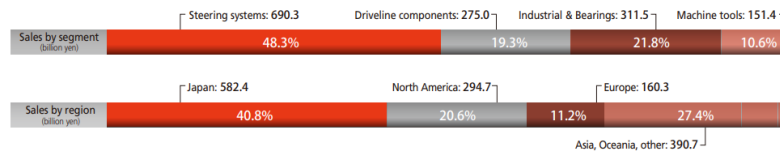
Exhibits

Financial Data

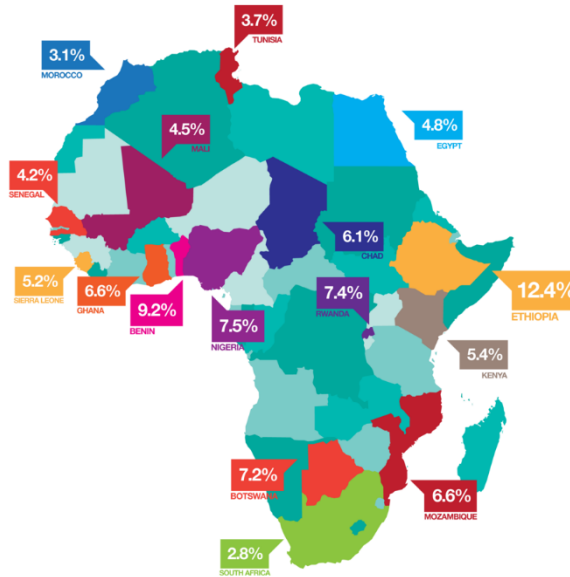
Financial Results for Past Five Years



Sales by Region / Segment for Fiscal Year Ended March 2022



African GDP Growth Rates



SOURCES:
African Statistical Yearbook

MORE COOLNESS?
afrographique.tumblr.com

Infographic designed by
@ivanisawesome

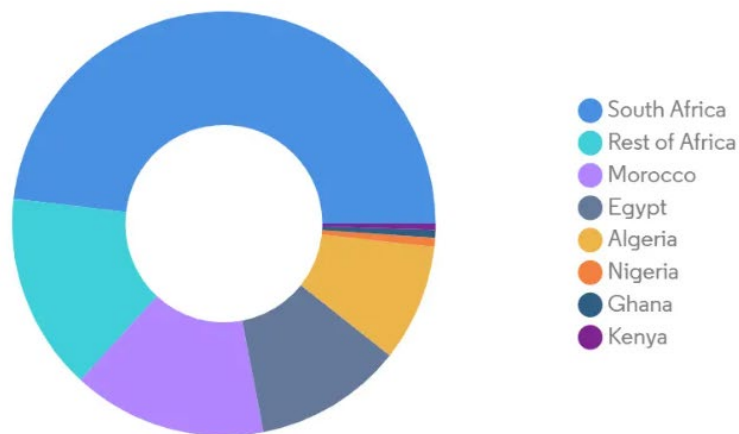
Major Players

- 1 Volkswagen AG
- 2 Toyota
- 3 Daimler AG
- 4 Groupe Renault
- 5 Hyundai Motor Company

Market Concentration

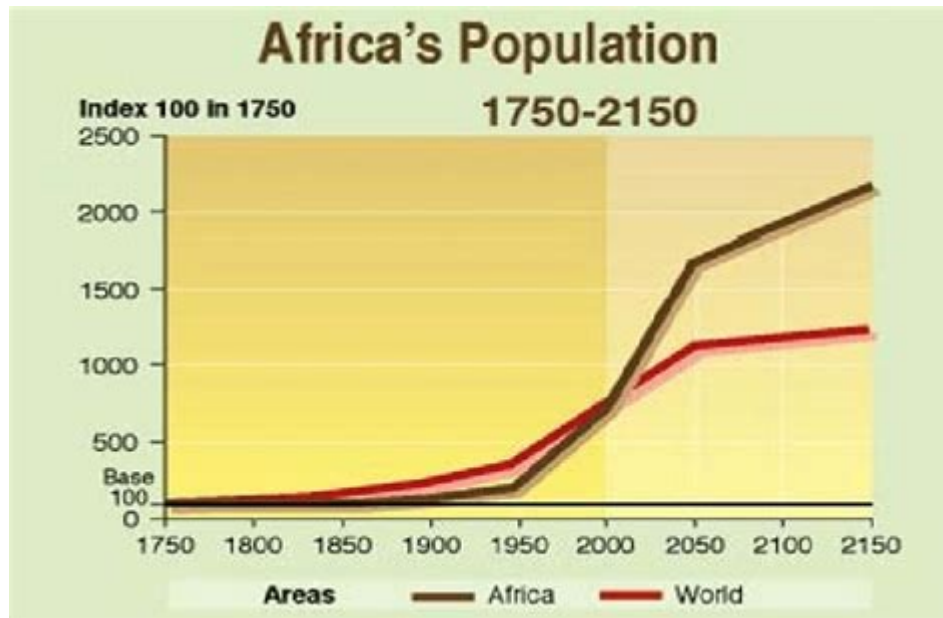


Africa Automotive Market - Revenue Share (%), by Country, 2021



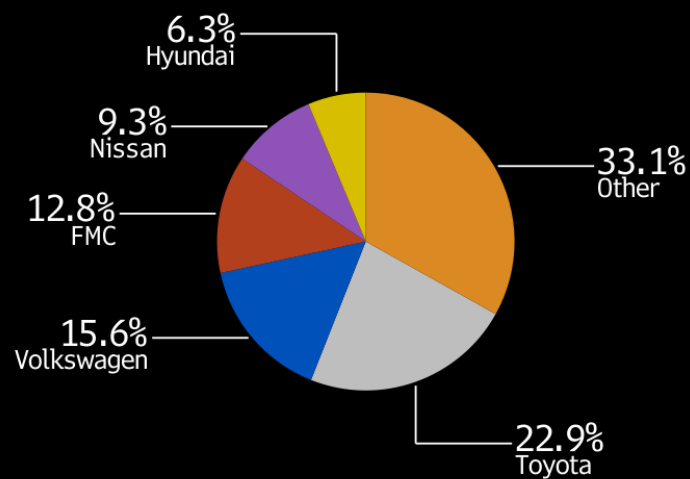
Source: Mordor Intelligence





Market Leader

Toyota is the biggest seller of new vehicles in South Africa



Note: Chart shows market share in 2017

Source: National Association of Automobile Manufacturers of South Africa

Bloomberg

Works Cited

“2021 Insights into Car Ownership and Preferences across the African Continent.”

Bizcommunity, www.bizcommunity.africa/Article/410/795/220074.html. Accessed 17 Nov. 2022.

“Africa Automotive Market | Growth, Statistics, Industry Forecast 2019-

2024.” *Www.mordorintelligence.com*, www.mordorintelligence.com/industry-reports/africa-automotive-industry-outlook.

“Africa Outlook 2023.” *Economist Intelligence Unit*, services.eiu.com/campaigns/africa-outlook-2023/. Accessed 17 Nov. 2022.

“African Rail Company.” *Africanrailco*, www.africanrailco.com. Accessed 17 Nov. 2022.

“Automobile Parts | Africa Business Directory.” Www.directory.africa-Business.com, www.directory.africa-business.com/businesses/automobile-parts-africa. Accessed 17 Nov. 2022.

“Automotive Driveline Market to Garner \$545.8 Billion by 2031: Allied Market Research.” *Www.yahoo.com*, www.yahoo.com/entertainment/automotive-driveline-market-garner-545-123200226.html. Accessed 15 Nov. 2022.

“Automotive Steering System Market to Reach US\$ 34 Billion by 2031 | Demand to Grow by 4% CAGR through 2031: Fact.MR Analysis.” *Finance.yahoo.com*, finance.yahoo.com/news/automotive-steering-system-market-reach-194300233.html. Accessed 15 Nov. 2022.

“Global Driveline Market – Industry Reports.” *W*www.360researchreports.com,
www.360researchreports.com/global-driveline-market-20042435. Accessed 22 Nov.
2022.

“JTEKT CORPORATION | Top.” *W*www.jtekt.co.jp, www.jtekt.co.jp/e/. Accessed 15 Nov. 2022.

“Mapping Africa’s Natural Resources.” *W*www.aljazeera.com, 20 Feb. 2018,
www.aljazeera.com/news/2018/2/20/mapping-africas-natural-resources.

“The Best 10 Shipping Companies 2022 - Africa.” *W*www.africanadvice.com,
www.africanadvice.com/Shipping_Companies/. Accessed 17 Nov. 2022.

“Topic: Inflation in Africa.” *Statista*, www.statista.com/topics/9342/inflation-in-africa/#topicOverview. Accessed 17 Nov. 2022.

Benson, Emmanuel Abara. “10 African Countries with the Highest GDP per Capita, according to Latest Data.” *Business Insider Africa*, 9 Mar. 2022,
africa.businessinsider.com/local/markets/10-african-countries-with-the-highest-gdp-per-capita/3qtpzde?op=1. Accessed 20 Nov. 2022.

BusinessDay. “Technology and Transformation of African Automotive Industry.” *Businessday NG*, 16 Feb. 2021, businessday.ng/brands-advertising/article/technology-and-transformation-of-african-automotive-industry/. Accessed 17 Nov. 2022.

Contributor. “Unlocking Africa’s Automotive Aftermarket.” *CNBC Africa*, 10 Dec. 2021,
www.cnbcafrica.com/2021/unlocking-africas-automotive-aftermarket/. Accessed 17 Nov. 2022.

Kröner, Alfred, and John Innes Clarke. “Africa - Economy.” *Encyclopædia Britannica*, 3 Oct. 2018, www.britannica.com/place/Africa/Economy.

Okafor, Chinedu. "Top 10 African Countries with Lowest Interest Rates as of September 2022."

Business Insider Africa, 31 Oct. 2022, africa.businessinsider.com/local/lifestyle/top-10-african-countries-with-lowest-interest-rates-as-of-september-2022/4m54rms?op=1.

Accessed 17 Nov. 2022.

Sequeira, Jerusha. "African Auto Parts Market "to Be Worth \$15.3bn by 2020."" Middle East

Construction News, 7 Apr. 2016, meconstructionnews.com/10378/african-auto-parts-market-to-be-worth-15-3bn-by-2020. Accessed 17 Nov. 2022.

Paice, E. (2022, January 20). *By 2050, a quarter of the world's people will be African – this will*

shape our future | Edward Paice. The Guardian. <https://www.theguardian.com/global-development/2022/jan/20/by-2050-a-quarter-of-the-worlds-people-will-be-african-this-will-shape-our-future>

(2022). Bwbx.io. <https://assets.bwbx.io/images/users/iqjWHBFdfxIU/ibxKx8HUPuUI/v1/-1x-1.png>

(2022b). Duckduckgo.com. <https://external->

[content.duckduckgo.com/iu/?u=https%3A%2F%2Ftse1.mm.bing.net%2Fth%3Fid%3DOIP.NY8VQxa2atg6xndbauCNugHaEz%26pid%3DApi&f=1&ipt=81d20ec5c87d3eabdae6733e07b83ab10b7b2271a46920fe00c1f912fd86436c&ipo=images](https://external-content.duckduckgo.com/iu/?u=https%3A%2F%2Ftse1.mm.bing.net%2Fth%3Fid%3DOIP.NY8VQxa2atg6xndbauCNugHaEz%26pid%3DApi&f=1&ipt=81d20ec5c87d3eabdae6733e07b83ab10b7b2271a46920fe00c1f912fd86436c&ipo=images)