

Toyota

The above good is going to be the subject of study consideration. This is a type of vehicle among other types like Suzuki, Nissan, and Mercedes Benz etc

Market structure

Toyota Company operates in an oligopolistic market structure in that few sellers of the cars exist. They can determine the price of their products i.e. price leaders.

Substitutes for Toyota

The Toyota car company has various features and different from the other car companies. These include low fuel consumption, a possible re-sale value and high durability. Because of these salient features Toyota does not have substitutes. If a buyer needed a Toyota and maybe it is not available, he may not purchase any other car until stock for Toyota has been replenished.

The income effect of Toyota

The Toyota Company manufactures several cars per annum ranging between 8 – 9 million. This in return creates employment opportunities for majority of people in a given economy. Being the world's most profitable manufacturer of vehicles, translates also to being one of the highest tax revenue earners.

Determinants of supply and demand

Determinants of Demand

1) Price of the commodity in question

The law of demand states that the higher the price the lower the demand and vice-versa. In this respect as the price of the Toyota increases, its demand will fall. When its price falls, the demand would increase. But this will only hold if other factors are held constant like presence or absence of substitutes.

2) Price of other commodities

The price of other which can either be substitutes or components would also affect demand. If the price of say Nissan which are substitutes falls, customers would shift from Toyota to Nissan. The converse would be true.

Determinants of supply

1) Price of commodity

The higher the price the higher the quantity supplied and vice versa, other factors held constant. This is because high prices motivate the suppliers because it is related with high profits. As the price of Toyota would increase so would be their supply.

Price and availability of the factors of production

The lower the prices of the factors of production and the readily the availability those factors are, the greater the quantity supplied and vice versa. E.g. If the price of labor is low more laborers will be employed and more output would be supplied because the cost of production would be low.

Elasticity

Toyota's demand is inelastic. This is because a change in the price of Toyota does not lead to a significant change in this demand.

Productivity improvements

Toyota Company has produced a series of cars different in design from the earlier ones.

Effects

The improvement in productivity has improved the loyalty of its customers. This has led to high profitability resulting from increased sales volume.

Economies of scale

Some of the raw materials required to manufacture Toyota cars are recycled thereby reducing the production cost.

Company's profit

In the period to March 1, 2007, the company made a profit before taxes of more than 600 billion yen.

Barriers to entry

There exists no barriers to entry but strict rules and procedures do exist for any other company wishing to manufacture Toyota.

Advertising

Toyota uses the media for advertising its fleet of cars. These include journals, magazines and television.

Mergers

Toyota has not so far merged with another company. What it has are subsidiaries across the globe.

Government intervention

The government has quite assigned the company for instance in giving subsidies and tax exempts for its commodities and raw materials.

International trade

The Toyota Company sells its cars worldwide for cash. It does not however exchange its products for other products

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