
Toyota finds constructive ways to cut steel price

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Nikkei reported that Toyota Motor has set an example for the world on how to push suppliers to cut materials costs. It solicited ideas from five Japanese steel makers in a brainstorming exercise, coming up with some 100 ways to cut steel procurement costs amid rising resource prices and declining sales.

Toyota first approached Nippon Steel Corporation, JFE Steel Corporation, Sumitomo Metal Industries, Kobe Steel and Nisshin Steel in the spring, casting about for cost saving ideas. After months of discussion, Toyota determined that about 100 of these proposals were practical and it decided to carry out three of them this month.

Toyota maintained that if all these measures were to be implemented, it would help slash production costs by 3% at the steel makers. It added that "The rise in prices of steel and other raw materials is no longer an issue that we can tackle on our own. We aim to stabilize the price in the mid to long run by jointly working on rationalization efforts."

Besides the joint efforts in consolidating product types and specifications, Toyota also agreed to relax quality standards and will accept steel plate with minor scratches, while the steel makers will reduce the proportion of rare metals used in high tensile steel for auto bodies.

Toyota spent about JPY 400 billion a year to buy 4 million tonnes steel in the domestic market. The automaker had a hard time this fiscal year because manufacturers raised prices of steel plate by slightly more than 30% this year, equivalent to the aggregate price hike for the previous three years. Amid weaker demand from the United States, as well as in its home market, Toyota was unable to pass on higher production costs to vehicle buyers.

A survey published by the Japan Automobile Dealers Association showed that Japan's industry wide auto sales, excluding mini vehicles with 660 cubic centimeter engines, fell by 5.3% YoY in September 2008, to 310,992 vehicles. Sales at top ranked Toyota Motor, excluding the Lexus brand, dropped 6% YoY. Toyota in late August cut its 2009 annual global sales target to 9.7 million vehicles, it had projected delivering 10.4 million cars for the year.

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