

Foreign automakers give up on Japan

Even a new \$375,000 Lexus doesn't liven up a recession-battered Tokyo Motor Show. Is it no longer the most important auto show in Asia?



The LF-A supercar revealed for the first time on Oct. 2, 2009.

Toyota (TM) chief Akio Toyoda did his best to liven up proceedings, but even the unveiling of a \$375,000 Lexus supercar couldn't help this year's Tokyo Motor Show capture the excitement of recent years. Toyoda helped develop the Lexus LFA, capable of going 325 kmh (200 mph), and when he unveiled it at the show's opening day on Oct. 21, he said he hoped visitors to the biennial event "can leave feeling that automobiles are exciting and will want to come again."

On day one, though, there were visibly fewer attendees than in 2007 when the Nissan GT-R, another very fast car, was the star. Indeed, while Toyota also unveiled the exciting FT-86, an affordable sports car due for release in 2011, and other automakers showed off a host of intriguing hybrids and electric vehicles, the absence of all major international carmakers—and even two Japanese truckmakers, Hino (7205.T) and Isuzu (7202.T)—confirmed long-held fears that Tokyo's motor show is no longer the most important in Asia. After all, automakers from more than 20 countries braved the recession to attend the Shanghai auto show in April. In Tokyo, only three foreign automakers—Group Lotus and Caterham Cars from Britain and Alpina Burkard Bovensiepen from Germany—could be bothered to show up.

Of course, the stay-away carmakers blame the global recession and plunging auto sales. Many companies, after all, made the decision not to attend when auto sales globally were reaching a nadir earlier this year. And Tokyo, say analysts, is an expensive show, even by international standards. Toyota, for instance, may have spent as much as \$100 million in some years preparing concept cars, advertising, and other expenses for the Tokyo show, reckons Tatsuo Yoshida, an analyst at UBS (UBS) in Tokyo. Japanese rivals less reliant on the domestic market spend less but still significant sums. Nissan (NSANY), for example, may have spent \$50 million in peak years, Yoshida reckons. "The concept car projects are money eaters," he says.

Perhaps the bigger question, though, is whether the Tokyo show—which, since its inception in the 1950s as the All Japan Motor Show, has carved out a reputation as a place to show technologically advanced concept cars—will ever get its mojo back.

Little international presence

The outlook doesn't appear promising. This year, China will overtake the U.S. as the world's biggest auto market, a title it may never lose. Meanwhile, having dropped out this year, international automakers, most of which have a tiny presence in Japan, may feel there is no need to return to Tokyo at the next show in 2011.

Few could blame them. For most foreign brands, Japan remains one of the toughest markets on earth to sell cars. In the fiscal year through March 2009, just 3% of sales in Japan were accounted for by foreign carmakers. Partly because of the recession, that's down from 5% just a few years ago.

It also makes Japan an even tougher market for foreigners than Korea, where about 5% of sales are made to non-Korean automakers. Small wonder, then, that many are staying away. "It's a rational decision," Carlos Ghosn, Nissan's CEO, told reporters at a media roundtable on the show's sidelines. "For foreign makers, Japan is a small market."

Indeed, perhaps the only non-Japanese automakers for which a presence at Tokyo makes sense (though not this year) are a handful of European marques, such as Mercedes, BMW, and Audi, which have carved out a profitable niche selling luxury models at premium prices, mainly in Tokyo. While sales were down from a year earlier, the three German brands sold a combined 101,000 cars in Japan in 2008. That was almost half of all import sales. By contrast, Ford (F) sold just 3,800 cars in Japan last year, while the various General Motors brands weighed in with combined sales of just 3,100. And Hyundai, underpinned by a close proximity to Japan and a weak won, which provides a huge cost advantage, sold 500 cars during the same period, down from 2,500 in 2004, according to the Japan Automobile Importers Assn.

Wafer-thin margins

What explains the weak sales? While U.S. automakers used to complain about nontariff barriers, there are numerous and less controversial reasons for foreign carmakers to avoid Japan. First and foremost, the local competition couldn't be more difficult. The likes of Toyota, Honda (HMC), and Nissan are tough rivals globally. In Japan, they are almost unbeatable. And there are second-tier players such as Mazda (7261.T), Suzuki (7269.T), and Subaru (7270.T), as well as others to contend with. Profits are even harder to come by than sales, given that Japanese carmakers seem willing to accept wafer-thin margins on their home turf. They don't publish profitability by market, but market watchers say profits on car sales are negligible.

Then there is the structure of the market. While Japan remains the world's third-largest car market after the U.S. and China, with sales of 5 million in 2008, low-profit 660cc minicars account for a third of the market. That segment, dominated by specialists Suzuki and Daihatsu (7262.T), is unappealing to foreign companies specializing in larger vehicles. And those larger segments are hardly hot sellers. As a whole, Japan's auto market has been in a long decline that predates the current global slowdown in car sales by a decade.

Against that backdrop, it's perhaps unsurprising that much of the opening-day chatter on the sidelines of the Tokyo show focused on its future. One suggestion is that the venue, currently Makuhari Messe, outside Tokyo in suburban Chiba, could be replaced by something smaller and closer to town. That, at least, might spark a bit more interest and make the event seem more bustling. Others thought organizers should try harder to broaden its appeal beyond car buffs.

For all that, there are some optimists. Nissan's Ghosn, for instance, thinks that once the global economy recovers, carmakers will raise marketing budgets, and Tokyo's reputation for showcasing advanced automotive technology—and environmental knowhow, in particular—will

stand it in good stead. "I don't think it is a lack of interest in Japan" he says. "I bet you in two years they will all be back."

FOREIGN automakers give up on Japan. **BusinessWeek**, New York, Oct. 21th 2009. Disponível em: <www.businessweek.com>. Acesso em: 22 out. 2009.

A utilização deste artigo é exclusiva para fins educacionais