

Industrial Transition and Strategic Adaptation in Kenya's Automotive Sector:

Insights from the Toyota Kenya Case

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要 旨

本研究は、ケニア自動車産業の発展過程において、構造的・経済的・制度的要因がいかに同国の自動車組立産業から持続可能な製造業への移行を形成しているかを明らかにすることを目的とする。質的事例研究の方法を採用し、トヨタ・ケニアを中心に業界構造、供給網、税制政策、人材育成および市場戦略を包括的に分析した。その結果、ケニアの自動車産業は依然として輸入部品に依存する組立中心の構造を保持している一方で、技能訓練制度の整備やアフターマーケットの拡大、ディーラーネットワークの統合を通じて段階的な産業的進化を遂げていることが示された。高税率や為替変動などの経済的制約、政策の断片性といった課題は残るが、現場レベルでは人的資本形成や企業間協働を基盤とする制度的適応が進展している。本研究は、グローバル供給網に依存する新興国における産業移行の複雑性を示し、アフリカ製造業の自立化に向けた実証的知見を提供する。

キーワード：自動車産業、産業化、サプライチェーン、人材育成、ケニア経済、新興市場

1. Introduction

The automotive industry is widely recognized as a cornerstone of industrial and economic transformation, capable of stimulating manufacturing, technology transfer, and employment across multiple sectors (Schrank, 2016; Qubay, 2025a). In developing economies, the establishment of a robust automotive sector often represents a crucial step toward industrial diversification and self-reliance, given its strong backward and forward linkages with steel, electronics, logistics, and services (Donaldson, 2006). Kenya, situated at the center of East Africa's transport and trade network, has long aspired to build a

domestic automotive industry that can both serve local demand and compete within regional markets. Yet despite this ambition, the country continues to rely heavily on vehicle imports and semi-assembled kits rather than fully manufactured automobiles, reflecting patterns observed across much of Sub-Saharan Africa (Sseppuuya, 2020). The current structure of the sector reflects an uneasy balance between external dependency and local capability, mirroring broader patterns of industrialization in the Global South (Qobo & Le Pere, 2017).

In recent years, the Kenyan government has sought to reposition the country as a regional automotive hub through a series of public-private initiatives and collaborations with multinational manufacturers (Wolff, 2021). Among these, Toyota's operations in Kenya occupy a particularly prominent role, representing both a test case for industrial localization and a benchmark for foreign-led investment in African markets (Marinov, 2024a). These developments have taken place against a backdrop of significant challenges, including fluctuating exchange rates, high import duties, limited local supplier capacity, and underdeveloped infrastructure (Nnyanzi et al., 2022). At the same time, consumer demand for vehicles — particularly used cars — continues to expand, reflecting the complex interaction between policy aspirations, market behavior, and industrial constraints (Schrack, 2016).

The study seeks to explore the current configuration and prospects of Kenya's automotive industry through an examination of its production processes, supply chains, market structures, and workforce development systems. By focusing on these interconnected aspects, the research aims to provide a grounded understanding of how Kenya's automotive sector operates within the global and regional economy. The findings offer insight into the everyday realities of automotive operations, revealing how global manufacturing systems intersect with national policies and local market dynamics, a gap that remains underexplored in existing studies of African industrialization (e.g., Donaldson, 2006; Schrank, 2016).

The central question guiding this study is: *How do structural, economic, and institutional factors continue to shape the transition of Kenya's automotive sector from basic vehicle assembly toward sustainable manufacturing?* This question is examined through a detailed analysis of production practices, supply chain dependencies, fiscal policies, and labor development frameworks, which have been identified in prior research as key determinants of industrial upgrading in late-industrializing economies (Oqubay, 2025a, 2025b; Schrank, 2016). The study also considers the implications of these dynamics for Kenya's long-term industrialization goals and capacity to localize value creation within the automotive industry.

Understanding these issues is essential not only for assessing Kenya's industrial performance but also for situating the country within broader debates about manufacturing in the Global South. The automotive sector offers a revealing lens through which to

analyze the challenges of technological upgrading, the role of multinational corporations, and the persistence of structural dependency in developing economies (Qobo & Le Pere, 2017; Sseppuuya, 2020). The insights generated here contribute to the growing literature on industrial policy, supply chain governance, and regional economic development in Africa.

2. Literature Review

Research on industrialization in Sub-Saharan Africa increasingly positions the automotive industry as both a barometer and a catalyst of manufacturing transformation. Scholars have long emphasized that automotive production tends to be a cornerstone of late industrialization because of its capacity to generate backward linkages, stimulate technology transfer, and anchor value-chain integration. Across Africa, countries such as South Africa, Morocco, and Nigeria have been the primary focus of this literature, while Kenya's trajectory has received comparatively limited attention. Yet Kenya's ambition to develop a domestic automotive industry within the East African Community (EAC) presents a revealing case of the opportunities and constraints that define African industrial policy today.

The seminal study of Donaldson (2006) remains foundational in identifying systemic barriers to product innovation and local manufacturing. He argues that design processes in Kenya are restricted by infrastructural, institutional, and financial limitations, which prevent firms from transitioning from assembly toward original manufacturing. This early empirical insight continues to frame much of the discussion about Kenya's industrial capability in the automotive and engineering sectors.

More recent research has examined how multinational automotive manufacturers adapt global production standards to Kenyan market realities. Marinov (2024a) conducted a case study of a Toyota contract manufacturer's assembly plant in Kenya (located in Mombasa), documenting how global production systems are localized through supply chain integration, technical training, and CSR-driven community engagement. The study shows that local adaptation strategies — such as sourcing interior components domestically, developing in-house technical training programs, and introducing marine manufacturing units — enable Kenya to align with global manufacturing quality while addressing local consumer and infrastructural constraints. This empirical evidence expands the earlier theoretical insights of Donaldson (2006) by illustrating how the tension between global efficiency and local responsiveness unfolds in practice within Kenya's automotive industry.

Broader analyses of African industrialization contextualize Kenya within a continental struggle to overcome structural dependency. Ledeneva et al. (2020) emphasize that late-industrializing economies must simultaneously manage globalization pressures and

domestic capacity deficits. Similarly, Sseppuuya (2020) argues that economies such as Kenya exhibit fragmented production systems dominated by foreign assembly plants rather than integrated manufacturing bases. These studies collectively point to an enduring imbalance between policy ambition and structural capability.

Recent contributions extend this discussion to Kenya's industrial policy environment. Wolff (2021) interprets Kenya's industrial policies as shaped by global trade hierarchies and donor conditionalities. The analysis in that paper demonstrates how Kenya's attempts to build domestic industries often collide with transnational market forces, an argument directly relevant to the automotive sector's dependency on imported components and multinational partnerships.

Additional evidence comes from research that situates Sub-Saharan countries within a comparative policy framework. For example, Schrank (2016) observes that automotive policies in a number of Sub-Saharan countries historically emphasized export orientation while neglecting local content requirements, a divergence that has constrained domestic supplier development. This finding reflects regional patterns of dependency observed in Nigeria and Ghana's automotive sectors (Atime & Ugwueze, 2025).

Complementing these policy analyses, Marinov (2024b) provides an operational perspective on the adjustment of lean production and just-in-time systems within African manufacturing environments, demonstrating how lean principles are fundamentally reconfigured in developing market contexts. Building on his previous research at the same facility, Marinov (2024b) argues that contrary to high-volume plants that rely on synchronized supply chains and automation, the plant that assembles cars for Toyota in Mombasa operates a hybrid model out of necessity. It blends flexible, skilled-labor-intensive job shop methods for early-stage assembly (e.g., chassis welding, painting) with standardized assembly line techniques for final assembly. These findings are vital in understanding how African automotive plants internalize and reinterpret the Toyota Production System to align with regional realities, offering an operational complement to the institutional and policy-oriented analyses provided by Schrank (2016).

Infrastructure and technological readiness are also recognized as critical enablers of industrial performance. Nnyanzi et al. (2022) provide quantitative evidence linking infrastructure investment to manufacturing output across African economies. Their findings underline that physical connectivity and energy reliability remain pivotal constraints in Kenya's attempt to scale from assembly to production.

At the firm level, studies such as Andersen et al. (2021) illustrate emerging attempts by Kenyan firms to adopt sustainable manufacturing and circular economy practices. While not focused solely on automotive production, their research reveals how Kenyan enterprises are experimenting with resource efficiency and green innovation within a context of limited industrial infrastructure. In relation that and from a regional policy perspective, Oqubay (2025a, 2025b) provides comparative frameworks for understanding

Kenya's position relative to more advanced automotive exporters such as Morocco and South Africa. The analysis shows how coherent industrial policy, supported by export-oriented clusters, has been decisive in achieving competitiveness — conditions still evolving in Kenya's case.

Parallel debates concerning global value chains also illuminate Kenya's challenge. Qobo and Le Pere (2017) argue that insertion of African states into global production networks often deepens dependency rather than enabling technological upgrading. Although not directly concerned with Kenya, their analysis suggests that Kenya's automotive sector, dominated by foreign assemblers, exemplifies this dependent integration.

Studies of industrial clusters further enrich this discussion. Taura and Watkins (2014) assert that Kenya's Nairobi metalworking cluster is a source of informal innovation and skills diffusion. Their findings demonstrate that despite institutional weaknesses, Kenya possesses localized technical expertise that could support broader industrialization if adequately linked to formal production systems. And the intersection between digital transformation and industrial policy is addressed by Bongomin et al. (2020). Their work accentuates the necessity for East African economies, including Kenya, to leverage digital technologies and automation to modernize industrial processes. However, such innovation is constrained by limited digital infrastructure and human capital readiness.

Taken together, the relevant literature shows that Kenya's automotive industry is emblematic of a wider African developmental paradox: the coexistence of industrial ambition with structural dependency. Existing research has mapped the policy, infrastructural, and institutional dimensions of industrialization but has provided limited empirical insight into how these dynamics play out within specific firms and supply chains. This research contributes to the literature by offering a grounded, micro-level understanding of Kenya's automotive ecosystem, extending beyond policy frameworks to capture the lived realities of production, supply, and labor organization. While earlier studies (e.g., Donaldson, 2006; Schrank, 2016) have examined constraints at the macroeconomic or policy level, few have explored how these constraints manifest in the everyday functioning of the automotive sector. This study also provides fresh evidence on the relationship between multinational strategies, local supply chain fragility, and workforce development, linking these dimensions to Kenya's industrial policy ambitions. By situating empirical findings within established theoretical debates on dependency, industrial upgrading, and capability formation, this research advances understanding of how industrialization unfolds in practice within emerging economies such as Kenya.

3. Methodology

This study employs a qualitative case study design to examine the structure, practices, and strategic orientation of Kenya's automotive industry, with a particular focus on

Toyota Kenya and its affiliated brands. The case study approach was chosen to enable a deep exploration of complex, context-specific processes that cannot be adequately captured through quantitative measurement alone. As Yin (2014) argues, qualitative case studies are especially suited to research that seeks to understand phenomena within their real-world context, where boundaries between the phenomenon and its environment are not clearly defined. Such a methodological orientation allows for the integration of multiple data sources and perspectives to generate a nuanced understanding of industrial behavior and organizational strategy.

3.1 Data Collection

While the introduction section presents four analytical perspectives — production practices, supply chain dependencies, fiscal policies, and labor development frameworks — these perspectives are operationalized in the present study through more concrete empirical topics used in the data collection. Specifically, production practices are examined through questions on manufacturing processes and local sourcing initiatives; supply chain dependencies through supply chain operations; fiscal policies through taxation challenges; and labor development frameworks through labor training practices. In addition, competitive positioning was included as a supplementary theme to capture firm-level strategic responses that intersect with these four analytical dimensions.

Data were collected through semi-structured interviews and observational visits conducted in February 2025. The primary interview lasted approximately one hour and involved two participants: a mid-level manager from the component logistics department of Toyota Kenya, who had 14 years of experience working within the company, and an industry insider familiar with Toyota's strategic positioning and expansion plans in Kenya. The interview was designed to elicit detailed insights into supply chain operations, manufacturing processes, local sourcing initiatives, taxation challenges, labor training, and competitive positioning. Open-ended questions allowed the participants to elaborate on their professional experiences and organizational knowledge, thereby revealing internal operational dynamics that would be inaccessible through secondary data alone.

In addition to the interview, the authors conducted on-site visits and informal discussions at Toyota-affiliated dealerships. These visits included two 30-minute discussions with employees at Suzuki and BYD dealerships, both of which operate under Toyota Kenya's corporate umbrella. These interactions provided supplementary insights into day-to-day dealership operations, customer engagement practices, and the coordination of brand management within the Toyota ecosystem. Observations during these visits focused on the integration of different vehicle brands within shared dealership infrastructure and the consistency of operational procedures across the network.

While the one-hour interview with the mid-level Toyota Kenya logistics manager and the industry insider constitutes the primary data source, the brief informal discussions

with dealership employees provided additional contextual insights. These informal discussions are not treated as full interviews but as supplementary observational data that helped to triangulate and enrich the primary accounts. Table 1 summarizes the qualitative data collection conducted for this study.

Table 1 Summary of data collection

Item	Description
Research method	Semi-structured interview and informal on-site discussions
Date of primary interview	February 17, 2025
Duration of primary interview	Approximately 60 minutes
Location of primary interview	The Management University of Africa, Nairobi (Kenya)
Participants (primary interview)	Mid-level manager in the component logistics department of an automotive firm (14 years of experience) and an industry insider knowledgeable about automotive strategy in Kenya
Date of supplementary discussions	February 19, 2026
Method of supplementary data collection	Informal discussions during dealership visits
Duration of supplementary discussions	Approximately 30 minutes each
Locations of supplementary discussions	Authorized Suzuki and BYD dealerships operating under the Toyota network in Nairobi, Kenya
Language	English
Data recording	Audio recording and verbatim transcription

3.2 Data Analysis

The collected data were analyzed using thematic analysis, an approach suitable for identifying and interpreting recurrent patterns within qualitative data. Following Braun and Clarke's (2006) model, the analysis proceeded through iterative coding, theme generation, and interpretive synthesis. Key themes emerged centered around six core areas corresponding to the findings: (1) assembly versus manufacturing, (2) supply chain dependencies, (3) taxation and affordability, (4) labor training, (5) aftermarket culture, and (6) market positioning. Codes were inductively derived from the data rather than imposed a priori, ensuring that interpretations remained grounded in participants' accounts.

Triangulation was achieved by comparing data from the interview, dealership discussions, and field observations to identify points of convergence and divergence. This multi-source approach enhanced the reliability of the findings and mitigated the limitations inherent in relying on a single data source. The interpretive process was reflexive, acknowledging the positionality of the authors and ensuring that emergent insights were

critically contextualized within Kenya's broader industrial landscape.

3.3 Theoretical and Methodological Rationale

The choice of a qualitative case study design is justified by the study's focus on understanding how and why Kenya's automotive industry operates as it does, rather than simply describing what happens. According to Yin (2014), case study methodology is particularly effective when researchers seek to uncover the mechanisms of complex social or organizational systems. These mechanisms are embedded in context and influenced by multiple interrelated variables. In the Kenyan automotive sector, factors such as government policy, multinational strategy, market demand, and infrastructure all interact to shape outcomes. Quantitative methods alone would fail to capture these nuances, whereas the qualitative case study enables a holistic and interpretive examination of these interdependencies.

The qualitative case study framework was considered appropriate for this research for several reasons. First, the Kenyan automotive sector represents a dynamic and multifaceted field in which industrial policy, multinational corporate strategy, and consumer behavior intersect. Capturing these interdependencies requires a design that prioritizes depth over breadth. Second, the case of Toyota Kenya offers a revealing lens through which to observe broader industrial dynamics, as the company occupies a dominant position in Kenya's vehicle assembly, distribution, and service sectors. The case study approach enables the researcher to explore how strategic, logistical, and operational decisions at a firm level reflect and respond to national and regional industrial conditions. Third, the research is interpretive in nature, seeking to elicit meaning and understanding from participants' perspectives rather than to test predetermined hypotheses.

Thus, this methodological approach provided a flexible yet rigorous framework through which the study could explore Kenya's automotive industry in depth. By combining structured inquiry with open-ended exploration, the case study design allowed for rich, contextually embedded insights into how Toyota and its affiliated networks navigate the operational and institutional landscape of automotive production and distribution in Kenya.

4. Findings

The findings presented in this section are drawn primarily from the one-hour interview with the Toyota Kenya logistics manager and the industry insider (referred to in this section as participants, interviewees, and respondents). Supplementary insights from the short, informal discussions with employees at Suzuki and BYD dealerships are not reflected in this section. They are incorporated in the discussion section (section 5) of this paper for additional context to the core themes.

4.1 Assembly Versus Manufacturing: The Production Gap

Detailed insight into the status of automotive assembly operations in Kenya were provided, highlighting the distinctions between semi-knocked down (SKD) and completely knocked down (CKD) approaches. The participants described how vehicles are largely imported into Kenya either as fully disassembled kits or in partially assembled form. In the SKD model, imported components arrive in relatively complete units, requiring only limited assembly on Kenyan soil. This was characterized as a process where workers are primarily responsible for tasks such as tightening bolts and attaching pre-manufactured modules. It was noted that this approach limits the level of industrial engagement in Kenya and places local operations closer to simple assembly rather than genuine manufacturing.

The CKD model was described as more demanding, requiring vehicles to be brought in as disassembled parts that need to be reconstructed in-country. According to the participants, this method involves building the car “from the ground” in Kenya and necessitates a larger role for Kenyan labor. However, the discussion revealed that even in CKD operations, most critical parts still originate from abroad. Kenyan suppliers, according to the interviewees, do not currently produce the essential components required for CKD operations to evolve into full-scale vehicle production. One participant bluntly noted that “Kenyan suppliers do not have all the parts,” making it necessary to continue importing a wide range of components. Another added that while items such as seat covers or floor mats can be locally manufactured, subsystems such as engines and transmissions remain entirely dependent on foreign production.

The conversation further reflected the vision of moving beyond CKD into actual manufacturing, an ambition tied to collaboration between the Kenyan government and Toyota. According to one interviewee, there was a major agreement reached in the previous year aimed at expanding Kenya's role in the production process. The ambition is to shift from merely assembling imported kits to producing most of the parts within Kenya itself. Yet, the participants acknowledged that achieving this goal is highly challenging. They emphasized that to reach the level of full-scale manufacturing, Kenya would need to establish specialized plants dedicated to engines, transmissions, and other subsystems. One respondent listed these as essential facilities without which Kenya could not claim to have a truly domestic automotive industry.

The discussion also revealed that at present, there is no independent factory in Kenya that manufactures vehicles from start to finish. One participant observed that while Toyota maintains assembly facilities, these do not equate to full-scale plants producing all vehicle subsystems. Instead, assembly plants are limited to combining imported parts with a few accessories sourced locally. Another respondent stressed that other sectors, such as those involving trucks, remain separate and specialized, further illustrating that

automotive activities in Kenya are highly fragmented rather than integrated into a comprehensive manufacturing base.

The participants made comparisons with international practices, noting that full-scale manufacturing requires not only assembling vehicles but also developing the capacity to produce and integrate critical parts domestically. As it stands, Kenya's automotive activities remain dependent on imports from Japan and South Africa, supplemented by minimal local contributions. While there is an expressed vision to transform this model into one where Kenya manufactures its own parts and builds cars from raw components, the interviewees consistently emphasized that such a transformation has not yet materialized.

4.2 Supply Chain Constraints and International Dependencies

The participants drew attention to several challenges and dependencies in the Kenyan automotive supply chain, with emphasis on the sourcing, delivery, and storage of vehicle parts. The respondents described how fluctuations in the foreign exchange market, particularly with the U.S. dollar, pose recurring problems. One participant explained that the changing value of the dollar directly affects the pricing of imported parts, which in turn complicates the process of convincing customers to accept price adjustments. According to this perspective, sudden currency shifts disrupt pricing structures and contribute to uncertainty in the car parts business.

Another recurring theme in the discussion was the issue of taxation applied to imported parts. The participants indicated that automotive parts entering Kenya are subject to significant tax levels, with figures mentioned around thirty percent of the retail price. This taxation, layered on top of currency-related increases, was described as a factor that elevates costs in the local market and impacts both suppliers and customers.

When asked about the sourcing of parts, the interviewees noted that while Kenya maintains stocks of commonly needed items, shortages occasionally occur. In such cases, delivery of a replacement part can take up to fourteen days. One participant specified that parts not immediately available locally are typically supplied from South Africa, which functions as a major distribution point for the region. This was further supported by accounts of items being routed through South Africa before reaching Kenya, with one of the respondents clarifying that air shipments from South Africa to Kenya are used when urgency requires. Other parts, particularly larger shipments, arrive from Belgium, identified in the conversation as a significant source location. The interview thus pointed to multiple points of origin, with Japan, South Africa, and Belgium forming the principal supply routes.

The method of transportation was also described in detail. Certain parts are brought in by air, while others are shipped by sea. The choice of transportation mode depends on urgency and the type of component involved. According to the respondents, more expensive and high-priority parts, especially those needed for critical repairs such as engine-

related components, are sent by air despite the higher cost. By contrast, bulky components and those without urgent demand typically arrive by sea, a slower but more cost-effective option. One participant explained that during the COVID-19 pandemic, delays became particularly evident at airports, where parts destined for Kenya were held for long periods before clearance. This created disruptions for customers awaiting urgent deliveries and revealed the vulnerability of the supply chain to external shocks.

The conversation also revealed that logistics planning in Kenya must contend with variable demand. The respondents acknowledged that it is difficult to predict precisely which parts will be needed at any given time, resulting in occasional stock-outs. While dealerships do maintain inventories, they cannot always anticipate sudden spikes in demand for specific components. As a result, customers sometimes face waiting periods until shipments arrive from regional or international sources.

In terms of local capacity, one of the interviewees explained that parts such as oils and accessories are sometimes sourced within Kenya, but mechanical components with higher technical requirements must be imported. Accessories and smaller items, including those connected to vehicle interiors, were identified as being more readily available from local sources. However, the main supply of critical parts remains reliant on international shipments.

Finally, one of the interviewees mentioned differences in how parts are handled depending on their nature. Electrical items, for example, were described as “normally expensive” and often shipped by air because of both their higher value and their relatively small size. By contrast, larger metal components are generally moved by sea, although exceptions exist when urgency dictates otherwise. The participants agreed that there is strong reliance on international channels to sustain the flow of essential automotive parts into Kenya.

4.3 Taxation Policies and Vehicle Affordability

The interview participants described taxation as one of the most influential elements shaping the Kenyan automotive sector, particularly in relation to the affordability of vehicles. When asked about the proportion of taxes factored into the retail price of a new car, one respondent indicated that approximately thirty percent of the price is accounted for by tax. This figure, however, was clarified by another participant, who explained that the duty levied on imported cars, especially new cars, is in fact much higher, often exceeding one hundred percent of the purchase price. The respondent emphasized that the duty alone could amount to “over one hundred percent” of the value of the vehicle being imported.

The conversation then turned to comparisons between the pricing of vehicles in Japan and Kenya. It was noted that the same new car available in Japan could sometimes be purchased at half the cost of the equivalent vehicle in Kenya. The respondents attributed

this disparity directly to the structure of import duties and related taxes. One participant explained that once duty, taxes, and other charges were included, the final Kenyan retail price became significantly inflated relative to the original purchase price abroad.

Further distinctions were made between the treatment of different vehicle categories. New cars, in particular, were said to attract the highest tax burdens. For vehicles categorized as luxury, such as Mercedes-Benz, the duty was described as reaching levels three times the original purchase price. One participant gave the figure “even 400%,” accentuating the punitive tax regime placed on high-end vehicles. Smaller private cars, even if not luxury models, were similarly subject to steep duties. In contrast, the discussion revealed that commercial vehicles, such as buses and lorries, were not taxed at the same high rates. According to the interviewees, duties on these categories were deliberately kept lower because of their perceived importance in supporting business and agricultural activities.

The rationale behind this taxation structure was explored in the interview. The participants pointed out that in Kenya, car ownership is commonly regarded as a symbol of wealth, and vehicles are therefore treated as luxury items by the government. This classification was cited as the basis for imposing heavy taxes, with the underlying assumption being that those able to purchase private cars also can shoulder substantial duties. As one respondent put it, “if you have a car then it means you are up there compared to the total,” which justified the state in extracting higher revenue from such purchases.

Another participant elaborated further, suggesting that the government deliberately designs its taxation structure to maximize revenue collection. Since it recognizes that taxing the general population too heavily may not yield sufficient income, it instead targets groups considered wealthier, such as new car buyers. By imposing very high duties on new vehicles, the government compensates for shortfalls in tax revenue collected from other areas of the economy.

The interview also captured how these policies apply differently to used cars versus new vehicles. According to one respondent, the government shows less concern about heavily taxing imported second-hand cars. For used cars, the taxation regime is not prohibitive, which allows them to remain more accessible to the public. This difference was cited as one reason why the Kenyan market is still dominated by used vehicles, while the share of new vehicles remains relatively small.

In addition to duties on vehicles, the interviewees also pointed out that taxes extend to imported parts. Although the figures for parts were not discussed in the same detail as those for vehicles, the participants consistently referenced taxation as a considerable factor contributing to pricing challenges in the parts segment.

4.4 Labor Training and Technical Capacity Building

Significant insight was offered into the ways in which training and capacity building are organized within Kenya’s automotive sector, particularly through programs associated

with Toyota. When asked about the Toyota Academy, one participant explained that its primary function is training, both for staff working within the company and for external students. The training covers a wide scope, extending beyond vehicle mechanics to include administrative skills, warehousing operations, and logistics management. According to the respondents, this breadth ensures that individuals involved in different parts of the automotive value chain receive targeted instruction appropriate to their responsibilities. The participants also indicated that Toyota does not restrict training only to its employees. Instead, the Academy accepts external students, including mechanics and administrators from outside the company, who enroll to enhance their skills and improve their employability. For mechanics, the training focuses on maintenance and servicing of vehicles, while for administrative trainees the focus is on warehouse management and operations.

One interviewee recalled that in 2019, Toyota's training initiatives extended into outreach programs within communities. The company actively identified individuals who showed potential and provided them with opportunities to be trained through the Academy. These initiatives were described as creating links between the company and local populations, as potential mechanics and service staff could be drawn into Toyota's orbit. The outreach activities reportedly included demonstrations and interactions with mechanics in local communities, ensuring that the training opportunities were not confined solely to formal students but extended into informal networks.

Competitions were also mentioned during the discussion. One respondent recalled that the Academy once organized competitions in areas such as spray painting, where participants could demonstrate their skills in a competitive environment. Although not all participants were aware of whether such competitions were ongoing, there was agreement that they had previously been part of Toyota's training and outreach program. According to one view expressed, these competitions were seen as both a marketing opportunity for Toyota and a platform for students to showcase and refine their skills.

The interviewees further described how Toyota's training programs are linked to national structures. Specific mention was made of the National Industrial Training Authority (NITA), which collects contributions from employers across Kenya. According to the participants, these contributions are mandatory, and every employer is required to pay into the fund. The money collected by NITA is then available to subsidize training for employees when companies apply for support. The system was described by one respondent as being "guaranteed" in the sense that employers must contribute regardless of whether they intend to utilize the funds immediately. While Toyota makes its own training investments, the existence of NITA provides an additional national framework to support labor capacity building.

The interviewees emphasized that Toyota staff are trained in anticipation of specific operational needs. When new models are introduced or when updates to technology occur, staff undergo targeted training so that they can handle the incoming vehicles effectively.

External students, meanwhile, were said to benefit from similar training, though their motivations often varied. Some joined in order to strengthen their qualifications for employment, while others sought to gain practical skills relevant to running or working in independent service garages.

A respondent also noted that many individuals pursue education and training as a means of career advancement. For some, dissatisfaction with their existing jobs provided the motivation to acquire new skills, with the hope of securing better-paying positions in the future. This sentiment was reinforced by personal accounts from the participants, who described how they had pursued education themselves in order to improve their employment prospects and transition into more rewarding roles.

The participants confirmed that Toyota's training efforts remain ongoing, with mechanics still being shown how to handle and repair vehicles in accordance with Toyota's standards. Training continues to be provided not only within the Academy itself but also through visits to garages and interactions with mechanics in the field, thus ensuring that the knowledge gained at Toyota is also diffused into the broader automotive repair sector in Kenya.

Finally, the interviewees clarified that Toyota's training programs are focused primarily on maintenance and servicing rather than manufacturing. When asked whether individuals working in assembly factories also receive training through the Academy, the respondents explained that this was not the case. Instead, the Academy concentrates on developing maintenance skills, training for logistics and warehousing, and improving service-related knowledge. Manufacturing and assembly were not included within its training mandate.

4.5 Aftermarket Services and Maintenance Culture

Extensive insight was provided into the culture of vehicle maintenance and the structure of aftermarket services in Kenya. One of the participants described how Toyota has sought to cultivate long-term customer relationships by encouraging those who purchase used Toyota vehicles to utilize official company maintenance services. One respondent explained that before 2019, Toyota actively promoted the use of its official maintenance channels even among customers who had acquired second-hand cars. This approach created a pathway for used car owners to eventually transition into purchasing new vehicles, with Toyota ensuring that the quality of service and brand reliability remained consistent across customer categories. The same respondent noted that some individuals who began their ownership experience with used vehicles ultimately became buyers of new models, as they became familiar with Toyota's standards and services.

The conversation also turned to trade-in practices. One participant clarified that while not very common in Kenya, Toyota does allow customers to exchange their older cars and upgrade to new ones by paying the difference. This system was described as a method of

keeping customers within Toyota's network, creating an incentive for them to continue engaging with the brand. Although the practice is not widespread, it was noted as part of Toyota's customer retention strategy in the local market.

The respondents discussed the general challenges faced by customers in maintaining vehicles under Kenyan road conditions. When asked whether Japanese cars suffered from the poor state of infrastructure — such as potholes and uneven roads — one participant explained that these cars generally perform well as long as they are maintained correctly. However, the discussion revealed that demand for certain categories of parts is consistently high because of the strain caused by the road network. In particular, suspension systems and related components were highlighted as being frequently replaced.

The participants listed several types of service parts that experience high demand. These included oil filters and lubricants used in routine servicing, as well as brake pads, shock absorbers, and pumps. One respondent, drawing on experience, mentioned that “all types of pumps” were commonly needed, including fuel pumps and oil pumps. Springs and suspension components were also repeatedly cited as replacement items required to address the impact of rough driving conditions. The respondents agreed that these items constitute a significant portion of the aftermarket parts business in Kenya.

The interview also shed light on consumer preferences regarding repairs and maintenance. According to one participant, Toyota customers in wealthier segments prefer to have their vehicles maintained at official service centers, where quality and reliability are emphasized. In contrast, a large proportion of vehicle owners opt to use roadside mechanics, primarily because of cost considerations. One interviewee noted that smaller car owners, in particular, prefer to avoid dealer service centers due to the perception that they are expensive. These customers often rely on independent or informal mechanics who operate outside the dealership network.

The participants highlighted the visibility of roadside mechanics in urban areas. One described passing a mechanic on the roadside who was actively attempting to attract passing drivers for repair services. Such mechanics form a large part of the maintenance culture, servicing those customers who cannot afford or do not wish to use authorized dealers. Despite this, Toyota continues to position its maintenance services as superior, targeting customers who value quality assurance and long-term durability over lower immediate costs.

An additional point raised was the relative affordability and availability of Toyota spare parts compared to those of competing brands. One participant explained that Toyota parts, while not always the cheapest, are widely available and regarded as durable. By contrast, some competing brands, such as Subaru, were said to have parts that are available but less long-lasting. Another respondent emphasized that Toyota spare parts are “affordable and available” in comparison, which contributes to their continued demand in the Kenyan aftermarket.

The discussion also touched on consumer perceptions of different brands in relation to maintenance. The participants observed that vehicles such as Subaru are viewed by mechanics and customers as requiring more frequent replacement of parts, whereas Toyota vehicles are considered to have spares that last longer. Nevertheless, when repairs are required, the general affordability of Toyota spares, combined with their wide distribution through both formal and informal channels, was cited as a major factor in sustaining Toyota's strong market presence in the Kenyan aftermarket.

Finally, the interviewees confirmed that the aftermarket culture in Kenya is shaped by the realities of customer income levels. For those with financial means, the dealership network remains the preferred choice, with services that emphasize official standards, brand trust, and long-term maintenance. For most customers, however, informal roadside mechanics remain central, providing cheaper alternatives even if the quality of service varies. The participants agreed that there is a broad structure of vehicle servicing and parts replacement in Kenya, in which formal and informal sectors coexist and serve different segments of the population.

4.6 Market Dynamics and Strategic Positioning

The interviewees revealed the competitive landscape of the Kenyan automotive sector and the strategies employed by Toyota and other players to secure market dominance. One of the interviewees described Toyota as a central actor in the Kenyan market, with significant influence over both distribution and brand positioning. One respondent noted that Toyota has brought other brands, such as Suzuki, under its umbrella in Kenya, incorporating them into its dealership and sales networks. This incorporation was said to be part of a broader plan aimed at consolidating Toyota's control over the market. When asked about the rationale behind this integration, an interviewee explained that it was a deliberate move to dominate the market by bringing competitors into Toyota's orbit and ensuring that the market effectively operated under Toyota's influence.

The conversation further revealed that Toyota's dealership network extends beyond its own vehicles. According to one participant, certain other brands, including the Chinese manufacturer BYD, have also operated in Kenya through Toyota's existing dealer infrastructure. In this arrangement, BYD avoids the cost of establishing its own independent network by making use of Toyota's already established facilities. The same participant noted that Mercedes-Benz had at one point used Toyota's dealerships but later withdrew and set up its own arrangements. The participants expressed the opinion that Toyota's distribution capacity allows it to serve as a gateway for other brands, reinforcing its position as a market leader.

When asked about competition, the participants identified several major rivals to Toyota in the Kenyan context. These included Nissan, Honda, and Subaru, with each of these brands maintaining a presence in the market. One respondent pointed out that some

of these competitors, such as Nissan, operate independently of Toyota's dealer network, while others have at different times intersected with it. Another participant emphasized that while Toyota controls a substantial portion of the market, brands such as Nissan remain important challengers, representing alternative options for Kenyan consumers.

The interview also touched on the position of truck manufacturers. One respondent explained that some truck producers operate separately from Toyota and are involved primarily in commercial vehicles rather than passenger cars. These producers occupy a distinct segment of the market, one that does not overlap directly with Toyota's focus. Nevertheless, Toyota's presence in the passenger car segment and its alliances with certain other brands mean that it continues to represent a significant proportion of the automotive market overall.

The question of market share was discussed indirectly through references to sales trends. One participant remarked that Toyota's sales figures fluctuate, with ups and downs over time, but that its overall position remains strong. When asked about the market outlook, the respondents confirmed that Toyota continues to perform well when compared with certain competitors, including luxury brands like Mercedes-Benz. This was reinforced by references to Toyota's broader strategic plan, which appears oriented toward maintaining dominance across multiple categories of vehicles rather than focusing exclusively on one segment.

The interviewees also highlighted consumer perceptions of Toyota's brand strength. One participant emphasized that Toyota "is still doing very well" when compared with rivals, indicating that customers continue to associate the brand with reliability and trustworthiness. Even as competitors such as Nissan, Honda, and Subaru remain active in Kenya, Toyota's ability to consolidate Suzuki and support other manufacturers through its dealership network places it in a uniquely advantageous position.

Finally, the participants discussed how Toyota's alliances affect competition. According to one respondent, the integration of Suzuki into Toyota's operations was not merely about strengthening Toyota's own sales but also about controlling the competitive environment. By incorporating Suzuki and, at times, supporting other brands within its network, Toyota has effectively positioned itself at the center of Kenya's automotive distribution system. As a result, even when customers purchase vehicles from non-Toyota brands, they may still be engaging with Toyota's infrastructure.

5. Discussion

The development of Kenya's automotive sector presents a complex interplay of global supply chains, national policy frameworks, consumer culture, and industrial aspirations. The country occupies an intermediary position between simple vehicle assembly and full-scale automotive manufacturing, reflecting both progress and persistent structural

limitations. This positioning is emblematic of broader challenges faced by emerging economies attempting to establish industrial capacity in high-technology sectors dominated by multinational corporations.

A central issue is the distinction between assembly and manufacturing. While the presence of semi-knocked down and completely knocked down assembly operations signals an important entry point into the global automotive value chain, such activity does not amount to industrial independence. True manufacturing requires not only the assembly of vehicles but also the local production of core subsystems such as engines, transmissions, and electronics. Kenya's reliance on imports for these components illustrates how its automotive sector is embedded in a wider international division of labor, where higher-value processes remain concentrated in established manufacturing hubs. This dependence stresses the difficulty of moving up the value chain in the absence of large-scale investment in industrial infrastructure.

The supply chain structure reflects the vulnerabilities of such dependence. With parts sourced primarily from Japan, South Africa, and Europe, Kenyan assemblers and distributors are exposed to currency volatility, logistical delays, and international disruptions such as those experienced during the COVID-19 pandemic. While regional hubs like South Africa help mediate access, they also reinforce a dependency on external actors. These conditions suggest that the resilience of Kenya's automotive industry is largely determined by factors outside its immediate control, constraining its ability to stabilize costs and ensure timely delivery of components.

Taxation policy exerts a further defining influence on the sector. The exceptionally high duties imposed on new vehicles — reaching as much as four times the purchase price for luxury models — reflect a fiscal strategy that treats car ownership as an avenue for wealth-based taxation. While this approach generates revenue for the state, it simultaneously narrows the consumer base for new vehicles, pushing demand toward second-hand imports. The result is a perverse market dynamic: although new vehicles remain unaffordable for most citizens, demand for used cars and spare parts continues to expand. This duality creates a market structure that privileges the second-hand economy while limiting the growth of the new vehicle segment, effectively slowing the transition toward a more formalized manufacturing base.

The dynamics of labor training reveal another important dimension of the sector. Initiatives designed to build technical capacity demonstrate the recognition that industrial development requires a skilled workforce. Training programs linked to automotive companies and national authorities provide pathways for mechanics, administrators, and logistics personnel to develop the necessary competencies. However, these initiatives remain largely oriented toward maintenance and service operations rather than manufacturing. As a result, human capital development is directed toward sustaining existing assembly and aftermarket systems, rather than preparing for an industrial leap into full production.

This reflects the prevailing economic reality: the immediate need is for skilled labor in areas where consumer demand is strongest, particularly vehicle servicing and parts logistics.

The aftermarket and maintenance culture reinforces this orientation. The widespread use of roadside mechanics reveals the extent to which affordability dictates consumer choices. While wealthier customers engage with official dealerships and service networks, the majority rely on informal providers. This dual system creates both opportunities and challenges. On the one hand, it ensures broad access to vehicle maintenance across income levels, sustaining the usability of Kenya's large second-hand fleet. On the other hand, it facilitates informal practices that operate outside regulated frameworks, complicating efforts to standardize quality and safety. The high demand for suspension parts, pumps, and consumables illustrates how the country's road conditions further shape consumption patterns, directing aftermarket demand toward components most vulnerable to deterioration in challenging driving environments.

In terms of market positioning, the automotive sector in Kenya is characterized by strategic consolidation and competitive layering. Toyota occupies a particularly dominant role, leveraging its dealership network not only to sell its own vehicles but also to distribute those of allied or affiliated brands. The incorporation of other manufacturers into Toyota's distribution infrastructure strengthens its market presence and blurs the boundaries between competitor and partner. This model of market dominance suggests that the strength of multinational corporations lies not only in their ability to sell vehicles but also in their capacity to control the channels through which vehicles and parts reach consumers. Other brands such as Nissan, Honda, and Subaru maintain footholds in the market, but the structural advantage enjoyed by Toyota reflects the broader concentration of power within global automotive networks.

Taken together, these dynamics reveal the structural contradictions of Kenya's automotive sector. On the one hand, there is a clear national ambition to expand industrial capacity, attract investment, and create a pathway toward full-scale manufacturing. On the other hand, the realities of taxation policy, infrastructural gaps, supply chain dependency, and consumer behavior constrain this ambition, locking the sector into a system of assembly, importation, and aftermarket service. The automotive industry in Kenya thus serves as a case study in the broader challenges of industrialization in emerging economies. It reveals how global production networks, domestic fiscal policy, and local consumer practices intersect to produce outcomes that are neither fully integrated into advanced manufacturing nor wholly detached from it.

Future prospects will depend on the extent to which Kenya can navigate these structural barriers. Reducing reliance on second-hand vehicles, incentivizing local production of key components, and aligning workforce training with the requirements of full manufacturing would represent critical steps toward industrial deepening. Yet these steps

require significant capital investment, long-term policy coherence, and collaboration between government and multinational partners. Until such alignment is achieved, the sector will remain caught between its aspirations for industrial independence and the persistent realities of dependency on external supply chains and global corporate strategies.

6. Conclusions and Future Research

This study set out to explore how structural, economic, and institutional factors continue to shape the transition of Kenya's automotive sector from basic vehicle assembly toward sustainable manufacturing. Drawing on qualitative evidence from interviews with industry professionals and supplementary discussions with Toyota-affiliated dealerships, the research provides a grounded understanding of how Kenya's automotive landscape operates within broader global and regional dynamics. The findings indicate that while major challenges persist, there are also visible signs of gradual adaptation and capacity building that suggest a slow but steady evolution toward greater industrial maturity.

From a structural perspective, Kenya's automotive industry remains largely centered on semi-knocked down and completely knocked down assembly systems. The absence of large-scale component manufacturing facilities continues to limit the country's move toward full production autonomy. However, these same assembly operations have provided a platform for local employment, skills acquisition, and the development of operational expertise in vehicle assembly and logistics. The presence of multinational firms such as Toyota has introduced structured production processes, international quality standards, and incremental exposure to advanced technologies, all of which contribute to Kenya's long-term industrial learning trajectory. Thus, even within structural constraints, assembly activities serve as steppingstones toward more complex manufacturing capabilities.

The economic dimension of the sector is similarly characterized by both limitation and potential. While high import duties and currency fluctuations continue to elevate vehicle prices and restrict the market for new cars, the steady expansion of Kenya's middle class and growing demand for reliable transport indicate a resilient consumer base. The large market for spare parts and maintenance services sustains thousands of small enterprises and supports informal sector livelihoods. Moreover, Toyota's strategic decision to invest in official maintenance services for used vehicles appears to have deepened brand loyalty and strengthened consumer confidence, illustrating how adaptive business strategies can mitigate economic pressures. Despite ongoing affordability challenges, these patterns signal a stable and expanding automotive economy that could support industrial growth under a more conducive fiscal environment.

The institutional context also presents a mix of challenges and emerging strengths. While current training programs and industrial policies are not yet fully aligned with the

needs of large-scale manufacturing, the initiatives implemented through the Toyota Academy and Kenya's National Industrial Training Authority demonstrate a growing commitment to workforce development. The Academy's inclusion of external trainees and collaboration with local communities has broadened access to technical education and created pathways for professional advancement. These institutional efforts, though still focused on service and maintenance, reflect the foundation of a national skills ecosystem that could eventually support component manufacturing and technological upgrading. The persistence of such initiatives illustrates institutional resilience and a willingness among key actors to invest in human capital as a precursor to industrial transformation.

When considered as a whole, these findings show that Kenya's movement from basic vehicle assembly toward sustainable manufacturing is shaped by a combination of structural dependency, economic constraints, and institutional fragmentation — but also by adaptive capacities and gradual improvements that point to long-term potential. Structurally, Kenya has yet to establish the full industrial base needed for local component production, yet its assembly operations have become centers of practical expertise and industrial exposure. Economically, high taxation and import reliance slow manufacturing progress, yet the vibrancy of the aftermarket and service economy reveals latent industrial energy. Institutionally, policy coordination remains uneven, but the presence of active training and technical programs signals a growing recognition of the skills required for industrial upgrading.

Despite these limitations, the evidence from this study points to emerging shifts within Kenya's automotive landscape. Toyota Kenya's efforts to strengthen its training programs, enhance local technical expertise, and build consumer loyalty through its extended dealership network indicate gradual institutional evolution within the existing assembly framework. The emphasis on workforce development, improved service standards, and expanded parts logistics shows that the sector is cultivating operational capabilities even in the absence of large-scale manufacturing infrastructure. These developments suggest that while full industrial transformation remains distant, a foundation for incremental progress is forming within the country's established assembly and distribution systems. The trajectory of the Kenyan automotive sector is therefore one of gradual adaptation — advancing through localized competence, institutional learning, and the consolidation of corporate partnerships that sustain market stability and prepare the ground for deeper industrial integration in the future.

There are several avenues of approach to future research. One of them is building on the insights from this study through multi-level comparative and longitudinal studies. Comparative analysis across East African economies could reveal how differing policy frameworks and investment climates influence industrial upgrading within the regional automotive sector. Longitudinal case studies tracking changes in Kenya's production systems over the next decade would further clarify whether ongoing initiatives yield

sustained technological capability or perpetuate assembly-based dependency.

Further inquiry should also examine the political economy of industrial policy implementation, exploring how governance structures, trade regimes, and multinational partnerships affect the localization of manufacturing. Supply chain research focused on domestic component suppliers could identify practical pathways for local integration, while labor-oriented studies might investigate how training institutions can evolve to provide the competencies required for high-value production work. In addition, research into consumer behavior and market evolution could offer insights into how changing preferences influence industrial demand.

Kenya's automotive industry stands at a pivotal stage of its evolution — anchored in assembly but increasingly equipped with the human, institutional, and organizational assets needed for gradual manufacturing advancement. The combined effect of structural reform, economic incentive, and institutional commitment will determine whether the sector continues to rely on imported production systems or progresses toward a self-sustaining industrial future. The evidence suggests that while the transition remains incomplete, Kenya is cultivating the foundational elements necessary for sustainable automotive manufacturing through adaptation, collaboration, and cumulative learning within its existing industrial framework.

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Industrial Transition and Strategic Adaptation in Kenya's Automotive Sector: Insights from the Toyota Kenya Case

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Abstract

This study examines how structural, economic, and institutional factors shape Kenya's transition from basic vehicle assembly toward sustainable automotive manufacturing. Employing a qualitative case study design centered on Toyota Kenya and its affiliated networks, the research analyzes industrial organization, supply chains, fiscal policy, workforce development, and market strategy. Findings reveal a sector constrained by import dependence and high taxation, yet demonstrating adaptive capacity through skill formation, institutional learning, and dealership integration. Kenya's automotive industry remains at an intermediate stage, gradually developing the human and organizational foundations necessary for sustainable, locally anchored manufacturing within the broader African context.

Keywords: automotive industry, industrialization, supply chain, human capital development, Kenyan economy, emerging markets