Lexus segment of toyota

A product is anything that can be offered to a market to satisfy a want or need. Products include physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas. The customer will judge the offering by three basic elements: product features and quality, services mix and quality, and price appropriateness (Philip Kolter, 2000)

In a meeting with top management, strategists, and engineers in August 1983, Toyota Motor Corporation Chairman, Eiji Toyoda posed a question to the group, " Can we create a luxury car to challenge the very best?" Their response was Lexus.

Lexus is a segment of Toyota where their watchword is luxury; it specializes in the production of highly sophisticated luxury and executive cars. Toyota started a top-secret project, with code-named F1 simply meaning " Flagship" + " No. 1 vehicle". The project was aimed to expand the Toyota product line The first product of the F1 project was the LS400, giving Toyota a foothold in the luxury segment and offering both new and longtime customer an up market product, the introduction of the product had been successful and many more products had been introduced after the launch of the first flagship LS400.

Product naming: Lexus uses unique term in defining it products, normally categorized by Alphabet and number nomenclature, models of product are named alphanumerically by using two-letter designations, the first letter stands for the status in the Lexus model ranking and the second letter tells the car body style or type, after the two letters is a three digits number

separated by a space which indicate engine displacement in liters multiplied by a factor of one hundred (350 for a 3. 5 L engine) and on hybrid, the three digits means combined gas output. Depending on the model same letter could mean something else (' S' for sport or sedan and ' X' for SUV). For some models, a lower case letter is placed after the digits denoting power plant type (' h' for hybrid, ' d' for diesel), The class subtype is denoted by capital letter(s) placed at the end (`C' for coupe, ' L' for long-wheelbase, and ' AWD' for all-wheel drive). The two-letter designation followed by letter ' F' are used without numbers or hyphens on F marque models, (e. g. IS F), the diagram below illustrates how Lexus product are being named.

Diagram illustrating how Lexus products are named

Product Line-up

The Lexus line-up comprises of Sedans, Luxury Utility (SUVs), Convertibles, Hybrid and F Performance, the LS, SC, RX, IS, and GS which would be discussed later were previously sold in Japan under Toyota's Celsior, Soarer, Harrier, Altezza, and Aristo nameplates before the introduction of Lexus into the Japan luxury market.

Sedans

A sedan or saloon car is a passenger car with two rows of seats and adequate passenger space in the rear compartment for adult passengers. The vehicle usually has a separate rear trunk for luggage, The Lexus sedans comprises of the LS, ES, GS, and IS.

Lexus LS is a full-size luxury sedan, the original Lexus LS 400 is the first Lexus to be developed which has a strong sales and has won major awards since its introduction in 1989. And now has four generation since its launch in 1989.

Lexus ES is a mid-size luxury sedan sold since 1989, it looks lot like the Toyota Camry model, and five generations of this model has been produced till date with an emphasis on its interior amenities, quietness, and a smooth ride.

Lexus GS was introduced in 1993 in the United States, Europe and some areas in Asia as series of mid-size luxury sports sedans / executive cars designed to fill the gap between the ES and LS, J. D. Power and Associates awarded the GS series the best midsize luxury car for 2002, 2003, 2004, and 2005

Lexus IS is an entry-level luxury car / compact executive introduced in 1999, the IS stands for Intelligent Sport, it is one of the Best-Selling Luxury Cars in USA (Dan Lienert, 2006)

SUVs

A sport utility vehicle (SUV) is a generic marketing term for a vehicle similar to a station wagon, usually equipped with four-wheel drive for on- or off-road ability, LX, RX, GX are Lexus model we can find in this category,.

Lexus LX the largest and most expensive luxury utility vehicle by Lexus, is a full-size sport utility vehicle sold since 1996 by Lexus, the first generation LX 450 was the first to enter the SUV market all based heavily on Toyota's Land

Cruiser series of SUVs, the latest two generation of Lexus LX has the capacity of eight passengers also, the largest and most expensive luxury utility vehicle.

Lexus RX is a luxury crossover SUV introduced since 1998 to combine the functional characteristics of an SUV and features of a luxury sedan, Lexus RX is in its third generation, it has been the best-selling crossover luxury SUV on the US market since its introduction and has ranked as the best-selling luxury vehicle in the United States.

Lexus GX is a mid-size luxury-type sport utility vehicle sold by Lexus since 2002 Targeted initially for the North American market, The GX exterior looks like that of Toyota Land Cruiser Prado, it is situated between the entry-level crossover RX and the full-size LX characterized as focused on blending both on-road and off-road capabilities in a single vehicle

Convertibles

A convertible is a type of automobile in which the roof can retract and fold away, converting it from an enclosed to an open-air vehicle. Lexus have many styles that are manufactured and marketed in convertible form

Lexus IS C is another body styling of the regular IS in convertible form introduced to the market On 2 October 2008, the latest IS convertible features a three-piece aluminum hardtop that can retract in 21 seconds.

Lexus SC series is a personal luxury coupe sold since 1991, for Lexus the C signifies ether coupe or convertible, the Lexus SC has a front engine, rear-

wheel drive design and seating for up to four passengers which usually comes in either convertibles or sedan coupe(Two doors car).

Hybrids

A hybrid vehicle is a vehicle that uses two or more distinct power sources to power the movement of a vehicle, It is most commonly referred to as hybrid electric vehicles (HEVs), which combine an internal combustion engine and one or more electric motors, Lexus HS, RX Hybrid, GS Hybrid, and LS Hybrid falls into this category.

Lexus HS (Harmonious Sedan) is the first dedicated hybrid vehicle introduced as a new entry-level luxury sedan in 2009, and unlike other Lexus vehicles it is a front-wheel drive car in the Lexus lineup, According to division officials, the HS was produced in response to consumer interest in dedicated hybrid models.

Lexus RX hybrid is a full hybrid crossover SUV sold since 2005 which combines a V6 gasoline engine with electrical motors, This feature gave it a high recognitions as an environmentally friendly transportation, the original RX 400h became the first luxury hybrid and was named SUV of Texas at the 2005 Texas Truck Rodeo awards

Lexus GS Hybrid is the third generation of the regular GS which premiered globally for the 2006 model year comes in both V6, V8, and hybrid versions, The Lexus GS 450h was named the winner of the 2007 IF product design award from the International Forum Design group in Hannover, Germany.

Lexus LS Hybrid is a gasoline-electric hybrid version of the Lexus LS sold in major global markets like North America, Asia, and Europe. At its introduction, the LS 600h L turned the most expensive luxury vehicle produced in Japan, with a price of approximately $125, 000.

F Performance are special products from Lexus combined with advanced racetrack technology, they are most time referred to as sport cars, the Lexus LFA and IS F belongs to this category of cars.

Lexus ES Lexus GS / GS Hybrid Lexus GX Lexus IS Lexus IS F

Lexus SC Lexus LX RX / RX Hybrid Lexus LS / LS Hybrid

Other Products

Lexus have other products like " Build your Lexus" and " Future/Concept cars". As for the Build your Lexus, customers can specify on special features or attributes wanted in their car after choosing a particular model, features like Navigation System, Smog-sensing automatic recirculation mode for climate-control system and many more features.

The Future/Concept cars are concept vehicle or show vehicle made to showcase a concept, new styling, technology and more. They are most time shown at motor shows to know customer reaction to new design which may or may not be produced, an example is the 2011 Lexus CT 200h seen at the 2009 Frankfurt Motor Show which will enter production at the end of 2010, LF-A Roadster, LF-X, LF-S, LF-C.

Product positioning

According to Philip Kolter " Positioning refers to the act of designing the company's offering and image to occupy a distinctive place in the target market's mind." There are lots of ways to differentiate a product. Lexus products can be positioned by Attributes/benefits, by price/quality, by usage or application, by users, and also by product class.

Positioning by attributes/benefit: Lexus has attributes such as design, Styling, performance and safety features that customers perceive as demonstrating excellence in quality and are viewed as being superior compared to the German competitors BMW and Mercedes Benz as the product must look " Luxury" , these attributes make Lexus product attractive to the customers, Consumer ratings firm J. D. Power and Associates has named Lexus the most reliable brand in the U. S. fourteen times.

Positioning by Price/Quality: Luxury cars which is the focus of Lexus are usually expensive Lexus matched Mercedes, BMW and other luxury brand on the performance criteria but was priced much more reasonably lower, providing consumers the value they desired, and making them feel that they were smart buyers.

Positioning by usage or application: Lexus with wide range of models and different functionality, LX SUV which is designed for on and off-road function is an example, the luxury sedans that feature a four seating are usually a family or executive compact cars, Lexus don't have models of pickup, Lorries or trucks.

Positioning by users: In the Luxury car market Lexus is attracted to high class social group, Lexus was faced with the challenge of aiming at younger

consumers initially which is as a result of price and size but young people are now getting attracted to Lexus because they now have some entry-level, mid-size and personal luxury cars which are not too big. The full-size luxury are usually too big for people in Europe, they prefer smaller cars with lower fuel consumption because of their small road and high fuel price. Lexus is chiefly because is specially designed and created for the U. S. market.

Positioning by product class: Lexus brand is the leading super-premium car in America, Lexus known for solid luxury has for eight consecutive years been the highest ranking brand by J. D. Power and Associates, The mapping below illustrates various Luxury positioning according to size, shape, fuel consumption level and affordability.

Luxury automobile positioning map

Source: International Marketing: Segmentation Targeting and positioning by èf¡å‡Œ èf¡å¿-é›¯

LEXUS BRAND STRATEGY: A PREMIUM BRAND

A premium brand is a quality brand with a specific brand equity that is planned to demand a premium price for the quality, Lexus has chosen this differentiation strategy because it is a brand that presents uniqueness between competitors and customers choice of the product among the competitor because of its wide range of incomparable characteristics.

The name " Lexus" has been attributed to the combination of the words " luxury" and " elegance" and another theory claims it is an acronym for " luxury exports to the U. S.", according to Toyota the name has no specific

meaning and simply denotes a luxurious and technological image. The original Lexus logo featured a stylized " L" within an oval; and they also have a slogan " The Relentless Pursuit of Perfection." Which was developed after the image consulting (Toyota advertising company) firm representatives visited Lexus designers in Japan and noted their obsessive attention to detail; it was changed in 2000 to " The Passionate Pursuit of Perfection. Today's Lexus has built their vehicles based on the pursuit of perfection cultivated in the production of the first Lexus model-the LS 400. This slogan since the production of the first Lexus has helped them to surmount numerous challenges. And, all Lexus models since then have been built with exactly the same tireless, uncompromising effort and commitment.

Lexus uniqueness is focused on two aspects: its interior, its customer service and environment.

Interior: Lexus interior shows its refinement and is often described as cushier and warmer than German cars, but firmer and more purposeful than a Cadillac. Since the first LS400, a policy adapted for determining the size, shape, and position, of controls and displays by how often they were used. The driver can choose between many, driving position seat adjustments (Pacic Miro, 2004)

Customer service: The Lexus dealer network, which started since 1990, was established purely for the Lexus division of Toyota cooperation. Dealers with their consistent, caring attitude common to all the dealerships, has been as important to Lexus' success as its products, The focus on customer service is very important to Lexus because it is in a highly competitive market where

production innovation can only be of advantage for a short period of time. While Lexus add new features to their products, it does not take long before competitors add the same to their own products too. Therefore, nowadays the most sustainable competitive advantage is continuously giving exceptional customer service to gain customer loyalty (Pacic Miro, 2004)

Lexus Environmental policy: Lexus' responsible approach to the environment is embodied in one aim: zero-emissions Lexus. From design and manufacture to its end-of-life-vehicles policy, Lexus' philosophy – the Pursuit of Perfection – holds true (Lexus Europe official website)

The Passionate Pursuit of Perfection

Lexus philosophy:

People want to buy brands name and not just vehicles, in the case of Lexus qualitative analysis often play greater role than engineering because competition is carefully considered, Lexus shared a methodology for communication about its brand with employees and it also shared the philosophy: Brand are about more than just product, the logo and advertising. Lexus have a design philosophy of " L-finesse" which denotes ' Leading edge with finesse' and refers to: Intriguing Elegance, Incisive Simplicity, and Seamless Anticipation. All Lexus vehicles share a five development concepts that form the " I. D. E. A. L." values: Impressive, Dynamic, Elegant, Advanced, and Lasting. In conceptual terms, each L-finesse design is intended to combine elegance with simplicity, while anticipating the needs of the driver and passengers.

The ' Innovation' focus at Lexus is the realization of producing a luxury car because it is the core principle of the brand. Toyota reported that "' The essence of luxury' means producing the highest-quality products and providing an unparalleled purchasing and after-sales service experience for customers, as well as a feeling of superior excitement and comfort when cruising in a Lexus vehicle, Lexus adopted more than 500 unique product quality standards, known as " Lexus Musts", regarding all development aspects, from quantitative performance to the actual experience of quality, " Lexus Musts" are fulfilled through the realization of a concept that was first set forth by Ichiro Suzuki, chief engineer of the first Lexus which are the " YET" statements

- Great high-speed handling/stability yet pleasant ride

- Fast and smooth ride yet low fuel consumption

- Super quiet yet light weight

- Great high-speed stability yet low friction (C sub d)

- Elegant styling yet great aerodynamics

- Warm yet functional interior

The above statements were formed after a market research was done by comparing some luxury brand before entering the luxury market.

PRICING

Before the price of a product can be set, A company must decide on the basis on which it will compete, Of course, one of the objective of pricing is to make profit but this may not be the primary objective, Once a firm has developed its pricing objectives, It must select pricing methods to react to reach that goal. There are three major different factors to be considered when setting price which are cost of production, demand for the product, Competition and Governmental charges (VAT).

Lexus pricing strategy: Lexus pricing strategy is mainly driven by customer demand, location and competition; though its focus was on USA market initially but Lexus had took the step to touch other parts of the world, it uses Flexible cost plus pricing, Penetration/Skimming pricing, Premium pricing and value pricing methods.

Flexible Cost Plus pricing: Lexus as an international brand applies different prices to same products in different countries or location, which is as a result of factors like cost of transportation, currency exchange rate, and governmental policy and charges. " MSRP does not include delivery, processing and handling fee of $875. Excludes taxes, title, license and optional equipment. Dealer price may vary" (Lexus USA Official website), This statement is usually found on all Lexus websites and it denotes that Lexus gives a Manufacturer Suggested Retail Price (MSRP) to dealers at which customers are expected to purchase its products which excludes all charges and cost of transportation.

In Canada prices of some Lexus and Toyota brand were reduced in 2007 When the Canadian dollar surged in value in the fall of 2007, " We have

always monitored the Canadian market and taken action accordingly," said Stephen Beatty, Managing Director of Toyota Canada Inc, This shows that Lexus pricing can differ in countries considering the exchange rate, table below shows different price in different countries, the brand is most expensive in Japan, it's country of origin and cheaper in USA

Penetration/skimming pricing: " We introduced the U. S. car at $35, 000 in 1989, and now it sells at $51, 500", a Toyota official said, " Our job was to make it worth the additional $16, 500." Industry observers have attributed Lexus' early marketing successes to higher levels of perceived quality and lower prices than competitors, It's possibility to produce high quality cars at lower cost enables Lexus penetrate the market by making their brands affordable to the customer, This method is used when they are targeting a market that has something similar to what they offer, Lexus had an issue with BMW because of this pricing method, BMW chairman Eberhard von Kuenheim accused Toyota of " dumping" Lexus in the U. S. market at below-market prices(Time News Sep. 17, 1990), Lexus came up in September 1989 with the flagship LS400 priced in the range of $35, 000-40, 000, the price of $35, 000 was about $10, 000 less than the competitive German brands Mercedes 300E and BMW 535i, once customers were entrenched with the low price they convey to their products with " intangible values"(The pride of having a high class car). By 1994 the LS400 model carried the approximate price of $55, 000. However, the gained popularity and image, that is the intangible values, helped Lexus to prevent a drop in sales. On the other hand Lexus uses the skimming pricing method when they have a unique product; an example is the LS600h sedan " it's the most powerful and

expensive hybrid-engine car around and its set to change the world."
(autoexpress UK, 2007), with the price tag of $108, 800.

Value/Premium pricing: Customers are not price sensitive; they are value
conscious, Lexus command premium price because customer perceive that
the luxury and prestige of owing these vehicles are something worth paying
for, Lexus do not always target consumers, in general, rather, they focus on
specific social groups that will be interested in the brand, and would be
willing and able to pay the price tag. In 1989, a sports sedan ES250 was
introduced with the price tag of $21, 050 to compete with Acura Legend but
the customers did not perceive the model as it was thought they would,
because the price tag did not look " luxury" at all, The target social class
believe that high price is an indication of good quality, they believe it to be a
sign of self worth and They require flawless performance from the product,
and on the other hand many buyers were opting for pricier, fully loaded
versions of the LS400 with a base price of $35, 000, where the dealers had
waiting lists for cars with leather upholstery and CD changers which cost
$5000 more than the base price (Business Week 1990), customers believe
that the high price is an indication of good value, By applying model
variation and price haggling deals Lexus overshoot their sales figure 63, 534
versus the 60, 000 which was expected in 1990.

DISTRIBUTION

Lexus vehicles are officially marketed in 68 countries and territories
worldwide with thousands of dealers, most assembly process takes place at
Toyota plants in Japan and it also has a production plant in Canada which is

the first Lexus production site located outside of Japan where a particular model, Lexus RX is produced, though they have production plants in Other countries but they are mainly for production of parts which are later sent to the major assembly plants where the main vehicle production takes place, Lexus production takes place in Toyota manufacturing company but on different plants, The transportation of Lexus part is transported through Toyota Logistics Services, Inc. or Independent logistics firms which are different in each country or continent, The table below shows the different Lexus product and where they are produced.

Intermediaries: Dealership

Lexus could have sold cars thorough the existing Toyota dealers but decided to invest millions in building a new network of dealers carefully groomed and trained to meet the need of the targeted customers, Toyota's market research concluded that a separate brand and sales channel were needed to present its new brand so as to maintain a good customer service and relationship and get after sale report. Lexus products are transported to the dealers worldwide through either Toyota logistics firms or independent logistics after production; customers are expected to buy their products from the dealers at a manufacturer suggested retail price (MSRP) plus additional cost and charges

Lexus in North America: Lexus began sales in USA in 1989 with the launch of the flagship LS and since then had gain a high market share of the United States luxury automobile market with Headquartered in Torrance, California. Area sales offices in California, Georgia, Illinois, and New Jersey that direct

sales and operations for 226 Lexus dealers located throughout the U. S. Lexus Office in Toronto, Ontario. Began operation in 1990 and it is responsible for marketing, parts, and service operations for 30 dealers in seven provinces of Canada

Lexus in Asia and Oceania: Lexus was launched in Japan and China in 2005, Malaysia in 2006, Indonesia in 2007, Chile in 2008, and the Philippines in 2009, Lexus was ranked as the top-selling import in 2005 in South Korea and in Taiwan, it also became the top-selling luxury import in 2005, Lexus also began limited exports to Australia in 1990 where it reached third in luxury car sales in the 2000s.

Lexus in Japan: Lexus' arrived in the Japanese market in July 2005 with IS, GS, and SC. Sales were initially slower than expected but increased the following year. In particular, the introduction of the LS 460 in September 2006 exceeded expectations; Lexus Japan's network of 143 new dealerships became profitable in 2007.

Lexus in Latin America and Caribbean: Lexus officially launched sales in Brazil in January 1998, making its debut in South America's most populous country. The marque has also been marketed in Costa Rica via regional distributor Purdy Motors S. A. During the Santiago Auto Salon in 2006, marquee was also officially launched in Chile in April 2008 with the opening of its first salesroom in Las Condes and Santiago.

Lexus in Europe: After the launch of the Lexus flagship model in 1989, Lexus increased its sales outside the United States by exporting its product to some parts of Europe and UK, Toyota Motor Europe in Brussels, Belgium

handles the wholesale marketing of Toyota and Lexus vehicles and parts

accessories. In 2005, Lexus announced plans to expand the number of

dedicated dealerships in Europe.