

# Business essays - toyota consumer lexus



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## **Toyota Consumer Lexus**

### **Application of Consumer Behavior concepts in Toyota Lexus**

#### **Abstract**

The research paper discusses about the luxury brand of Toyota Motor Inc., Toyota Lexus. Its main objective is to study the application of consumer behavior concepts in the analysis of target market and brand marketing for the given product. Initially the paper provides a brief overview & background of the organization, product as well as the brand.

Subsequently, it identifies the relevant theory/concepts of consumer behavior which are applicable on the product. In addition, the paper researches upon the significance of these concepts for the organization and the strategic benefits gained through them. The paper will incorporate information, facts and figures from reliable sources and thus ensure the authenticity of the research.

#### **Overview of the Organization**

*Toyota Motor Inc.* -Toyota Motor Corporation is the second largest producer of automobiles in the world. It has its headquarters in Japan and is present in a large number of countries around the world. This multinational company was established by Kiichiro Toyoda in 1937. It was formed as a result of a spin-off from a company known as Toyota Industries which was owned by his father.

At present, the company leads a group composed of 522 subsidiaries. The carmaker is primarily engaged in the design, manufacture, assembly and

sale of passenger cars in addition to recreational & sport-utility vehicles, minivans & trucks and related parts & accessories.

The basic philosophy of the management at Toyota has continued from the time of the company's genesis and is clearly demonstrated in the terms used such as "Lean Manufacturing" and Just In Time Production. These terms and practices have been central in the journey of the company till date.

In fundamental terms, Toyota's philosophy is based on four major components. These include: a) basing the decisions taken by the management on long-term thinking, b) development of an approach for problem-solving, c) value addition to the organization through the development of all the resources and especially the people, and d) keeping in mind that the process of organizational learning is driven by solving the fundamental problems on a primary basis.

Toyota has also ventured in to other fields of business like financial services and production of robots in addition to its automobile production operations. The company, in combination with its parent group-Toyota Industries, forms one of the biggest conglomerates of the world. It also has the honor of being the only automobile producer appearing in the top10 BrandZ name recognition ranking.

The premier brands owned by the company include Toyota, Lexus and Scion. It has a majority shareholding in Daihatsu Motors and has a minor share in Fuji Heavy Industries, Isuzu Motors, and the engine, motorcycle and marine craft manufacturer Yamaha Motors. The values adopted by the company's management have been developed by its founders and have played a

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significant role in its success. These values have emphasized the importance of terms like, " Lean Manufacturing" and Just in Time Production (JIT).

At present, this carmaker has factories as well as manufacturing plants all over the world. These centers are constantly engaged in the processes of manufacturing or assembling vehicles for satisfying the increasing demands of the local customers. The company has manufacturing or assembly plants in Japan, China, Australia, India, Canada, Indonesia, Poland, South Africa, Turkey, the United Kingdom, the United States, France and Brazil.

On the basis of the phenomenal growth registered in the past few decades, Toyota has recently entered into countries like Pakistan, Czech Republic, Malaysia, Thailand, Vietnam, Argentina, Venezuela, Mexico, the Philippines and Russia.

### **Overview of the Product**

*Luxury Car*- This refers to a division of vehicles which provide luxury and attract the upper segment of the customers. The vehicles in this category usually possess modern equipments, high levels of comfort, performance and technological innovation. In general, these vehicles represent high brand image and offer a combination of features desired by the customers.

A luxury vehicle is a relatively exclusive vehicle that includes additional features designed to amplify the comfort of the driver and passengers. Luxury cars are a different form of automotive breed; they're less about requirements and more about wants. There's plenty to attract buyers and plenty of models from which to select.

Undoubtedly, the luxury cars are very expensive on the basis of the various features incorporated in them. As economies all over the world are undergoing a growth phase and there is a constant increase in the income-levels of the individuals, luxury cars are gradually capturing the attention of customers. However, this segment continues to be affordable for the high income group, till date.

The history of the luxury cars reveal that these cars derive their origin from the expensive and tailor-made sporting luxury cars manufactured in the decades of 1920s & 1930s. These cars were primarily manufactured by car makers like Alfa Romeo, Delahaye, Delage, Mercedes-Benz, Duesenberg and Bugatti. It is also evident from a range of research studies that luxury cars provide social prestige to their owners. It gives comfort of modern technology to its users like it is very easy to handle for every one. Every company which is entering in luxury segment is trying to increase the features of their vehicle by using exclusive modern techniques.

As these cars emphasize largely on style, comfort and customer satisfaction, certain features like passenger space and cargo capacity are sacrificed to a certain extent. In fact, the luxury car division has remained to be a profitable segment in the automobile market since World War II. These cars are manufactured on a large scale and share their mechanical parts in order to increase the profitability.

### **Overview of the Brand**

*Toyota Lexus*- Lexus refers to the luxury car division of Toyota Motors, based in Japan. The logo for Lexus logo was designed by Molly Designs & Hunter

Communications and featured a stylish “ L” within an oval. Presently, it is the largest selling luxury car in the United States, where it was first introduced. The brand basically originated in 1983 from a secret flagship sedan project. Gradually, the project resulted into the development of the original Lexus LS. Subsequently, models like coupe & sedan were added to the Lexus brand.

From the beginning of the production process, these vehicles have been manufactured in Japan on a consistent basis. The major production centers of this luxury car are located in the regions of Kyushu, Chubu and Kanto. Among the various features offered by Lexus, aerodynamics, superior performance, smooth ride, internal ergonomics, quiet cabins, fuel efficiency, safety and reliability are the most prominent. In fact, Lexus is renowned worldwide for its high quality & reliable customer services and constant focus on meeting the requirements of the customers.

Lexus has summarized the general characteristics required in its various models in the form of Lexus IDEAL philosophy-referring to Impressive, Dynamic, Elegant, Advanced, and Lasting. This philosophy monitors the manufacturing and development process of each Lexus model. At the same time, it is mandatory that each Lexus model fulfills more than 500 specific product standards which are popularly known as the Lexus Musts. These product standards incorporate a range of processes starting from steering wheel responsiveness to leather seat stitching.

Lexus worked as an independent division as a consequence of a complete organizational separation from Toyota in 2005. This was made possible with the help of highly committed centers of design, engineering, training and

manufacturing centers which began to work exclusively for this luxury division. The fundamental manufacturing techniques including the methods and standards related to quality control which are incorporated in Lexus differ from various other models of Toyota launched from time to time.

(Browse Lexus for 2008, 2008)

Facts & Figures related to Lexus: In the year 2007, annual sales of Lexus U. S division had risen to 329, 177 vehicles. In terms of volume, Lexus had established itself as the number one selling luxury brand in the automotive market for the past seven years consecutively. It is the fourth-largest luxury car brand in the world as suggested by its sales figures. In 2006, Lexus sales worldwide, was 476, 000 vehicle approximately and with this achievement it entered in Interbrand's list of the Top 100 Global Brands for the first time with an estimated brand value of approximately \$3 billion annually.

### **Identification of Relevant Theory/Concept**

From the beginning, Toyota has accorded a high priority to the issues related to consumer behavior and designed its processes accordingly. This is clearly evident in the manner in which Toyota has marketed its Lexus brand and analyzed its target market. It is a well known fact that Lexus started with an in-depth evaluation of the objectives of the vehicle under the guidance of perceptive and highly experienced group of engineers.

Generally, consumers accord a high priority to the issues related to quality. As a result, Lexus has based its operational excellence on tools and quality improvement methods such as JIT & Kaizen. In fact, the phenomenal success

of Lexus originates from a deeper business philosophy centered on its understanding of people and human motivation.

In order to determine the customer attitude towards luxury cars, a set of attitude variables considered by the potential buyers include reliability, quality, durability, safety, security, performance, comfort, status, prestige, visual impact, efficiency, technology, value, style etc. These different attitudes are directly related to different types of customers as a result of certain phenomenon like cognition, feelings and response dispositions.

1. Consumer Loyalty & Social influences: Consumer loyalty refers to the behavior of repeat customers, to select one product over another for a specific purpose. (Customer Loyalty, 2008) Customer loyalty is achieved through well designed customer retention programs. In fact, these programs depend on effective communication with the customers and motivating them to remain associated with the company. Such kind of loyalty plays a crucial role in generating positive word-of-mouth publicity for the company. As a result, the brand is marketed and promoted without incurring any additional costs. (Morris & Holman, 1988)

Generally, organizations develop customer loyalty by offering a quality product with a firm guarantee. In the present competitive scenario, the ultimate goal of various customer loyalty programs is to keep the customers satisfied. This will in turn result into repeat sales for the company and also develop new customers through word-of mouth publicity. (Zeithaml & Bitner, 1996)



In fact, the phenomenon of customer loyalty holds a great deal of significance in the luxury car segment. Also, customer loyalty and turnover has become very crucial in the current scenario for every organization. Keeping in view such factors, Toyota realizes that a slight decline in customer loyalty and a steep high in customer turnover can become a matter of concern for any organization.

Consequently, a major portion of Toyota's efforts are directed in the development and maintenance of customer loyalty. Consumers have a firm belief that they can count on the Lexus brand right from the first time as it maintains the same levels of performance. Lexus has comprehensively researched on the concept of consumer loyalty and ensures that its customers do not switch to other brands. It has based its work-processes beyond the principles which suggest that the consumers mainly focus upon functional, tangible, visible characteristic, or 'utilitarian needs' when purchasing an automobile.

The measures taken by Lexus in the direction of customer service and satisfaction started from the outset with the "Lexus Covenant". This refers to a fundamental commitment stating that "Lexus will take care of each of its customer similar to the manner in which a guest is treated in our homes."

This commitment was truly justified when fresh Lexus models were immediately recalled by the company owing to the complaints regarding a specific component of the model. In fact, these models were taken from the owner's for no additional charges. In certain cases, these cars were returned

after being washed to compensate for the inconvenience caused to the car-owners.

In fact, Lexus's management works in accordance with Lancaster's theory which explains that the consumers purchase a combination of attributes in place of a specific one. As a result, Lexus's efforts are directed towards creating a unique set of features which satisfy the luxury requirements of the customers.

On observing the buying patterns of the customers, the marketing research department of Lexus believes that rather than the objective attributes themselves, it is the subjective perception which determines the consumer's decision. Generally, the upper end of the consumer segment of the consumers spends their money for non-routine consumption purposes. Their main objective is to obtain experiential or symbolic benefits from the product they wish to purchase.

To fill the lacunae between the demand fluctuations and its impact on the loyalty of the customers, Toyota has implemented certain measures, which also includes the IMV project (Innovative International Multipurpose Vehicle, which refers to SUVs, pickup trucks, and other multipurpose vehicles that Toyota develops and produces overseas for markets worldwide), launched recently. (Annual Report, 2006) This project is set up with a framework which involves meeting the customer's demands in a flexible & prompt manner and optimally using production & supply capabilities. Finally, the project aims to lessen down the risks associated with the variations in demand and ensure the maintenance of customer loyalty. In order to sustain the loyalty of the

customers, Lexus hold its marques as a flagship. This clearly demonstrates the power of Lexus brand which acts as a significant entry barrier. Toyota has moved the Lexus upward into a new segment to enhance the brand's power. As Toyota was not usually perceived to be in the luxury car segment, it followed the strategy of diversifying into a sub-brand. Basically, for understanding the consumer behavior for luxury automobiles, an analysis of potential buyer attitude towards the car is essential.

Basically, Lexus adopts a sincere approach towards the concept of consumer loyalty. At present, it is known worldwide for its campaigns to portray a luxury image also for the service which are provided after the sale of the models. This approach is clearly revealed in the manner in which the Lexus maintains its waiting areas in the service departments. These waiting areas are well furnished with facilities such as internet access, refreshment bar, indoor putting green, and accessories shop.

The dealers provide additional services by offering complimentary loaner cars and free car washes, on a regular basis. At the same time, many of the Lexus dealers have included on-site cafes and designer boutiques, in recent times. More importantly, service bays are usually designed with large-size picture windows, which enable the customers to view the entire service-process of their vehicles. Lexus's strong commitment to maintain high degree of customer loyalty is shown in the follow up surveys conducted by the company, from time to time. These surveys provide an opportunity to the Lexus owners for rating their recent service experience at the various service centers of the company.

In order to improve the standards of customer service to a high level, certain dealers of the company have allowed their employees to undergo the process of training. These training sessions are conducted at service-focused institutions like Nordstrom department stores as well as the Ritz-Carlton hotels. In the chain of its customer centered measures, Lexus has provided the facility which provides exclusive parking lots at prominent sporting centers, entertainment events and shopping locations, reserved specifically for Lexus vehicles.

Hence, the company is currently placed among the prominent global organizations that enjoy high rates of customer loyalty in various business segments. In the case of Lexus, such a high level of consumer loyalty is experienced on the basis of its high quality customer service and product satisfaction measures.

Similarly, social influences are a key determinant in the selection and purchase of luxury cars. As a concept of consumer behavior social influences highly influence the attitudes and opinion of the consumers. As a part of luxury market, the company believes that the social factors play a key role in exercising a strong influence on the consumer behavior. These factors may include a number of variables, like the consumer's social class, his mobility, reference group etc. Consumer's reference group, family, and social roles and statuses also exercise strong influence on the consumer's behavior.

A large no. of market researchers also emphasize upon the significance of imagery in social influences. (Oliver, 1997) There is a huge possibility that user imagery and his usage may be linked to their class and status. In fact,

as per the theory of social constructionism, possessions are regarded as socially shared symbols of identity and it is clearly evident in the case of luxury products.

At the same time, the process of changing the social meaning of object is shared by all individuals. This implies that consumers receive the meaning of objects which are communicated by others and they in turn transmit this to others as well as change its social meaning.

For instance if Lexus is favored in Japan, it is due to the fact that prestigious, well known faces, politicians and billionaires are riding it. (Samli, Still & Hill, 1993) To increase its product value, marketing department of Toyota promotes it as an expensive, luxury, and prestige car. It is also promoted in order to propagate the high standards of reliability, dependability and durability maintained by the parent company Toyota, over the years.

Imageries of customers are then linked to cognitive elaboration mechanism from which they use information and thereby increase the general level of interest in the product under consideration. Ownership of such cars is strongly regarded as a symbol of success thriving in luxury in the society. There is another segment of individuals who like Toyota for reasons like its performance, handling and appearance indicating effects of its brand image and identity.

Often customers lack frequent opportunities to gain functional and experiential benefits of performance and handling of Toyota Lexus but they take benefit of technological and sporty edge of these cars. In fact, a variety of studies conducted by the market research division of Toyota suggest that

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a significant portion of the Lexus's sales is an outcome of the social influence factor.

2. Customer Segmentation: It is essential to segment customer on the basis of their likely behavior and potential profitability in order to understand them well. (Kotler, 2002) Understanding consumers has become vital in today's fast changing and highly competitive markets and the fact is duly taken into consideration by Toyota Lexus. Prior to the launching of Lexus brand, the market research team at Toyota determined that it is essential to design & develop an exclusive brand and sales channel for the new brand.

This was a major step in the direction of the customer segmentation efforts carried on by Toyota in order to present this new luxury flagship brand. In order to segment the customers properly, Toyota designed plans with an aim to develop a new network of dealerships in the U. S. market. In the opinion of the company's management, such an approach was essential to understand the needs & requirements of the company and segment the customers, accordingly. Ultimately, the market segmentation strategies of Toyota enabled it to define a precise target market for Lexus.

Customer segmentation is sometimes also referred as market segmentation. It involves segmenting the customers into groups based on common characteristics. It becomes easier for companies to understand customers by grouping them and making marketing program suiting them. Toyota realizes that it is appropriate to distinguish between car buyers who desire low-cost transportation and those who wish for luxurious driving experience. There

are basically two approaches to segmentation. One is the traditional segmentation and other is value based segmentation.

The first approach involves segmentation of customers by key variables such as demographics. The second approach i. e. value-based segmentation requires looking at customer needs as well as the costs of establishing and maintaining customer relationships. (Ramaswamy & Namakumari, 2005) It is this second type of segmentation that holds a great deal of significance for Toyota Lexus's marketing strategy.

The management always knew that segmenting the customers on the basis of their income levels will be important for ensuring the success for Lexus. Also, such kind of segmentation will direct the company's promotional campaign to the potential buyer segment effectively as luxury cars are not purchased by individuals belonging to lower income-groups.

Lexus specifically concentrates on the concept of customer segmentation. It is observed that Lexus as a luxury car is a ' multi-segment' brand that aims to cover all customer segments in the market. For Toyota, Lexus refers to an upper medium, executive, dual purpose, luxury and specialist vehicle car. However, in order to analyze the target market for Lexus, Toyota has concentrated on the aspect of customer segmentation on a constant basis.

As a result, Lexus has been projected as a high-end product for the customers demanding luxury cars. The variable related to the country-of-origin also holds a great deal of significance in Lexus's customer segmentation strategy. In general, the Japanese car makers are expected to maintain high quality standards. Consequently, Lexus design its marketing & <https://assignbuster.com/business-essays-toyota-consumer-lexus/>

promotion campaign accordingly. It also maintains the belief that country stereotypes surely make an impact on product evaluations and ultimately the purchase decisions.

## **Conclusion**

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