

Toyota prius

[Business](#), [Company](#)



- What micro environmental factors affected both the first generation and second generation models of the Toyota Prius? How well has Toyota dealt with these factors?

The micro environmental factors are those forces close to a company, yet outside its internal environment, that influence the ability of a business to serve its customers, forces such as customers, suppliers, competitors and other business that assist or influence a business's ability to sell, distribute, promote and develop products or services.

In regards the Toyota Prius case, the factors that the company dealt with are:

Customers:

Toyota launched the first generation in 2001 with a small, cramped and not attractive car into a market where the big SUV's were dominating the business. They were bringing to the market a low consume, environmentally friendly and high tech vehicle. In my opinion, Toyota took a risk launching a vehicle that was fitting future needs that customers were going to have with the upcoming economic situation (gas price increment). Toyota launched the second generation improving the fuel consumption and improving the lacks on the first version: style and capacity. The biggest success was to anticipate the customer needs.

Suppliers:

Without the support of suppliers, Toyota would not have been able to launch the first generation. Toyota needed the suppliers to be onboard on this risky

project in which they were developing a new technology that requires a high capital investment up front with a high risk of failure.

Competitors:

First generation did not have direct competitors since it was the only hybrid vehicle on the market. I consider that the challenge for Toyota on the first generation was to create a market niche for this new vehicle concept. The scenario was different for the second generation where the market niche existed already and new competitors were getting into the business. Honda with the hybrid Civic, Mercury with the Mariner and Ford with the Escape were trying to make their first steps on this vehicle category but being a step behind Toyota in price and efficiency.

- Outline the major macro environmental factors – demographic, economic, natural, technological, political and cultural – that have affected Prius sales. How well Toyota dealt with each of these factors?

Demographic:

American population has been growing at around 10% since 2000 as well as the GDP per capita. This led to an increase in the demand for automobiles and to a more demanding customer due to his higher purchase power. Economic: Toyota Prius was launched in USA in a growing economic environment but right before a scenario where gasoline prices would start rising considerably.

Looks like Toyota did not respond against trends and fads but did a good long term economic analysis going ahead in respect to its competitors that just

wait until gasoline price started rising to start taking fuel consumption into account as an important factor during the vehicle development.

Natural:

December 1997 world's leading nations meet Japan to discuss Kyoto protocol. Several months before, Toyota introduces in Japan the first hybrid vehicle. Consumers start to take into account environmental factors on their purchases. Another factor that push consumers toward lower consume vehicles is the gasoline price rise that occurs in 2004.

Smaller SUV's, cars and hybrids see their demand increase due to these two natural factors. Toyota, being aware of this factors, changed his targeted costumer investing \$40 million dollars campaign on this set of customers, the environmental conscious.

Technological:

late 90's is considered a high-tech boom. This may be the reason why Toyota targeted first on early adopters and techies who are attracted by car's advanced technology.

Political:

Many states are rewarding the car owners with tax breaks amounting to thousands of dollars. Furthermore, some states government gave further tax breaks, in some circumstances complementing the federal tax break. There were also some eco-friendly organizations involved in this incentive game such as Google, Timberland and Hyperion Solutions providing employees as much as \$5, 000 toward the purchase of hybrids. Many states even gave permission for the hybrids to use carpooling lanes which allow people to

travel more quickly to work. Lastly, lots of insurance companies offer discounts to hybrid cars.

Cultural:

since the last decade, society is getting more sensitive in regards environmental issues.

This is being reflected on customer decisions that are looking for environmental friendly product even at a higher price to them.

- Evaluate Toyota's marketing strategy so far. What has Toyota done well? How might it improve its strategy?

Marketing strategy consist of 4 P's which are product, price, place and promotion:

Product:

Toyota brought to the market a new vehicle concept that fitted into the new economic, social and political scenario. Toyota identified the lacks on the first generation and incorporated the improvements on the second generation improving also efficiency.

Price:

Toyota Prius with Honda Civic were the only two Hybrid models in which customers were recovering the price premium and starting to savemoneyafter 75. 000 miles.

Place:

Toyota was aware of the difficulty of introducing a new concept to the market. Lack of customer information could induce to a mistrust toward the

product. Toyota put emphasis training specifically to the dealerships to make sure customers were being properly informed. In addition, Toyota opened a site on the web where customers could share their questions and modifications they made to their Prius.

Promotion:

Toyota did not put too much effort on advertising this vehicle. Toyota used the dealerships as a communication line to the customers. In my opinion, the biggest success of Toyota comes from the long term strategy they planned that come up with a vehicle that fit perfectly to the changing economic and social context. In addition to the low consume advantage the Prius was, they continued improving their models to provide customers with the same comfort and capacity of vehicles that were dominating the American roads by increasing the capacity on his second generation for instance.

Customers, in general, are afraid to invest in new concept products due to a mistrust on their performances. Battery life and maintenance were the biggest concerns that customers were having. Other automakers, such as Renault are offering to the customers a systems in which they take the responsibility of the battery life. Automakers own the batteries and customers just pay a monthly rent for the maintenance and replacement. I consider that this strategy offers more confidence to the new customers to invest on this new technologies.

- GM's marketing director for new ventures, Ken Stewart, says " if you want to get a lot of hybrids on the road, you put them in vehicles that people are buying now".

They seems to summarize the U. S. auto makers" approach to hybrids. Would you agree with Mr. Stewart? Why or why not? American market is being currently dominated by big SUV's and pickup trucks. Statistics display this customer preferences. The American auto makers are trying to provide to customers a more efficient vehicle keeping the current confront and performances. Obviously, the efficiency achieved is not the same as the one other auto makers are achieving by developing smaller hybrid vehicles. In my opinion, what they are doing is to find a short term solution to the current customer needs instead of anticipating the future ones which are smaller cars with even higher fuel efficiency. So, if the macro environment continues pushing auto makers toward the efficiency cars, they will continue being ahead the others because even if they are trying to improve efficiency, it is not the main goal for them right now.