

# en·gauge

 **TOYOTA**  
jan/feb/mar 2008

Join the Party

Higher Service Retention with New Owner Celebration

Balancing Service Flow

Boost Sales and Satisfaction  
with a Service Flow Analysis

LOOKING BACK 50 YEARS IN AMERICA

TOYOTA



...A VALUABLE LESSON:  
ALWAYS FOCUS ON  
THE CUSTOMER AND  
NEVER TAKE ANY-  
THING FOR GRANTED.

## Welcome to the Next 50 Years

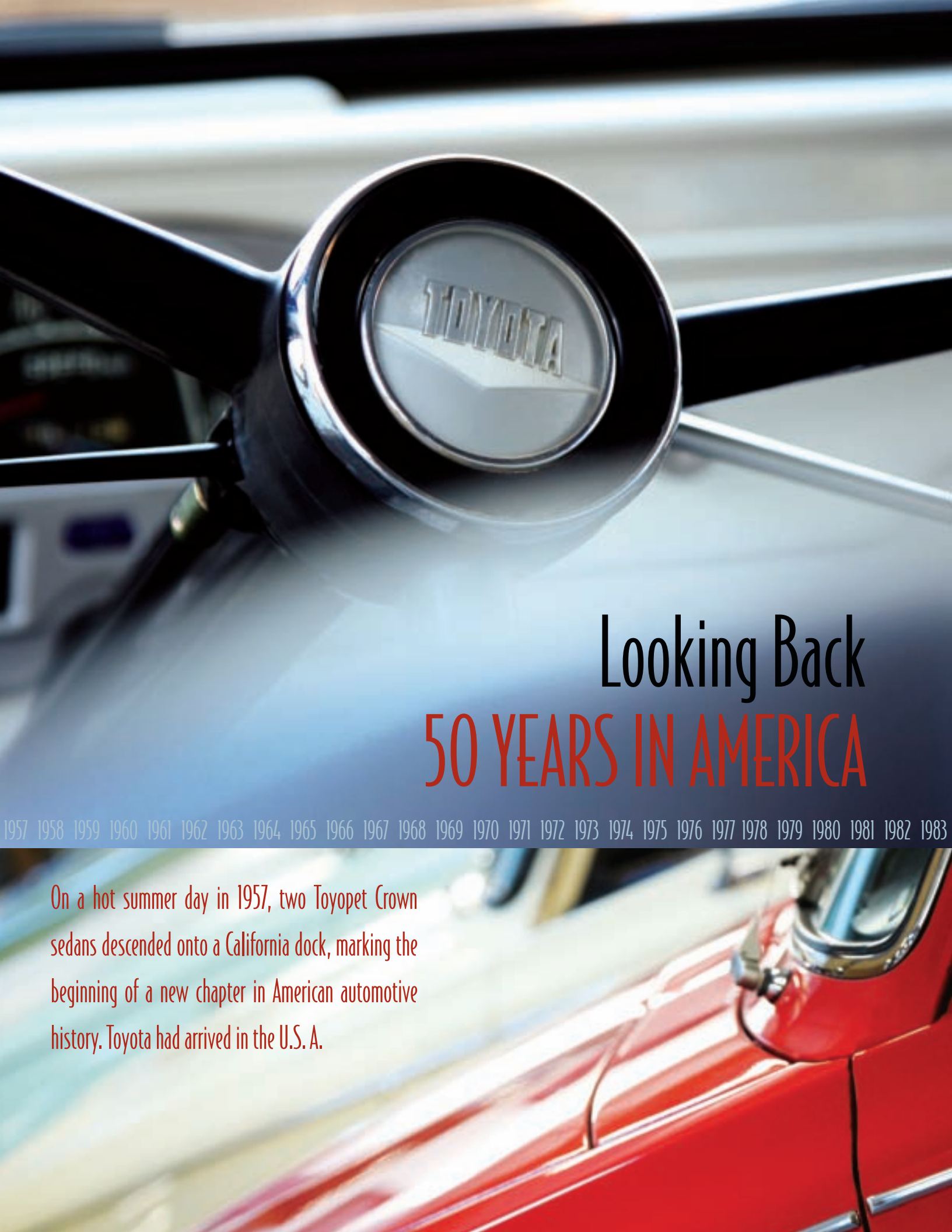
**IT'S BEEN 50 YEARS SINCE** Toyota Motor Sales, U.S.A., Inc. opened for business in the United States. Given our prominence in America today, it's easy to forget that this remarkable journey began with a colossal mistake. Our first U.S. offering, the Toyopet Crown, was a disaster in the marketplace. It was also a valuable lesson: always focus on the customer and never take anything for granted. That's the Toyota Promise. We must never stand still.

As we celebrate our past, we also move forward with new and better approaches to tomorrow's challenges. In the coming years, we will grow differently than the way we've grown so far. With no big, untapped product seg-

ments to conquer, our significant growth must come from owning superior customer experience. In this issue of *en-gauge*, you'll read how TMS supports you in improving the customer experience at the dealership level, from parts support for Saturday service, to technician development programs, to a service flow analysis that enables you to view the service experience through the customer's eyes.

It's all about delivering a personalized experience to each and every customer. The better job we do of fitting easily into their lives, instead of squeezing them into our processes, the more we can build long-term loyalty that will fuel our success for the next half-century—and beyond.

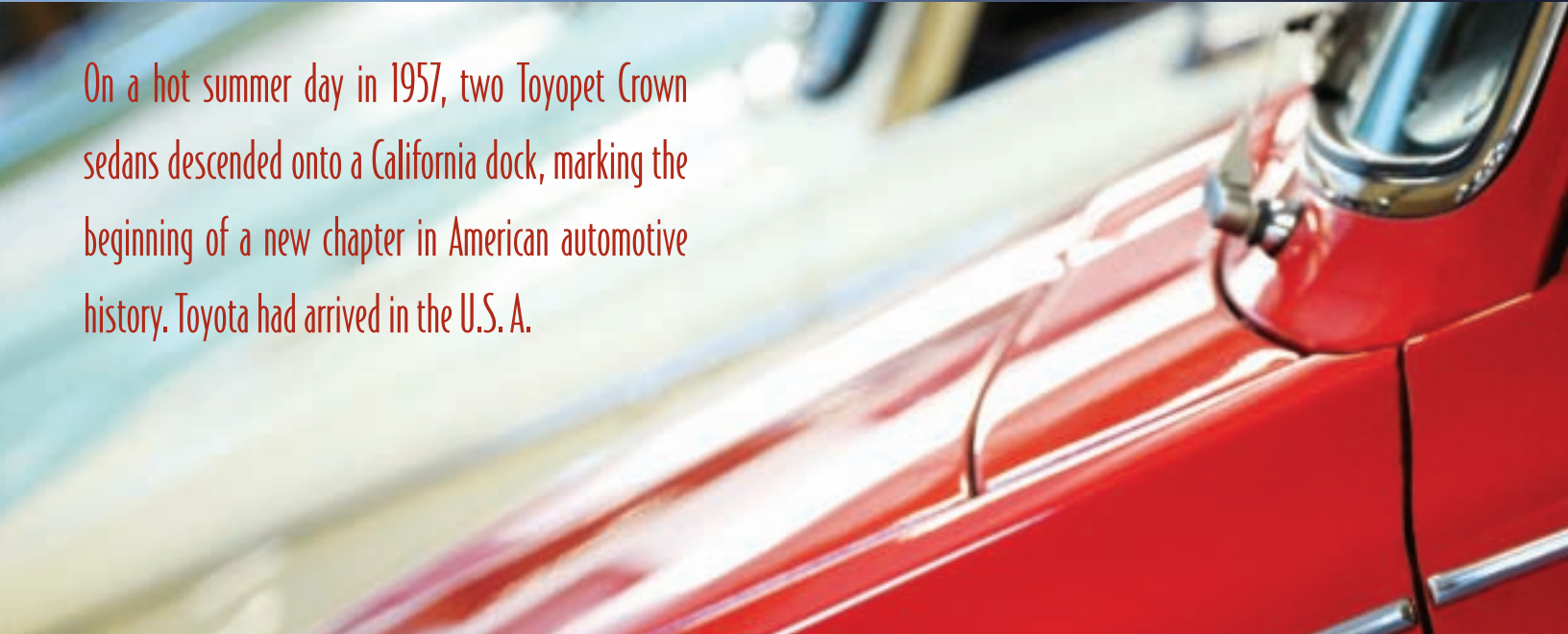
Jim Lentz, President, Toyota Motor Sales U.S.A., Inc.



# Looking Back 50 YEARS IN AMERICA

1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983

On a hot summer day in 1957, two Toyopet Crown sedans descended onto a California dock, marking the beginning of a new chapter in American automotive history. Toyota had arrived in the U.S. A.



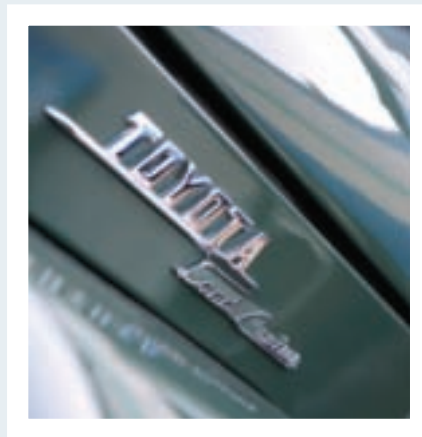
**TOYOTA MOTOR SALES WAS FORMED IN 1958** AND ESTABLISHED ITS HEADQUARTERS IN A FORMER RAMBLER DEALERSHIP IN HOLLYWOOD, CALIFORNIA. BUT TOYOTA'S JOURNEY IN THE U.S. GOT OFF TO A BUMPY START. THE TOYOPET'S 1.5-LITER FOUR-CYLINDER ENGINE PROVED INADEQUATE FOR AMERICAN HIGHWAYS. IN 1958, TOYOTA SOLD ONLY 287 TOYOPETS AND ONE LAND CRUISER. TWO YEARS LATER, TOYOTA TEMPORARILY STOPPED EXPORTING CARS TO THE UNITED STATES, IN ORDER TO DETERMINE HOW TO MATCH THE PRODUCT TO THE MARKET. SUCCESS CAME IN 1964 WITH THE CORONA, WITH THE ICONIC COROLLA FOLLOWING IN 1968.

As the model lineup grew, so did the number of dealers, accelerating from the original five to almost 800 by the end of the decade. In 1972, TMS sold its one millionth vehicle in the United States. Three years later, it sped past Volkswagen to become the nation's number one import.

Sales jumped again in the 1980s when Camry and 4Runner began vaulting out of showrooms. In 1986, Toyota became the first import auto company to sell one million vehicles in a single year. Also in the 1980s, Toyota joined General Motors at New United Motor Manufacturing Inc. (NUMMI) in Fremont, California. Toyota struck out on its own in 1988, opening Toyota Motor Manufacturing in Kentucky.

Avalon, Sienna and RAV4 hit the road in the 1990s. As the millennium approached, Toyota not only sold its 20 millionth vehicle in the United States, but its dealer network of more than 1,200 consistently sold more than one million vehicles a year.

In 2000, Toyota made history with its environmentally friendly Prius, its first gas-hybrid vehicle. The Prius' popularity among Hollywood celebrities helped propel the egg-shaped vehicle to the



a more powerful relationship-builder than the sales experience," says Ron Broughman, Corporate Manager, Customer Satisfaction. "Customers who have a positive first service experience are far more likely to return for repeat service, and have a much higher degree of loyalty to both the dealership and the brand."

TMS internal research shows that only 22.5 percent of customers will return to the dealership for a repeat purchase if they have no service experience there. If customers have just one service experience a year at the dealership, repeat purchase jumps to almost 30 percent. With three service experiences a year, the likelihood of repurchase increases to 34.8 percent, and climbs to 40.2 percent with five service experiences a year.

#### CLOSING THE "LOYALTY GAP"

Right now, customers' loyalty to the Toyota brand is twice that of their loyalty to the dealership. Closing the "loyalty gap" is the impetus behind the new "Everything Matters" initiative, EM<sup>2</sup>, which is focusing on ways to continually improve all customer interaction to

top of the U.S. hybrid market and eventually spawn hybrid siblings. In 2003, Toyota launched Scion, a brand targeting younger buyers. And in 2007, 50 years after the Toyota introduced the pokey Toyopet, the company unleashed its powerhouse: the Herculean Tundra. What a ride!

#### MOVING FORWARD: THE CUSTOMER'S EYE VIEW

Today, Toyota is a full-line manufacturer, covering 98 percent of all light vehicle segments and selling more than two million vehicles a year. With no new market segments left to conquer, customer retention is the new battleground, and Toyota Parts and Service Departments are on the front lines.

"The service experience—especially the first experience—is

increase retention, loyalty and advocacy.

"To me, EM<sup>2</sup> involves nothing more than taking a step back and looking at everything we do through the eyes of the customer, so we understand whether our processes add value to the customer at the dealership," says Jim Lentz, President, T.M.S., U.S. A. Inc. "Many of the things we do, we do because we've done it that way for 10, 20 or even 50 years. Today, the volume and complexity of our business is so much greater that we really can't add more people or spend more hours. We simply have to work smarter."

EM<sup>2</sup> strives to go beyond customer satisfaction to turn customers into advocates. "An advocate is someone who is so happy with the dealership that they talk to friends and neighbors about how great the ownership experience is," says Lentz.

continued on page 6 >



continued from page 5



“We want to build relationships that inspire our customers to become passionate about the dealership experience and the overall brand experience.”

#### DELIVERING A PERSONALIZED EXPERIENCE

What’s the secret to inspiring such passion and loyalty? To Lentz, it’s the ability to deliver a personalized experience to each and every customer. “When all of the associates in the Parts and Sales Department, from the technicians to the service cashier to the valet, greet customers almost as friends, these associates become some of the dealership’s most valuable salespeople,” he says.

Of all dealership associates, the ASM is most influential in driving customer retention and relationships. “Dealerships sometimes forget how many customers are impacted by their service advisors everyday,” says Bob Waltz, Vice President of Customer Satisfaction, TMS, U.S.A., Inc. “A salesperson sees a customer once or twice, but the ASM may see that customer ten times or more during the ownership cycle.”

#### GO AND SEE FOR YOURSELF

From the customer’s point of view, a great service experience revolves around three key areas: being greeted properly and in a timely manner; having the vehicle fixed right the first time; and getting prompt service delivery, including a clear explanation of the charges and the work performed. The Toyota Way, Genchi Genbutsu, involves seeing each of these steps—first-hand—through the customer’s eyes.

“We often think about service only in terms of only fixing it right the first time, but how well the customer is greeted, and when the customer takes delivery of the vehicle—that is where the relationship can really be cemented,” says Lentz. “By going out and walking the service process, dealers can see for themselves what the customer is experiencing, rather than relying on second-hand reports.”

Service flow analysis of dealerships is revealing that, while each individual may be doing an excellent job at his or her task,

gaps sometimes occur in the process of handing the vehicle off from one stage to another. For example, a vehicle may be serviced in 25 minutes, but the customer waits 40 minutes to take delivery.

“Observing service flow gives us a window into what the customer is experiencing, and that is a big part of the EM<sup>2</sup> initiative” says Broughman. “Most of the time, these gaps are simply problems of prioritization that can be addressed almost immediately.”

#### RETURN ON INVESTMENT

Closing the gaps in the service flow not only increases customer satisfaction, it also boosts efficiency and profitability for the dealership. “A dealership that is expediting the process is not tying up service bays and parking spaces. Once the work is completed, the team moves on to the next vehicle,” Broughman says.

What’s more, the higher the loyalty rate, the greater the return on investment.

“Dealerships with loyalty in the 60 to 80 percent range need less marketing to entice customers back,” says Lentz. “In addition, associate retention tends to improve, and the dealership needs fewer people dedicated to customer relations, because the customers are happy. Ignoring customer satisfaction actually creates more work and expense for the dealership.”

#### TMS SUPPORT

Like dealership Parts and Service Departments, TMS is embracing EM<sup>2</sup> to support the dealerships with training and new ideas for streamlining the service delivery process and improving problem resolution techniques. “We understand that the volume of vehicles that go through Toyota Parts and Service Departments can be a challenge at times,” says Lentz.

But even dealers that are currently working at full capacity cannot afford to sit still. “In this business, you are either moving forward or moving backwards,” says Lentz. “To compete—and lead—the market of tomorrow, we all must apply the principle of kaizen, constantly improving. And that is what we do best of all.” 