

2016 J.D. Power Automotive Summit - Jeff Bracken

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Jeff Bracken, Group Vice President and General Manager – Lexus Division

(Introduction: Finbarr O'Neill, President, J.D. Power)

Thank you, Fin.

In my job ... as you would imagine ... we do a lot of global product reveals.

But ... two weeks ago ... on St. Patrick's Day ... my daughter had her own global reveal that trumps everything ... or at least trumps everything in my world.

So ... I wanted to share the following global reveal.

Ladies and gentlemen ... may I present the launch of Jeffrey Scott Murray.

You can see how happy I am to have our first grandchild.

Thank you for indulging me.

My daughter gave new meaning to the phrase delivering a premier guest experience.

But we're here to talk about our great industry ... so let's get down to business.

As luxury automakers and dealers ... we ALL take pride in delivering premier guest experiences.

At Lexus ... one of the projects our company has been involved in since 2013 is Intersect by Lexus ... which is all about hospitality... and not much about selling luxury cars and SUVs.

Intersect is a boutique space in select cities ... including Tokyo and Dubai ... and our New York location is scheduled to open in the Spring of 2017.

These boutiques give our guests the opportunity to experience our brand ... without getting behind the wheel of our vehicles ... through expressions in

- art,
- design,
- technology,
- live performances, and, of course
- the Lexus legacy of benchmark hospitality.

But don't be surprised if we sneak a car or two into Intersect to showcase our new designs ... after all ... we are a car company.

And at each Intersect we've teamed with culinary masters to help us connect with luxury consumers who appreciate fine cuisine.

In New York ... it's Danny Meyer who owns the Gramercy Tavern ... among 12 other amazing Manhattan restaurants.

The Tavern has been voted New York's number one favorite restaurant nine times by Zagat ... and we asked Danny how he does it.

When he first told us the customer comes SECOND ... I nearly fell out of my chair ... but then when you listen to his hospitality strategy ... it makes complete sense.

Taking care of your team members ... and making sure they truly care about making your guests happy... is absolutely critical.

Danny calls it a 'High Hospitality' quotient.

And I believe he's absolutely correct ... your guests can tell if someone is naturally wired to make people happy ... or if they're just going through the motions.

Now ... some of you may be aware that Danny recently removed "tipping" ... and raised prices at his New York City "Modern" restaurant.

To off-set the removal of tips ... Danny increased salaries to all his employees.

The result ... December was his most profitable month ever!

Employee turnover is down ... applications for employment are up ... and Danny's other 12 restaurants are clamoring to be next.

Danny says ... "Doing the right thing is the most profitable thing."

So growing hospitality from the inside out is a must do item.

From there ... you can work with your teams and listen to your guests to improve your business.

Now last year ... our U.S. Lexus dealers captured the luxury retail sales crown.

Of course ... we're thrilled our customers choose our products ... and we're hitting our marks ... but for the moment ... let's turn our attention back to an inside-out approach.

Do all guests genuinely enjoy the purchase process?

Our research has found opportunities exist for improvement and innovation.

For example ... when today's luxury buyers are in the market for a new vehicle ... they want:

- Even MORE financial transparency...
- Technology ... that makes the process simpler and faster...
- And a single-point of contact who can guide them to the product or service that best suits their needs.

So we listened to our guests ... and we're working with a select group of volunteer dealers to launch a beta-purchase experience that we call Lexus Plus.

Take a look ...

Mickey sure has a dealer's heart ... parting with his LFA ... I don't think I could do it.

So ... with the Lexus Plus program ... our dealers will offer each guest ...

- Upfront pricing with a set, negotiation-free, market-value price for each vehicle.
- And they'll add the spice of hospitality to the guest experience with dedicated, single-point of contact consultants.

Each guest will work with their personal consultant ...from the time they arrive at dealer showrooms... through purchase and delivery.

And during service visits ... guests will work with a single point of contact as well.

And by the way ... the negotiation-free pricing applies to ALL products for sale by the Lexus Plus Dealer ... not just new vehicles.

It includes ...

- pre-owned,
- parts,
- service,
- accessories,
- and finance & insurance products.

Clearly Lexus Plus is a mind shift ... a complete culture change.

This is the "Hospitality Quotient" Danny Meyer embraces!

Beyond traditional performance metrics we'll know if this program is a success ... when our guests proclaim that there's nowhere else they'd rather do business than with their Lexus Dealer.

Additionally ... Lexus and our dealer partners are also growing a culture of hospitality by recognizing and adapting to our changing guest demographics.

For instance ... as we all know ... women, diverse markets and younger buyers ...are driving more of the auto business today... and they'll continue to drive even more of our future.

In fact ...here are a few data points you've probably heard ...

- More than 80 percent of car buying decisions are made or influenced by women...
- In less than five years ...the purchase power of ... Hispanics, African Americans, and Asian Americans ...will each exceed 1 trillion dollars...

- And the Millennial generation ...more than 80 million strong ... accounted for 27 percent of new car sales ... passing Gen-X to become the second-largest group of new car customers.

So as luxury automakers and dealers in an ever-competitive environment... we're compelled to devote even more attention to the unique needs of our changing customers.

As a result ... we created Lexus Difference ... an initiative designed to help our dealers anticipate new guests' needs and desires ...and get to know all of their guests even better.

The ultimate goal is to provide background and tools to help our dealers build deeper, longer lasting relationships with their guests ... and create personalized experiences to help cement their opinion of Lexus as their "favorite" auto brand.

The program's components include ...

- A digital resource library of tools and best practices so our dealers can adjust their operations across all channels of communications...
- Ideas to enhance current dealership amenities that resonate with women and Millennials...
- A "Lexus Wear" clothing line for our team members ... reflecting the current fashions worn by our guests ... while making dealerships more attractive as career opportunities for women and Millennials...
- And ... an exclusive sponsorship of The Women Presidents Organization ... a national group of women CEOs who meet and attend receptions at Lexus dealerships.

Through Lexus Difference ...we'll continue our heritage of treating customers as we would guests in our own homes.

This Lexus philosophy helped define the luxury car experience ... and will help further elevate the bar as our customer base evolves.

So we've described a mind shift in our approach to the purchase process... and a re-evaluation of how we meet the needs of emerging luxury buyers.

Of course ... there are many ways to grow brand affinity.

I have to admit ... we're playing catch-up in the arena of motorsports.

Specifically ... in the IMSA Sportscar Championship series.

Our first step was to select a team to partner with ...and we selected Paul Gentillozi from East Lansing, Michigan.

Paul has successfully raced and built cars for 40+ years.

And recently ... we signed drivers Scott Pruett and Sage Karem to pilot our RCF GT3.

Scott is arguably one of the most successful sports car racers in history... and Sage Karem brings the excitement and enthusiasm of youth to our program ... on and off the track.

We recognize our IMSA competitors are formidable.

But as with customers and luxury leadership ... we don't wake up in the morning to finish in 2nd or 3rd place.

Our entry to motorsports will show race enthusiasts that Lexus is NOT the same brand it was 26 years ago... and our passenger cars and luxury utility vehicles will be direct beneficiaries.

For example ...our global president Akio Toyoda ... a Master Driver himself ... has directed the development of new Lexus models involving more emotional styling and dynamic driving response ... like the ... RC, IS, and our F-Performance lineup.

And now ... with the debut of our LC 500 flagship coupe ... you can see firsthand a glimpse of our future product development.

Our design and engineering teams worked shoulder to shoulder to create the LC 500 ... that's powered by ...

- A 5-liter, 467 horsepower V8...
- With a new 10-speed automatic transmission ...
- As well as the LC 500h hybrid ... with no performance compromise ... realizing a zero-to-sixty time of less than 5 seconds.

These two LC models are the first Lexus vehicles to be built on our all-new, front engine, rear-wheel-drive luxury platform.

The new platform provides a more engaging and responsive driving experience ... by placing most of the vehicle mass ... including the engine and occupants ... as low and centralized as possible within the chassis ... and the center gravity has been further lowered.

The result?

This new platform provides us tremendous flexibility with ...styling, engineering, and performance ... as you can see with LC 500... it's built for the track ... and the roads around your community.

And LC is just the tip of the ice berg for all future front- engine... rear-wheel drive models to come.

You know ...as we travel from the auto shows to our dealer showrooms ... one thing is clear ... luxury automakers are creating the industry's best products and guest experiences ever... and at Lexus it's rooted in our heritage of premier customer care.

But there's more.

In today's market ... to ensure our future success... we need to take some risks...like ...

- Stepping into a new retail process to develop a hospitality culture...
- Showcasing our brands in boutique spaces...
- And throwing ourselves onto race tracks against teams who have been competing for more than a half-century longer.

We're confident ... the chances we're taking to improve the customer experience will earn great benefits ...and there will be more exciting developments in the future from Lexus ...so stay tuned.

It reminds me of the old adage which says...

“People may forget what you said ... and they may even forget what you did ... but people will never forget how you made them feel.”

Thank you and all the best for a successful year.