

2015 NADA/J.D. Power Automotive Forum - Mark Templin

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TOYOTA

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Thank you, Joe ... and good afternoon.

Today I want to talk about a few ways luxury automakers can create brands that appeal to consumers' aspirational lifestyles.

Let's start with the most basic element ... absolutely no compromise on the quality of your product... whatever it might be.

Last year ... globally ...for all luxury goods... consumer spending grew seven percent to nearly a trillion dollars ... paced by a 10 percent rise in luxury automobile sales.

And the forecast is for continued growth over the next decade.

In fact ... luxury auto sales are projected to rise from approximately 9 million vehicles this year to 11.1-Million in 2025... that's an increase of more than 23 percent.

But even with a strong tailwind ...luxury brands shouldn't prioritize sales ahead of a commitment to producing the highest quality vehicles.

Apple founder ...Steve Jobs said ... "Quality is more important than quantity."

He knew he couldn't create one of the world's leading brands by merely selling the MOST computers.

Instead ... he focused on industry-leading quality for all of Apple's innovative products.

This helped the company flourish and achieve the number one spot on Fortune Magazine's 'Most Admired Companies' list for eight years in a row ... and earn the highest market capitalization of any company in history.

Likewise ... luxury auto consumers expect the highest quality vehicles ... as well as designs that stir their emotions... because their vehicles reflect who they are and make a statement about their lifestyles.

In addition to great vehicles ... building a luxury brand requires that we deliver superior customer experiences.

In our case ... everyone in the organization ... all over the world ... is committed to the "Lexus Covenant"... that's our pledge to build the finest cars... maintain the industry's strongest network of retail partners ...and ... most important ... treat each and every customer ... and potential customer ... as we would a guest in our home.

Over the years ...our guests have told us story after story...about our team members going the extra mile for them.

- One customer was surprised when their Lexus dealer and his team showed up to shovel snow off their driveway...
- Another told us about one of our sales consultants driving her to the hospital where her daughter was about to give birth ...because she was too excited and nervous to drive herself...
- And then there was the sales consultant who got an urgent call at midnight from his customer who had his car in for service... but flew home a day early and was stranded at the airport. Of course ... the sales consultant got out of bed ... picked up his customer ...and took him to the dealership to get his car.

Heck ... my family won't even do that for me.

The stories go on and on.

The point is ... our retail partners and their teams build relationships with their guests that fuel our future growth.

At Lexus ... we clearly understand that our brand can only be successful if our partners are successful.

So for luxury automakers ... our charge is to build the industry's best products ...backed by service ...that exceeds our guests' expectations.

And when we provide exceptional product quality and service ... our brands have the opportunity to create long term, sustainable growth.

At Lexus ... we intend to take a steady and methodical approach to grow our global sales in a range of five to ten percent every year ... rather than chasing short term market share.

When automakers try to grow too fast ... they can lose focus of the company's ... and the customer's ... best interests.

The bottom line ... selling more cars should be a result of making the best cars and providing the best customer experiences... and that's what we'll do.

So ... the first steps to building an aspirational luxury brand include providing exceptional quality products, outstanding customer service, and pursuing a sustainable growth model.

But these are just the costs of entry.

Today's luxury consumers increasingly seek personalized experiences that complement vehicle ownership.

These experiences don't replace those in dealer showrooms ... but serve as opportunities for guests to interact with the product and brand in new ways.

Let me give you a few examples ...

- Maserati created numerous Italian Lifestyle Experiences...combining driving sessions with art ... fashion and cuisine ... throughout Italy's Tuscany region.
- In England ... Rolls-Royce invited owners to its headquarters to meet with designers who created custom features for their cars.
- And at our company... we host "Dining Out with Lexus"... where we combine amazing driving and outdoor restaurant experiences ...that showcase the works of world-famous chefs and contemporary designers.

These are just a few examples of creating unique and memorable experiences for customers ... which help brands stand out from the crowd.

Ok ... now ... please take a moment and look at your watch ... and think about the brand.

In the past ... many of us wore a Rolex.

Why?

Of course ... Rolex is a quality watch ... and a world-renowned brand. Wearing a Rolex is a status symbol.

Or ... for some of us ... we just wanted to be like Steve McQueen.

But I'll bet that today ...instead of a Rolex ... there's a good chance you're wearing another luxury brand watch ... like an IWC or Breitling ... or many, many others. Maybe you don't even wear a watch ... and prefer to use your mobile device.

So what does this “timely” exercise tell us?

Well ... it tells us that today the world of luxury offers countless options... including cars.

Today's luxury consumers are no longer limited to a handful of brands... and that's why we're working hard to make Lexus a true GLOBAL company.

It's more important than ever to build lifelong, personalized relationships with our customers and their families ... and create unique experiences tailored for them ... experiences they will never forget.

Now ... crafting high quality vehicles and creating these personalized experiences will help us build an aspirational luxury brand.

But how do we communicate with a rapidly growing group of potential luxury car buyers to enhance our brand for the future?

At Lexus ... we're expanding the scope of our brand messaging by connecting to millions of consumers and our followers... who share our content and their experiences through more than 25 social media platforms.

For example ... we created a contest last fall to name the color of our new orange RC F sports coupe.

Lexus Facebook and Instagram fans submitted more than 3,000 suggestions...resulting in the winning entry ... “Molten Pearl”.

The contest led to articles in MotorTrend, Edmunds and even lifestyle website Hamptons.com.

Another RC F activation was “Hashtag Instabuilt”...launched in conjunction with the annual SEMA Show in Las Vegas.

Our Instagram followers helped us create a custom RC F that was displayed at SEMA ... and the final build was revealed in USA Today.

This custom RC F made multiple “top vehicle” lists ... including mentions in MotorTrend and Business Insider.

And our social strategy goes beyond product messaging.

The Lexus International Pinterest page features lifestyle content boards that include film, design and luxury architecture.

So as luxury automakers and dealers, our challenge is to embrace social media as part of a complete brand-building plan.

The Internet and social media platforms can't replace the showroom experience... but they definitely complement and enhance it.

Social media's impact is large and growing.

Across the world...

- Nearly every Millennial is active on at least one of the major social networks...
- 19 out of 20 Millennials ... globally ... own smartphones... and access them an average of 43 times each day.
- Women comprise 56 percent of the approximately 70-Million Pinterest users... and write or share 92 percent of the social platform's content.

And there's more.

Women and Millennials aren't just influential online... they're driving today's U.S. auto industry ... and will continue to drive our business for many years to come.

Let's start with female consumers...

- 26 years ago ... women purchased 40 percent of all new vehicles.
- Today ... that number has grown to 62 percent.
- And when you factor in the influence of women in the showroom ... the figure skyrockets to 80 percent of ALL automobile transactions.

And Millennials ...our nation's largest consumer group ... currently account for 26 percent of new-car sales... and by 2020 ... that figure is expected to reach 40 percent ... a 14-point surge in just the next 6 years.

So... both consumer groups will play a tremendous role in the ongoing success of luxury brands well into the future.

You know ... a famous luxury designer once said...

“Everything I’ve done is about how people WANT to live ... and how they DREAM they’ll live.”

As automakers and dealers ... the same potential exists for our products and brands.

By continuing to build the highest quality vehicles... providing personalized opportunities to experience our products and brands... and expanding the scope of our messaging to reach even more consumers... we can create aspirational brands that exceed our customers’ expectations... ensuring a successful future for all of us.

Thank you and all the best for the year.