2014 Washington State Auto Dealers Association Convention - Jim Lentz

May 17, 2014

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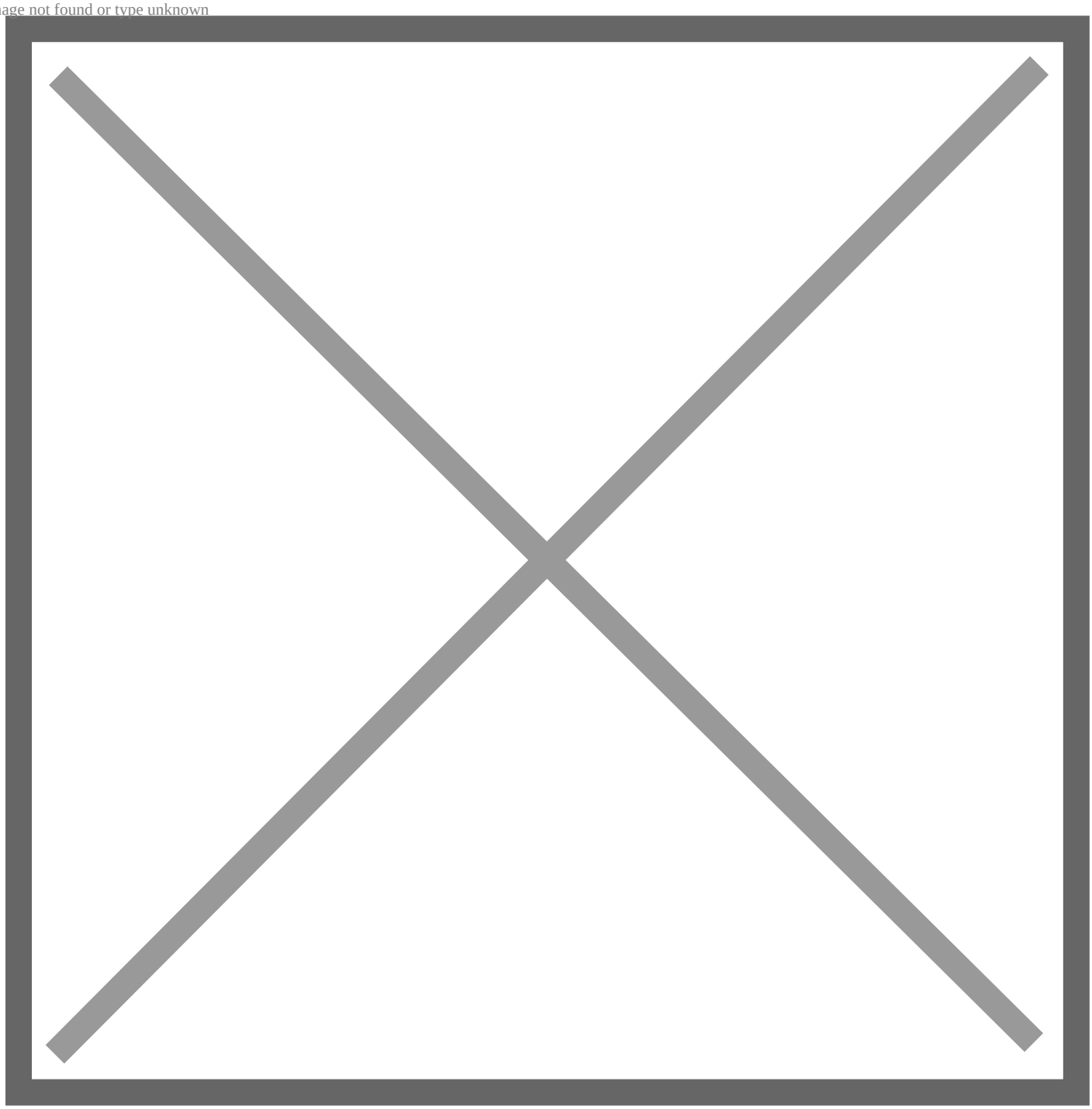

As prepared for:

Washington State Auto Dealers Association 2014 Convention
Saturday, May 17, 2014, Kua'i, Hawaii
Jim Lentz, CEO, Toyota North America

Thank you, Buzz. Now, before you go… I want to thank you for your leadership of the Washington State Auto Dealers Association. And to your members… I want to thank you for representing your State and communities with such passion.

And, I understand you've opened a new headquarters in Renton. So, I'd like to present to you… on behalf of Toyota… this framed picture of the concept drawings of the Scion FR-S and the Toyota Prius… to hang in the new building.

Thanks again Buzz… and good morning everyone. My wife Barbara and I are honored to join you all today… of course, when I told her the event was being held in Hawaii… her bags were packed before I could finish my sentence.

Now, before I dive into anything, I have a confession to make… I didn't always dream of working in the car business.

When I was a little kid… I dreamed of playing professional ice hockey… maybe some of you had the same dream… but in my case for my hometown Chicago Blackhawks… just like my idol, Bobby Hull.

But, as fate would have it… even though I played on my college hockey team… I wasn't quite tall enough or fast enough to make the professional ranks.

But that's OK… because… instead… I've spent my entire career in the auto industry… which we all know is really the GREATEST business in the world… right?

And… unlike Bobby Hull… I still have all my teeth!

Now, speaking of ice… I think we've all seen enough of it this year.

Yet, despite the harsh winter conditions that stymied auto sales at the beginning of the year… the industry bounced back with the spring thaw and enjoyed its best April since 2006. So, we're in for another terrific sales year.

And this morning… I'd like to share three reasons why the auto industry is not only in a great position for this year, but also far beyond.

These factors include

- a favorable economic and industry climate…
- the crucial role auto dealers play in supporting our economy… their brands… and their communities…
- and innovations from manufacturers like Toyota that will meet our customers' needs today and in the future.

Let's start with the improving economic and industry forecast.

We've just come off four consecutive year-over-year sales increases… mostly propelled by pent-up demand as the economy started to stabilize.

During the years of economic struggle, most people put off buying a new vehicle until they felt more financially stable. So increased auto sales have economists optimistic about our industry's overall impact on the economy.

This year… the pace of growth has flattened somewhat as sales are being driven more by broad economic strength.

For example… economists predict GDP growth up to 2.8 percent this year… and we're seeing a rebound in new housing. In fact, construction of single-family homes grew 6 percent in March.

And strong growth in housing generally correlates to a rise in the already booming pickup truck segment… which makes sense… pickups are the workhorse of the construction industry. So when home construction companies hire more people… they buy more trucks to get the job done.

So growing consumer confidence supported by: an improving job market … strengthening housing market … and a boost in stock prices is a key driver for our industry growth.

As are historically low interest rates.

Thirty years ago… we saw loan rates in the mid-to-high teens… but they've steadily receded to the 3-to-4% rates we see today… and we believe they'll stay relatively low and affordable for the foreseeable future..

And the best news yet…contrary to guestimates by some market analysts, younger customers are coming back into the market.

From 2012 to 2013, sales to buyers aged 35 and younger increased by 20 percent… and are expected to climb again this year by 10 percent… to 3.5-Million vehicles.

As a result of all these factors, analysts predict auto sales this year will reach between 16.2 million and 16.4 million vehicles, a 4-to-6% increase.

So… when you put it all together… the auto industry in 2014 should grow for a fifth consecutive year.

And based on results from the past two months… we are well on our way.

So the economy is improving… and industry-wide sales are right on track… which brings me to the second reason we're well-positioned for 2014 and beyond. And… that's you.

You and the nation's nearly 18-Thousand franchised dealers play a huge role in supporting the economy… and serving as leaders of your communities.

Think about it. NO other single industry is linked to so much of U.S. manufacturing or generates as much retail business and employment… as this business we all love.

And… it's not just me saying that… the fact of the matter is:

- 8-Million Americans and their families rely on the auto industry for their livelihoods…

- And each year, the industry generates 500-Billion dollars in paychecks… and another 70-Billion in tax revenues…

And for the state of Washington…

- 48-Thousand people… about the size of Olympia… are employed by the auto industry
- and the state's dealerships generate annual sales of 12-Billion dollars… more than 12 percent of the state's total sales receipts.

So, the importance of this industry and its dealerships across the U.S. cannot be overstated.

WE MAKE A POSITIVE DIFFERENCE.

In fact, I will never forget the valuable lesson I learned early in my career about the importance of cultivating strong relationships with our dealer partners.

It was 1982… my very first week with Toyota… and I was the new, rookie distribution manager in our Portland regional office. Like many young go-getters, I tried to get to the office early to start work before anyone else arrived.

One morning when it was quiet and I was alone, I heard a knock on the door and saw a Japanese couple standing out front. I opened the door, and it turned out to be Toyota's then president, Mr. Isao Makino, and his wife, Ryoko.

I'm glad I made coffee that morning…I'm not sure they liked it…but at least it was ready and warm.

As it turned out, Mr. Makino wanted a car and a map of the area.

I helped him out and he spent a week visiting with dealers… asking them about their needs… and listening closely… so he could help improve operations and customer relations.

No fanfare… no entourage… just plain talk with our dealers… and a reassurance of our vital and mutually beneficial partnership.

When he returned, Mr. Makino told me that dealers were the face of our business in the showroom and in the community… and how important it was to give our dealers and their associates the resources and support they need to be successful.

I've never forgotten this lesson… and I've taken the time to do the same as Mr. Makino taught me – to go and see first-hand our dealer operations and hear about what they need to be successful. I'm proud to say that Toyota today stands out from other automakers because of the strong belief that dealers are our vital partners. We know we can't be successful unless our dealers are successful… and this isn't just lip service. It's a value we live… and our close relationships with our dealers have helped to ensure a stable business in the U.S. for nearly 60 years.

Why is this simple point so profound?

Because, let's face it… this is an era of declining loyalty to both automakers and dealerships – and we must support each other… and improve the customer experience with every vehicle we sell and service. Simple, yet profound. Improving the customer experience is more important today than ever.

That's why we need to consider any and all opportunities to enhance the customer experience… no matter what brand… to improve our overall industry's reputation.

I'll use our Scion brand as an example.

Scion customers are younger, tech savvy, they've done their homework… and they don't want to spend time in a sales office haggling over price.

So we developed Scion Pure Price… which means the price customers see in the dealership, on the dealer's website or in dealer advertising is the price they pay… no haggling and extra time needed. It's transparent… easy… and our customers love it.

So it's clear that customer service needs to constantly evolve to meet the demands of today's consumers. On top of that… we also consistently need to respond to the call of service in our communities.

As you know… consumers today not only want great products… they also want to do business with companies that share their values and work to make the world a better place.

And that's why one of the most exciting things about the auto business is the work all of us do… dealers and automakers alike… to enrich the lives of people and the communities where we do business.

For instance, one of our Washington dealers, Toyota of Kirkland, recently donated 10-Thousand dollars to Evergreen Health Medical Center to support the purchase of 3-D mammography equipment… and later conducted a Breast Cancer Awareness promotion which raised an additional 55-Hundred dollars.

And as part of our "100 Cars for Good" program, Toyota of Tacoma helped us make a special delivery to Operation Ward 57. Take a look.

And I know auto dealers of every make provide the same kinds of support for their communities. In fact, if you go into almost any town in America and ask for the names of the most prominent community leaders…I'm confident that the list will include local auto dealers.

From supporting your brands… to growing our economy… and the time, talent and resources you reinvest in your communities… auto dealers are succeeding today… by helping to build a better tomorrow.

And I want to thank all of you for what you do. You provide an invaluable service to customers and communities and make us all very proud to be in the auto industry….THANK YOU for making a difference!

That's why… the naysayers who claim they want to "eliminate the middleman" … in my opinion… are missing the forest from the trees.

The question to me isn't to franchise or sell direct… it's about the value added by dealers in the eyes of consumers.

Dealers can provide:

- a transparent buying and financing process,
- a market for trade-ins,
- service,
- efficient sales and service staff who listen to their customers' needs and treat each guest with respect,
- and support for your communities.

I also firmly believe in preserving the franchise model… because in the long run, without you, our dealers… competition would be reduced and the price of cars to consumers would go up… which is a loss for everyone.

No… selling direct is NOT the answer. We need dealers to build relationships with consumers and strengthen those relationships for future growth and success. Meeting your customers' needs will end the discussion of selling direct from manufacturers.

So, we need to continue working TOGETHER to accomplish just that … we're already doing a great job today.

But we have to constantly challenge ourselves to do even better… and that brings me to the third reason we're in a great position for success this year…and beyond.

Automakers are leading all other companies in developing innovative technologies that will benefit people both today and tomorrow.

In fact, auto manufacturers represented nearly half of Boston Consulting Group's annual "Top 20 Most Innovative Companies" report last year… out-pacing technology firms for the FIRST time.

The report credited automakers' efforts to increase vehicle fuel-efficiency, develop more and better hybrid models… and pioneer automated safety features in today's vehicles.

And the positive results of those efforts were on display with some groundbreaking designs and technologies at this year's auto shows… and there's even BETTER news on the horizon.

At Toyota, for instance, we're adding new… fun-to-drive… and exciting products that will change the way people think about design and mobility.

There's the Toyota FT-1 sports car concept… designed for pure racetrack performance… our new Lexus RC Family… and a major refresh of the 2015 Toyota Camry.

And, in this era of high gas prices, automakers are creating products for consumers that are environmentally advanced AND provide great fuel economy.

In just the last 8 years, the industry has expanded its offerings of vehicles that can get 30-Plus miles per gallon by more than 550 percent… from 69 vehicles in 2006… to 450 models today.

And next year… Toyota and other automakers are going beyond the internal combustion engine by introducing zero-emission hydrogen fuel cell vehicles.

Let me give you a taste of that future…take a look.

We believe this type of vehicle can move the industry to a new era of sustainable mobility.

And there's good news on building hydrogen fueling stations.

Toyota, …along with other automakers, energy companies and state and federal government agencies are working together to build the required infrastructure so consumers will have convenient refueling stations.

To help advance that process, Toyota recently announced plans to provide financial assistance to two energy firms that will kick-start the construction, operation and maintenance of a hydrogen refueling network in targeted California locations.

In addition to fuel cells, Toyota and other automakers are developing other modes of transportation to meet the needs of future customers.

Research shows that more people are migrating to cities in the world's fastest developing countries…so conventional cars are competing for rapidly shrinking space to drive and park.

But no matter where people live, mobility will still be a part of their daily lives.

So…at Toyota…we've developed an array of forward-thinking concept vehicles to address issues like population shifts, congestion, air pollution and safety.

One of my favorites is the Toyota iRoad. It's a two-seater that's a cross between a motorcycle and an ultra-compact car.

Take a look…

Our fuel cell sedan and iRoad highlight Toyota's vision for the future… where new forms of transportation will supplement the cars we use today.

All of these technologies are exciting and we're looking forward to working with YOU to bring them to the public.

Well, we've covered a lot in a little time so let me summarize what I see as a very positive future for your industry.

With:

- a favorable economic and industry climate…
- outstanding dealers…
- and new innovations and products…

I'm confident our industry is well positioned to thrive THIS YEAR and for MANY years to come.

And as a wise man once said… "No matter how carefully you plan your goals, they will never be more than pipe dreams unless you pursue them with GUSTO."

So, TOGETHER… let's continue working… WITH GUSTO… to help this industry we all love … continue to thrive for the next 100 years.

Thank you… and all the best in the future.

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