

# 16. Be Our Guest: 30 Years of Lexus

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To celebrate 30 years of Lexus, we are going to take you back to the beginning to tell the story of Lexus straight from the leaders who were around back before Lexus even had a name.

# Full transcript below.

<QUOTES FROM INTERVIEWS>

**Doron Levin:** [00:00:00] So, you've got performance, you've got quality, and, now, you've got value. And those things add up to a strong message to consumers. And the consumers, then, responded.

**Dave Illingworth:** [00:00:09] As long as you keep the focus on the customers and the people, then you'll do okay. If you're trying to just make money, you're not going to do it. You've got to put the customer first.

<MUSIC INTRO>

**Tyler Litchenberger:** [00:00:22] Hey, everyone, it's Tyler (test).

**Kelsey Soule:** [00:00:24] And this is Kelsey. In today's episode, we're gonna take you to the finer side of things. So, think champagne, caviar, first-class seating, and basically anything you can imagine on like Air Drake.

**Tyler Litchenberger:** [00:00:36] We started from the bottom. And, now, we're here.

**Kelsey Soule:** [00:00:38] That's exactly it.

**Tyler Litchenberger:** [00:00:40] All right. I'm in.

**Kelsey Soule:** [00:00:41] Okay. Today, we're talking about Lexus, the luxury brand.

**Tyler Litchenberger:** [00:00:45] And to all you listeners out there who may not know, our luxury brand, Lexus, was born in 1989.

**Kelsey Soule:** [00:00:51] The year that all great things were born.

**Tyler Litchenberger:** [00:00:53] Yes, we know you were born in 1989, Kelsey.

**Kelsey Soule:** [00:00:56] Yes.

**Tyler Litchenberger:** [00:00:56] But unlike you, Lexus has accomplished a lot of things in the last 30 years.

**Kelsey Soule:** [00:01:03] Well done. Well done. So, yeah. Lexus is celebrating their 30th anniversary this year. And while some may say that 30 years isn't that long, which feels really long to me now that I've lived 30 whole years-

**Tyler Litchenberger:** [00:01:16] they really have accomplished a lot.

**Kelsey Soule:** [00:01:18] Yeah. No, for sure. All jokes aside, I want to say, even as an employee, I wasn't aware of the monumental impact that Lexus had on the luxury industry back then, and the intense amount of research and secrecy that went into starting the brand.

**Tyler Litchenberger:** [00:01:31] Right? A little spoiler upfront. We actually sent engineers to Southern California to live and study how luxury intenders lived. That's what we call them, luxury intenders.

**Kelsey Soule:** [00:01:40] Yes.

**Tyler Lichenberger:** [00:01:41] They fully immersed themselves in the culture to understand what customers would want and need in a luxury vehicle.

**Kelsey Soule:** [00:01:46] That's right. So, their dedication was unmatched. And that customer-first mindset and finesse didn't go away in the '80s. It's still around at Lexus today.

**Tyler Lichenberger:** [00:01:58] So, We want to take you back to the beginning to tell the story of Lexus straight from the leaders who were around back before Lexus even had a name.

**Kelsey Soule:** [00:02:07] And the perfect person for that is Dave Illingworth. Dave was the first general manager of Lexus back in '89. And today, he is still a brand loyal dealer. Alison Powell caught up with Dave to talk about the early beginnings of Lexus, starting with how he came up with the Lexus Covenant, which is the brand's commitment statement that is still used today to guide every decision Lexus makes.

<Music Fades Out>

**Female:** [00:02:31] Toyota of Warsaw. May I help you?

**Tara McGillion:** [00:02:34] Hi. May we be connected with Dave Illingworth, please?

**Female:** [00:02:38] Just a moment.

**Dave Illingworth:** [00:02:40] Dave Illingworth.

**Alison Powell:** [00:02:41] Hi, Dave. It's Alison Powell from Toyota Motor North America Podcasting.

**Dave Illingworth:** [00:02:46] Alison, how are you today?

**Alison Powell:** [00:02:48] I'm very well, thank you. How are you?

**Dave Illingworth:** [00:02:50] Excellent.

**Alison Powell:** [00:02:50] Thank you so much for making yourself available for us to do this interview. We're very interested in talking to you about a whole range of things.

**Dave Illingworth:** [00:02:59] Okay. Fire away.

**Alison Powell:** [00:03:00] Okay. We're very interested in talking about what inspired the creation of the Lexus Covenant. Can you talk a little bit about why you came up with that, the story behind it, and how it operates today?

**Dave Illingworth:** [00:03:11] I think it was early 1989, and we were getting ready to launch the division. And about six to nine months, we just got to thinking about who we are, and what we are, and what we're all about. What always impressed me so much about Toyota was the engineers, and the commitment of senior management in Japan, and senior management in the US to do things right, and to really make an all-out effort to have the finest car that was ever built at the time. And I think there's a lot of sense of urgency on our part to really define who we are, and what we are, and what we're trying to accomplish.

**Dave Illingworth:** [00:03:53] It was just one morning, I walked out, and Linda [Morris-Sacko], at the time, was my assistant. She was with me for quite a while. And I just went out and dictated it. I mean, it wasn't—there wasn't much to it. I don't know. I just sat down and said, "Okay, Linda," and I just started saying it, talking about it. We fine-tuned a little bit. I gave it to the advertising agency and the marketing people, and they looked

at it, kind of shrugged their shoulders, and said, “Well, okay, that’s all right. If you want to do it.”

**Dave Illingworth:** [00:04:20] But the reason it came to life and the reason it meant so much to the company was because of the recall that happened on the cruise control a couple of months after we launched the company. And that’s when we looked at the Covenant and said who we are and what do we—how do we really conduct ourselves a business?

**Dave Illingworth:** [00:04:40] And in talking to the dealers and to all of the people in the company, we recited the Covenant to them, so they understood why we were taking this action because, I think, at the time, we only had one or two cars that had this problem. So, we decided if we are who we say we are, and we are what the Covenant says we are, then we do the right thing. And so, the Covenant came to life, and it just has lived ever since.

**Alison Powell:** [00:05:07] The customer service efforts on that recall, at least, in my understanding, were extraordinary, and they must have been extraordinary for the time. Did you hear a lot from American carmakers, sort of, scratching their head over why you would work so hard over something that affected a very few cars?

**Dave Illingworth:** [00:05:27] We went to extraordinary efforts to take care of the customers, to tell everybody what was happening, to communicate what was happening, to do it in an organized way. It turned out that it really helped us establish ourselves as putting the customer first. So, that effort, combined with the Covenant, really kind of set the tone for who we were. And even from the very beginning, we were always talking about separating ourselves from the rest of the competition by putting the customer first and how we could do that.

**Dave Illingworth:** [00:06:00] And when you looked at what the engineers were doing, and what the company was doing back in Japan, and the effort that was being made to make this car truly exceptional, we felt, in the United States, since we were going to launch the car, we had to make a superhuman effort to pick the right dealers and to get the customer-first aspect to delivering and servicing a car above everybody else to basically match the effort that was being made in Japan to produce a car of such high quality.

**Alison Powell:** [00:06:33] Can you tell us in your own words why Toyota embarked on the project of creating a luxury brand?

**Dave Illingworth:** [00:06:40] The chairman at the time, Eiji Toyoda and Dr. Toyoda, the President of the company, Toyota had been a business that was approaching 50 years. And I think, my understanding is that they believed that the company was producing the finest automobiles in the world. And I think that’s probably true. I think Toyotas are the finest quality, highest quality cars produced. And they felt it was time to actually extend that into the finest luxury car.

**Dave Illingworth:** [00:07:13] And they had a car in Japan called the Crown, which was an upscale car, but it wasn’t a car that would be accepted globally or recognized by other manufacturers around the world as a truly first-class luxury automobile. And so, it’s their decision back in the mid-80s that the company should build this car, and it should be the finest luxury car built up to that time.

**Kelsey Soule:** [00:07:43] We’re going to break in here to give you a little fun fact. In order to build what they hoped to be the finest luxury car at the time, Toyota decided it needed to learn more about the American luxury buyer. So, in 1985, they sent a team of Japanese designers and engineers to an upscale Southern California community to do some recon.

**Tyler Litchenberger:** [00:08:03] Yeah. Imagine a small group of Toyota employees, they quietly move into this small beach city called Laguna Beach.

**Kelsey Soule:** [00:08:11] <singing> Let's go back, back to the beginning.

**Tyler Litchenberger:** [00:08:16] That Laguna Beach, Kelsey. Exactly.

**Kelsey Soule:** [00:08:18] Yes. And so, they did the research on American luxury culture. Why did I just sing?

**Tyler Litchenberger:** [00:08:22] I know.

**Kelsey Soule:** [00:08:23] Like where these fancy people went, what they bought, their attitudes towards different brands.

**Tyler Litchenberger:** [00:08:28] Yeah. And then, they designed the Lexus with all these considerations in mind. Like, how does a lady with long nails such as myself use a steering wheel? How would a lady slide into the seat with her fur coat on? How many sets of golf clubs will fit in the trunk?

**Kelsey Soule:** [00:08:42] And 14 full scale models and about 450 test cars later, the LS 400 was born.

**Tyler Litchenberger:** [00:08:49] All right. Back to Alison.

**Alison Powell:** [00:08:51] Why do you think luxury is important or necessary? We can get along quite well without it. We've got excellent cars, excellent products that are not considered in the luxury level. What role do you think luxury plays in our lives?

**Dave Illingworth:** [00:09:07] Well, I think it's an aspirational product. I think everybody wants to succeed, and everybody wants to be successful. And I think the key to the Lexus product was that we tried to split the market. At the time, Cadillac and Lincoln were the major players on the market, but their styling was rather traditional, and their ride was rather soft. And the Germans were also higher end of the market, but they were—their styling was more European, and their ride was more sportscar and hard handling type of vehicles.

**Dave Illingworth:** [00:09:52] And I think the Lexus product split the middle. We tried to be in between and give the customers an aspirational vehicle that were driving Toyotas, so they could move to a higher-class car, but didn't have to pay the price of the German products or the European products. And at the same time could have a more younger, youthful looking car that wasn't as traditional as the domestic manufacturer.

**Dave Illingworth:** [00:10:22] And eventually, I think, what happened is the markets kind of merged. But when you say it's a luxury car, there are cars in the lineup that are very expensive. But I think there are also cars in the lineup that are more reasonably placed for people that they can try to achieve. And so, I think if you look at the top end of the Toyota market and the lower end of the Lexus market today, you'll see there's a lot of crossover in there.

**Alison Powell:** [00:10:46] How does it feel to realize it's been 30 years since—since all that happened?

**Dave Illingworth:** [00:11:04] Well, I feel a lot older. And I noticed I don't move as quickly. I fall asleep quicker at night. But it's remarkable to see the progress of the cars, of the dealer body, how much the market has changed. And yet, it still comes down to people, people caring about other people, about the dealers, and the factory people, and the engineers, all caring about the customer that they're trying to serve, and putting the customer first.

**Dave Illingworth:** [00:11:39] That doesn't change. No matter what happens, that doesn't change. And as long as you keep the focus on the customers and the people, then you'll do okay. If you're trying to just make money, you're not going to do it. You've got to put the customer first. And so, no matter what happens, that's the key.

<CAR ZOOM>

**Kelsey Soule:** [00:12:03] I don't know about you, Tyler, but I agree with Dave. As I turned 30 along with Lexus, I don't move as quick either.

**Tyler Litchenberger:** [00:12:08] I totally agree, and I'm older than you and Lexus. Just by a smidge.

**Kelsey Soule:** [00:12:13] But in all seriousness, I think it says a lot about a company that the promises they made 30 years ago, despite what's happening in the world, they're still upheld today. No matter how the business changes, Lexus is still committed to a world class guest experience, and they're always putting the customer first.

**Tyler Litchenberger:** [00:12:28] It's incredible what Lexus has been able to do in just 30 years, considering that most luxury brands have been around for over a hundred. We've put in work.

**Kelsey Soule:** [00:12:36] And we're not even close to being done.

**Tyler Litchenberger:** [00:12:38] So, now, we're gonna go from the OG general manager Dave Illingworth to the current general manager, David Christ. I was able to catch up with him here in the office a couple weeks ago to talk about his take on the 30 years of Lexus and what's next.

<CAR ZOOM>

**Tyler Litchenberger:** [00:12:57] Thank you for coming to Toyota Untold.

**David Christ:** [00:13:07] Thanks so much for having me.

**Tyler Litchenberger:** [00:13:08] Of course. So, Lexus, we're going to talk about it because 2019 is the 30th anniversary of Lexus. And there's been a lot of other manufacturers that have been here in the US a lot longer who haven't been able to get the foothold that Lexus has. So, how did it only take Lexus 30 years to get where it's gotten?

**David Christ:** [00:13:27] You know, we really had what I consider to be two cornerstones in the launch of the brand. One was an absolute focus on picking the best dealers in the industry and really committing to them that we were going to bring them the best products. So, between our dealer selection and our product plan, those two pieces really set Lexus up for success. And since then, we've done a lot of great things together.

**Tyler Litchenberger:** [00:13:53] Can you talk about some of the product, you know, over the past 30 years that customers have come to love in addition to the dealers?

**David Christ:** [00:13:59] We spent 10 years developing that first LS. And it's really a spectacular product and continues to be in the used car market. From there, we developed the first luxury crossover in the RX 300. We developed the first luxury hybrid vehicle in the RX 400h. We developed the product that it continues to do well in the used car market, which is the ISF, which was our first real step into performance. And then, we recently introduced another high-performance vehicle in the LC 500. So, over those 30 years, we've continued to come out with some great product that has been very well received by our guests.

**Tyler Litchenberger:** [00:14:38] Whenever I see an LC in the garage here around here, it's like head turner non-stop. I'm just like, "Ooh, look at that LC."

**David Christ:** [00:14:43] Agree.

**Tyler Litchenberger:** [00:14:43] It looks good.

**David Christ:** [00:14:43] Agreed.

**Tyler Litchenberger:** [00:14:46] So, on those 30 years, what were some of the milestones that stands out to Lexus as a company?

**David Christ:** [00:14:51] Well, I think if you go back in time, one of the milestones of the brand was very shortly after launch, we had a recall situation. And the way that we approached that recall was very different than other brands that addressed it. We really took a huge focus on the guest, and we tried to establish with our dealers a benchmark in the guest treatment. And from there, our brand has continued to focus on the guest.

**David Christ:** [00:15:18] Now, many car manufacturers call purchasers of their vehicles customers. We call them guests because in our Lexus Covenant, we refer to customers as guests in our home. And we really wanted to create an environment where our dealers would treat the customers like guests in their home. And that, to me, was one of those watershed moments that established the brand, established the fact that we were focused on the guests, and really set us on the right path.

**Tyler Litchenberger:** [00:15:49] Just a funny personal story for me, my dad's parents, when they were alive, they wanted a new car. They couldn't get out a lot, or they didn't want to get out a lot. They could still drive just fine. So, they called Lexus dealership. And they are like, "Listen, we want to look at this car. Could you bring us one?" And they did. The dealership brought out a vehicle for them to test drive around their neighborhood, and they bought it right there. No problem. Not even in a dealership setting, so.

**David Christ:** [00:16:17] That's right. The dealers have done such an amazing job with the guest experience. I get emails and letters all the time from customers. In fact, just recently, we ran a campaign called "Letters." And in that campaign, which was on TV a few months back, we actually captured letters from actual consumers and had them read the letter in their own voice. And those letters talked about the exceptional service that these guests have gotten from dealers. And that, to me, is one of the big differentiators in our brand.

**Tyler Litchenberger:** [00:16:49] Yeah. Experience Amazing is the tagline for Lexus. What does that mean?

**David Christ:** [00:16:54] Well, it's really two fronts. One is we want the guests to experience the amazingness of our product. So, we want to deliver a product that has a wow factor and that a customer can get in and really feel excited about. The second Experience Amazing piece is really the dealer guest treatment. We want them to experience the amazing service that our dealer members provide and the sincere commitment they have to making their experience pleasurable.

**David Christ:** [00:17:28] In fact, when I wear Lexus logo shirts, which I'm very proud to wear, I have to leave more time when I go to the airport because people will typically stop me and say, "I love my Lexus, I love my dealer."

**Tyler Litchenberger:** [00:17:56] Yeah. What does innovation and technology look like moving forward?

**David Christ:** [00:18:02] Well, that's a great question. You know, we continue to be the leader in hybrid technology or hybrid sales. We're up 42% last year. So, we continue to focus in on hybrid sales success. Our dealers have totally bought in. Our hybrid sales this year continue at a really strong pace. And we're also pursuing electric vehicles. And we really feel like we have the history with hybrids to create success in that environment too.

**David Christ:** [00:18:29] You think about that, that was 14 years ago that we introduced the first luxury hybrid vehicle. And since then, we've sold many. And we continued to expand the lineup. Most recently in January, we launched the UX Hybrid, which is another exciting product, and we'll continue to do so in hybrid and electrical vehicles.

**Tyler Litchenberger:** [00:18:47] So, where does Lexus go from here? What does the next 30 years look like for Lexus?

**David Christ:** [00:18:53] Well, we are super excited about the future of Lexus. I think there's really those two cornerstones we talked about at the beginning of the brand, which are still very relevant to the brand. We're working very hard right now on our product plan to deliver the best and most competitive products in each segment that we compete in. So, that's hard at work. And we will continue to deliver high quality product that's exciting to drive.

**David Christ:** [00:19:18] The second area, of course, is our guest experience, and we're constantly working with our dealers on how to improve it; how to give the dealers more and better tools, so that they can help the guests; how to eliminate pain points in the sales or service process that we can—and we have control over that we can help. And I think between the evolution of the guest experience into a newer, faster, easier way, and the exciting products we have coming, it's going to be a homerun.

**Tyler Litchenberger:** [00:19:50] Can you say any of those products? I know you can.

**David Christ:** [00:19:52] Unfortunately, I can't. But thanks for trying.

<CAR ZOOM>

**Kelsey Soule:** [00:19:59] So, nice try, Tyler, getting the top-secret products out of Dave.

**Tyler Litchenberger:** [00:20:03] Listen, I have a Lexus. I feel like I need to know.

**Kelsey Soule:** [00:20:06] Yeah, definitely just you.

**Tyler Litchenberger:** [00:20:08] What are you going to do? We can't reveal any Lexus product news right now, unfortunately, but we've got some interviews lined up that we will release when the time is right.

**Kelsey Soule:** [00:20:17] Yes. So, stay tuned for further Lexus episodes. All right. To close out the show, we talked to someone who's been an observer of the auto industry for over 30 years and who was there when we first unveiled the LS 400 in Detroit.

**Tyler Litchenberger:** [00:20:31] That's right. Doron Levin is a journalist based out in Detroit. He's written for The New York Times, The Wall Street Journal, Bloomberg, Fortune, Forbes. And he's the author of two books about the auto industry. Take a listen.

**Kelsey Soule:** [00:20:45] So, today, we want to start off with learning a little bit about you, how long you've been a journalist, how long you've been covering the auto industry, and then we'll get into some more Lexus-focused questions.

**Doron Levin:** [00:20:56] Okay. I was a correspondent for The Wall Street Journal in Pittsburgh in 1984 when I got a call from headquarters in New York asking me to come out to Detroit. And I'd never really been to Detroit, except on business but they told me that Detroit, because of its importance to the auto industry, was a great beat, and I should really think about it. So, I decided to take that offer. And I moved to Detroit with my family, and I had a look around here, and I said, "You know, we'll probably be out of here in about two years, no longer,"



because that's typical of the way The Wall Street Journal moves people around. And here we are 35 years later, I'm still in Detroit. So-

**Kelsey Soule:** [00:21:43] Wow!

**Doron Levin:** [00:21:43] So, it's ended up being a good ride. I had a great time with The Wall Street Journal covering General Motors. And that's actually where I had my first contact with Toyota.

**Doron Levin:** [00:21:55] And this was an interesting time for the automobile industry because General Motors was really sitting on top of the world and was-

**Kelsey Soule:** [00:22:03] Right.

**Doron Levin:** [00:22:04] ... the number one manufacturer of cars in the world and, certainly, in the United States. And Toyota was a company that was starting to become better known in the United States, but wasn't well-known. It was, basically, a manufacturer of smaller, lighter, less expensive vehicles and—but it was getting popular.

**Doron Levin:** [00:22:25] And General Motors was probably in the process, at that point, of trying to figure out whether Toyota was a company that should be taken seriously. And you heard all kinds of opinions back then from GM executives, some people who'd say, "Well, why would anybody want to buy a Toyota when you could buy a Buick, or an Oldsmobile, or a Pontiac?" And then, other people would say, "You know, this is the wave of the future, and we shouldn't take anything lightly, and we can't afford to take any potential competition lightly." And those people were fewer in number, but it turns out, obviously, they were right.

**Kelsey Soule:** [00:23:24] So, when do you think that you first heard about Lexus? And when did you start covering it?

**Doron Levin:** [00:23:35] I mean, I could tell you exactly when I started covering it. I started covering in 1989 after the first press conference at the Detroit Auto Show. And that was when it first became known that Lexus existed. It was a secret project, as you know, before that. There were rumors that Toyota was going to come out with a luxury car. And I'll never forget that press conference because it was held in Cobo Hall in downtown Detroit, and it was in a big exposition center down there. And because it was much anticipated, a lot of people showed up, not just journalists, but a lot of people from all the other companies showed up.

**Doron Levin:** [00:24:16] And I remember seeing people from GM, and Ford, and Chrysler. And they were just, I thought, very dismissive of Lexus at the time. And so, that changed, obviously, very quickly.

**Tyler Litchenberger:** [00:25:01] And what do you think the turning point was for Lexus from the kind of snickering other executives to like, "Oh, this is a brand that we need to be worried about or to consider?"

**Doron Levin:** [00:25:12] I mean, this is the way things, kind of, unfolded this business. If you're in the business, you understand this, but you come out with a vehicle like the LS 400, and everybody can say whatever they want to say, but nothing's going to really matter. And so, the reviewers get into the seats and drive them. And the reviews were very strong.

**Doron Levin:** [00:25:31] So, the initial reviews for this vehicle once it was put in the hands of journalists and others, especially the enthusiast magazines, was very strong and very positive. So, I think that probably sent a signal to the competition that, "Hey, you better take this seriously."

**Doron Levin:** [00:25:54] Now, if the public and the consuming public doesn't respond, then you've got a problem. But in this case, it did respond. Lexus had a very strong dealer network. And the consuming republic really responded because the value story was very strong as well.

**Kelsey Soule:** [00:26:26] Yeah.

**Kelsey Soule:** [00:26:55] What else do you think, over the years, that Lexus has done right in the auto space since you've covered pretty much every automaker?

**Tyler Litchenberger:** [00:27:02] The whole auto space.

**Kelsey Soule:** [00:27:03] Right.

**Doron Levin:** [00:27:04] We should talk about the strategy, the dealer strategy, because I think that was a key element of the overall success of the brand, which was to choose very strong dealers at the beginning and make sure that they understood that the idea would be to create experience for the consumers that was far more than what they could expect at a Cadillac dealership or a Mercedes dealership at the time.

**Kelsey Soule:** [00:27:31] Do you mean like the attitude of like when customers would come in?

**Doron Levin:** [00:27:35] Yeah, the attitude. You found some dealers would provide loaner cars. Others didn't.

**Kelsey Soule:** [00:27:41] Yeah.

**Doron Levin:** [00:27:41] You'd find some dealers would invest in their waiting area, in the service base—near the service base with nice furniture, and others were kind of shockingly plain for people who were spending a lot of money-

**Kelsey Soule:** [00:27:55] Right.

**Doron Levin:** [00:27:56] on a piece of equipment. And then, you would find that there were little touches at Lexus dealerships, you know, filling up a tank of gas, washing the car, just going to great lengths to make the whole experience a good one. And they were very good at that. And they, suddenly, became known, not just for their cars, but also for the dealer experience.

**Kelsey Soule:** [00:28:19] Yeah.

**Doron Levin:** [00:28:20] That's very important to a lot of people. I think that the dealer experience is one that's gotten much better in the automobile business in the United States, but partly that's happened because of Lexus.

**Kelsey Soule:** [00:29:21] as a journalist, did you wonder why does other companies didn't make those considerations before Lexus?

**Doron Levin:** [00:29:28] Well, I mean, I can only give you one anecdote. I think, first of all, the answer to that question, specifically, is they didn't because they didn't have to.

**Kelsey Soule:** [00:29:39] That's a good point.

**Doron Levin:** [00:29:40] It was kind of an elite market, and everybody had their market share, and they tended to be making money. And so, there was no real reason to spend the money. But along comes Lexus. They start really disrupting the market. And I can relate one anecdote. I went to visit Roger Penske late on a Friday afternoon. Roger, of course, is known for a lot of things in racing-

**Kelsey Soule:** [00:30:01] Yeah.

**Doron Levin:** [00:30:04] But he's also a big owner of many, many dealerships. And I actually caught him in his office after everyone had gone, and he was at a fax machine. You remember what those were?

**Tyler Litchenberger:** [00:30:17] I do, I do.

**Doron Levin:** [00:30:17] The old day fax machine.

**Tyler Litchenberger:** [00:30:17] Yeah.

**Doron Levin:** [00:30:17] So, he was-

**Kelsey Soule:** [00:30:17] Barely.

**Doron Levin:** [00:30:18] He was reading faxes that were coming in from his Lexus dealership. And he was just kind of shaking his head. And he was saying, "I can't believe the gross profits on these Lexus automobiles. It's unbelievable."

**Tyler Litchenberger:** [00:30:31] Yeah.

**Doron Levin:** [00:30:32] Now, keep in mind, these are vehicles that were selling somewhat at a discount, but Lexus had gone to the length of making sure that its dealers were going to be profitable and make this sort of franchise be very valuable and treasured among the people who got the first opportunity. So, they chose really well. And they set it up in such a fashion that it would be extremely profitable. And that really helped the owners of these franchises to say, "Well, now, I can invest even more into my dealership. I can put new design in there, new furniture, latte machines, more loners, bigger parts, inventory." All the things that costs money that translate to consumer satisfaction was really something on their radar, and they felt that because they were making these big profits in Lexus automobiles, that it was justified. And that becomes a virtuous circle that kind of feeds-

**Kelsey Soule:** [00:31:35] Yeah.

**Doron Levin:** [00:31:36] ... on itself and helps the franchise.

**Kelsey Soule:** [00:31:38] Yeah, because if the dealers are happy, then they're making the customers happy, and then the customers-

**Doron Levin:** [00:31:44] Yeah.

**Kelsey Soule:** [00:31:44] ... keep coming back again and again,

**David Christ:** [00:31:46] More customers come back, you make bigger profits, you invest more. Just, it's kind of a great virtuous circle when it works properly. And in Lexus' case, I think it worked properly because it was managed by very smart people. Yeah, I got a chance to meet some of the Lexus executives who were very shrewd about this. They really did their homework and did a good job.

**Tyler Litchenberger:** [00:32:12] So, you just talked a little bit about changes that the dealerships were going through to get to that model. But I think we're seeing again in the auto industry, change is happening again with ride share coming in, mobility being a focus. What do you think the future holds for the auto industry?

**Doron Levin:** [00:32:30] It's hard to know precisely. I believe that autonomous driving is going to be here. I don't know whether it's going to take another couple of years, or maybe 5, or 10 years, or more, but autonomous

driving is coming. I feel that in my bones. There's just—I've seen too much in their R&D and experienced enough of what it can be in the first prototypes and in the research projects, not to believe that it's going to be perfected, and it's going to be able to create a vehicle that basically you'll be able to hail an autonomous vehicles to come and get you wherever you are with very—on very short notice, and then take you safely to where you want to go.

**Doron Levin:** [00:33:49] And this is going to revolutionize mobility, and it's going to change the way cities operate. I think it's going to change the way new buildings are designed. I think it's going to change the way some companies locate their workforces. It's going to change a lot of things. And it's—I think those changes are going to be good for humanity-

**Doron Levin:** [00:34:12] ... in ways that probably not all of which we can really predict.

**Kelsey Soule:** [00:34:16] So, just one more question before we wrap up.

**Doron Levin:** [00:34:20] Sure.

**Kelsey Soule:** [00:34:20] Everyone's working on autonomous. We have our programs and things like that. But if we're focusing on like what Lexus is doing today and what everyone is doing in the industry today, what do you think is important to do to be successful?

**Doron Levin:** [00:34:34] Well, listen, I'm very flattered that anybody would ask me that question because I really think that—I just have to say, quite honestly, I've always been impressed with the quality of leadership and quality of staffing at Toyota and Lexus. And I'm sure they already know the answer to that long before they'll hear it from me. But I think it's one of the things that I've always been impressed with at Toyota is their open-mindedness. That is to say, their willingness to listen and learn from customers, from associates, from each other.

**Doron Levin:** [00:35:09] And I think it's a hallmark of the organization and the culture of Toyota that always depends on sort of, understanding the logic of your customer, whoever that is, whether that customer is the end buyer of your car, or somebody you buy parts from, or a journalist seeking information.

**Doron Levin:** [00:35:34] I think if you really just never forget that everybody's a customer and that you should always explore and try to see things from their point of view, it's a good way, I think, just to be personally, whether you're in business or not, but I think it's also a very effective strategy in business.

<MUSIC OUTRO>

**Tyler Litchenberger:** [00:36:08] All right. That's our show. For more on the history of Lexus, including an infographic showing key milestones and a short video on the Lexus brand, check out the Lexus newsroom at [pressroom.lexus.com](http://pressroom.lexus.com). Thank you to our guests, Dave Illingworth, David Christ, and journalist Doron Levin. You can hear more from Doron Levin on his talk show, In the Driver's Seat, available on Sirius XM Radio. Follow him on Twitter at @doronplevin for links to more of his articles. This is Tyler.

**Kelsey Soule:** [00:36:35] And this is Kelsey. Shout out to our show producers, Sharon Hong and Alison Powell. Music by Wes Meixner, who also works here at Toyota. Edited and mixed by Crate Media. Tune in next time for a super fascinating episode on how we keep you safe from counterfeit parts.