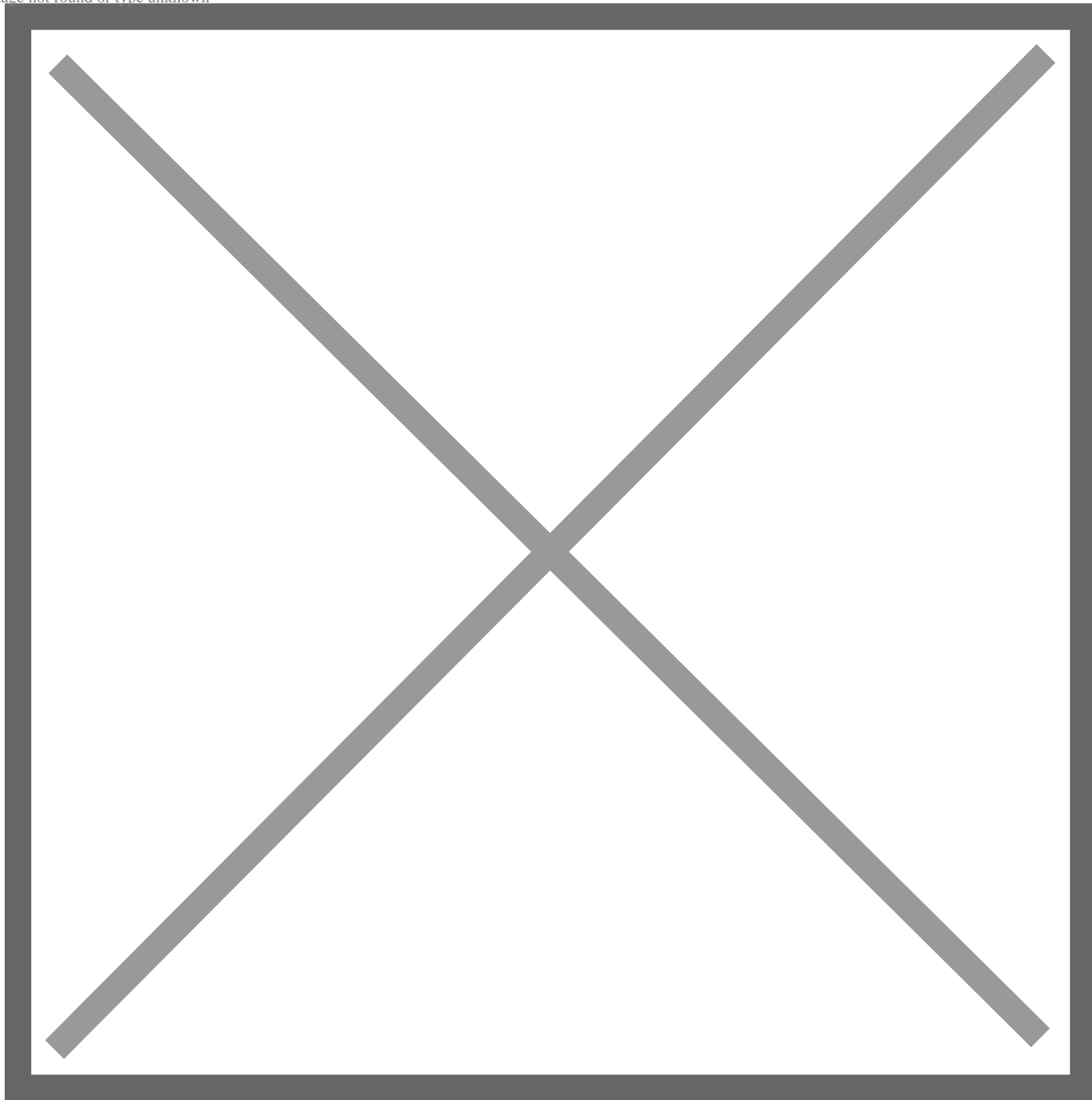


BONUS. We Are Here For You: Toyota's Response to COVID-19

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We know this is a tough and uncertain time for everyone, so we wanted to share this special conversation with Bob Carter, executive vice president of sales for Toyota Motor North America. We discuss Toyota's role during the COVID-19 pandemic, how the car industry is responding, and what the future looks like.?

Full transcript below.

Tyler Litchenberger: [00:00:00] Hey, everyone. It's Tyler. Today, we have a special episode of Toyota Untold. We're talking about COVID-19 or coronavirus. We know it's a tough and uncertain time for everyone. So, we decided to sit down, socially distance, of course, with Bob Carter, the Executive Vice President of Sales for Toyota Motor North America to talk about Toyota's role during this time, how the car industry is responding, and what the future looks like.

Kelsey Soule: Welcome back to another episode of Toyota Untold, a special episode.

Tyler Litchenberger: A special ... very special episode.

Kelsey Soule: Yeah. So, today, we're going to talk with Bob Carter, Executive Vice President of Sales for Toyota and Lexus. Did I get that right?

Bob Carter: Yes, ma'am.

Kelsey Soule: All right.

Bob Carter: Good morning.

Kelsey Soule: And we're going to talk about what Toyota is doing in light of the COVID-19 crisis. So, Bob, welcome to the podcast.

Bob Carter: Well, thank you. This is, certainly, a trying time for everyone, but I [00:01:00] personally have a tremendous amount of confidence in the economy in North America that we cover and the strength of the US auto industry. So, as we go into the unknown of this coronavirus crisis, I'm confident that it's just a moment in time when the auto industry is going to bounce back. And in many ways, as we saw in previous crisis that this industry went through in North America, such as the financial crisis and the supply chain disruptions, this is one of the most resilient industries in North America. And oftentimes, the auto industry leads the economic recovery in North America. And I'm confident that the auto industry will lead again and, in many ways come out, perhaps, a little different but better for the overall [00:02:00] consumers, and the economy, and the tens of or hundreds of thousands of people that are employed in this industry.

Kelsey Soule: So, I think that the first thing that we want to touch on, and we'll come back to the industry, how prepared was Toyota, because I think across the world, a lot of people were kind of shocked when COVID-19 outbreak began to disrupt business and everyday life around the country. So, can you let us know some of the initial things that Toyota did to protect business and, obviously, its team members.

Tyler Litchenberger: And when were you first like, "Huh, this is a thing. This is the thing here and it's affecting our business in North," or "It's going to affect our business in North America?"

Bob Carter: Well, I'll speak on behalf of Toyota and Lexus but I think this is true for much of the industry, but the fourth quarter of 2019 was exceptionally good. It was exceptionally good for our two brands. Customers [00:03:00] were out actively buying product. It was a very healthy time. That momentum that we carried out of 2019 really continued through January and February. And January, February, ourselves as a business, we were substantially ahead through the first 60 days of the month. And we're off to what felt like, perhaps, one of the

best years in our 60-year history in North America.

The auto industry itself was very good. It was on an annualized rate through the first two months of the year at \$17 million. So, that's not a record pace, but it is a near record pace and one that we had been at for five years.

Then, came March And the news started and what was the difficulties that were taking place in Asia and China. And then, it grew to Europe. The first 10 days of [00:04:00] March was really no change in business. But then, you could see that March 11th, between March 11th and March 15th, the world changed in North America. And that's when the auto business, both on sales and service, began to rapidly slow. And we noticed that first on a regionalized basis on the West Coast. And then, it spread the East Coast. And now it a national situation.

So, what are we doing? If I reflect back, what we did as a company, it was a pretty much what we did on previous crises whether it'd be the financial crisis or some of the things that we've experienced in the past. The first step was to make sure that our people, the best that we could, were safe and secure. So, we immediately communicated to all of our 1800 dealers around [00:05:00] the US, the CDC guidance at the time, and we counseled the dealers on how to protect their business and their consumers to provide a safe environment.

Secondarily, then, we focused on ourselves, and we implemented immediately worked from home procedures. We also closed our 15 North American manufacturing plants to make sure that our associates were safe. That was really step one, to protect everyone's safety.

Step two, then, was really to stabilize our business and help when we could quickly for our consumers, as well as our direct customers, our dealers. So, Toyota is blessed to have a fantastic captive credit arm that we call Toyota Financial Services. Immediately, they started contacting consumers and our dealers and offering that if anyone was affected and experiencing a personal [00:06:00] hardship that we would work with the consumers, and defer payments, defer their leases. We really customize that through a call to our 1-800 lines. And as of yesterday, my understanding is that we've ... have now helped over 60,000 families defer their car payments, whether it'd be a finance payment or lease.

We did the same thing for our dealers whose business was abruptly stopped. There are dealers through TFS, we've given them the ability if they need to, to defer any interest payments that they have on any mortgages they may have on their facilities or any of their capital loans. We lowered their floor plan interest rates, so they could focus on their people and customers and not worry or less than the worry they have on any financial obligations.

And then, finally, when you're going through a situation like [00:07:00] this, excess inventory is really problematic. So, by shutting down or temporarily closing our 15 North American plants, that does two things. One, it makes sure that our people are safe, protected in their home with their families. Two, it also ensures there's just not too much inventory out there that really stresses the whole system.

So, that was step one and step two. Step three is rebuilding recovery. And that's what we're working on right now. We've changed up our marketing message. As planned, we were going into our spring sales event at this time, but we talked to consumers via the internet. And actually overnight, I had 8000 consumers respond to us, and they clearly advised us that the messaging that whether it'd be a sales or a servicing message was really not [00:08:00] what consumers were looking for. So, we changed the message and it's running on advertising across the country right now is, we're here for you. Contact your dealers. Contact us. We're here to assist 'cause we really do value the relationship we have with our consumers. Eventually, we will get to the bottom of this.

And then, we start to rebuild as we've always done. And again, to my earlier confidence or comments, I'm very confident in the North American economy and this industry. Just as we saw numerous times before, the auto industry is one of the largest industries that in real estate that really can lead the economy through or into recovery. And we intend to do that. So, the only question is, what's the timing? And I personally believe that it

will probably be towards the month of May that we'll start initiating [00:09:00] and recovering our business.

Kelsey Soule: So, I guess, just to break it down a little further, because, right now, a lot of people are really uncertain in their personal lives and in business. And right now, I mean, for some, things can look pretty, I mean, just generally bleak. So, from somebody who has been through several different types of crises that weren't similar in any way, you know, from the UA crisis to tsunamis, natural disasters, et cetera, where they all had a similar feeling to what we're going through right now, what drives your optimism, aside from the fact that there was an eventual recovery, but you've been in the depths of these types of crises before? So, what drives your optimism?

Bob Carter: Well, I believe certainly about the car business but in the industry, it's every business. Product is important. Having a quality product that represents a value to the consumer is incredibly important. [00:10:00] But what's far more important than just the product itself is the people. It's the people that build our products whether it'd be Kentucky, or Texas, or Indiana, and throughout the country. It's our people at retail that are in sales or servicing in local communities across the town. People are what makes the difference.

So, since I've been, as you pointed out, Kelsey, since I've been in this position, I've been through numerous crises at the time, the biggest one being the Lehman shock in the financial crisis in UA, and then the tsunamis that disrupted the entire supply chain. And looking back when those occur, you realize that, "Boy, this is big." And at times, it may seem, "Hey, this may be unsurmountable." But I've found that just relying on the basis [00:11:00] of businesses, of working as a team, valuing your people, taking care of associates, and provide a clear vision of where we're going is really the simple formula that gets this business, our business through

So, as we went through the financial crisis or the supply chain disruptions several years ago, yeah, at times, there was days that it seemed insurmountable, but we stayed at it, we valued our people, we protected our people, we worked through it, and at the end, I'm absolutely convinced that we become a better company post-crisis than we were pre-crisis. And I see this is going to be the same way.

Kelsey Soule: Yeah. I mean, you focused a lot on team members. And I think Toyota does a really good job about keeping its tenets, which is respect for people and continuous improvement. So, [00:12:00] what steps specifically is Toyota taking to protect its team members through this time? I know you mentioned work from home but there are some people that can't work from home.

Tyler Litchenberger: You can't change a tire and fix a car at your house.

Kelsey Soule: Also, I should say we are a safe six feet from each other, guys.

Tyler Litchenberger: Yes. We are social distancing for this podcast.

Kelsey Soule: Yeah. So, how about the people that are essential staff and they can't work from home?

Tyler Litchenberger: Because automotive is considered an essential business, correct?

Bob Carter: Correct, correct. The servicing, across the country, most of these recommendations are coming out from the local governments, whether it'd be at the county level or, in some cases, the state level. But a consistent thread through many of them is servicing vehicles because people need to get to work if they're a first responder, or an essential service, or to the hospital, or groceries. Servicing [00:13:00] is an essential service.

So, I'll speak first to what we are doing as a company. We have currently, as of yesterday, I believe it was 8400 of our team members working from home. And I'm really proud of our team members. It's working very well. As many companies that have done this, there was a couple of initial glitches through our information system to

be able to handle that workload, but we've ironed those out and that's working exceptionally well. That took those 8400 people that are working from home really gave us the ability to have social distancing in extreme. We have just a central people at our headquarters in our regional offices around the country. But, you know, we are very sparse on our [00:14:00] employees that are coming in to work on a daily basis.

At retail, it's a little bit different. In some areas, we have 1800 dealers throughout North America and approximately 600 of those are closed today, are closed in terms of the sales department, and most of them are opening, providing sales or service support to the customers.

We have dealers out there that are sending me videos regularly of what they're doing, wiping down the interior of the car when the car comes in, protecting the seats, and the floors, and the steering wheel, anything that you'd touch, with plastic covers. And then, they're wiping down and sanitizing the car after it's serviced. Many of our dealers are providing pickup and delivery service at home. So, if your car does need a service or a maintenance, most of the dealers will drive out, [00:15:00] pick the car up at your location, bring it in, service it, clean it, and return it back to your home. So, whatever we can do to service the customer during these several weeks.

In the cases of in the states and locations where the dealerships are fully operational, most of them are partial staffs. So, they can practice good social distancing. Overall business, there is business out there. There are people buying cars today.

Kelsey Soule: I was going to ask, can people still come in and test drive a car if they want to at the dealerships that are open?

Bob Carter: Yes. In most cases, people that need a vehicle, whether it's through, you know, a crash damage or they need a vehicle for the work, we can still provide vehicles to consumers. And if the consumer likes, we can set up virtual test drives and drop it off at their home.

In some cases, customers prefer to come in and test drive other vehicles, and we're practicing [00:16:00] the social distancing that that is recommended by the CDC. So, business is affected, but we're still operating. On the month of March, we sold about 50% of the cars that we would normally expect in March. So, clearly, the sales business and the service business has been affected. We've all been affected on this, but we're still doing 50% of our business. And this is a business that's one at a time. We sell cars one at a time. We service cars one at a time. Nothing is more important to giving the confidence of the consumer that we're acting in their best interest.

Tyler Litchenberger: It's also a good time. And we put a post out about this on social media. People are at home for them to check to see if they have recalls on their vehicles 'cause other times, they are, you know, busy with life, right?

Kelsey Soule: Oh, to get them serviced.

Tyler Litchenberger: Right, to get them serviced.

Kelsey Soule: Yeah.

Tyler Litchenberger: And so, at the end of this podcast, we'll put more information about [00:17:00] how you can find if you have a recall on your vehicle or your loved one's vehicles. Check your family too since we're reaching out and connecting more with family.

Bob Carter: No, that's a very good point. At times, when we went upgrade the safety of our vehicles, we do post it. Consumers can go to the [toyota.com](https://www.toyota.com) and go into that area of the website, place their VIN number in, and we'll tell you that, you know, if there's any safety campaigns or recalls that we're initiating. And those are all

complimentary, you know. We really want to ... when we issue a campaign or a service recall, our intentions is 100%.

But during the normal process, we all go through day-to-day life. And sometimes, it's easy to forget about those things. This would be a great time to check toyota.com. And if there's any outstanding repairs needed with [00:18:00] your car, we'll be happy to do those complimentary. Just call your local dealer.

Kelsey Soule: Before we wrap up this portion about at dealers, do you think that this crisis and the way that people are changing during the crisis, changing the way they do business will eventually change our business model once we come out of it. Do you think that it will lead to more online sales of cars? Because for a while, the only way that they could shop for a car is online?

Bob Carter: Well, we're already seeing that. And we, for years, have been working for the ... you know, some consumers like the traditional, "I want to go to a dealer, I want to drive the car, see it, smell it, touch it." Others are, "I don't have time. And I rather, you know, purchase online." So, we've developed a system where we're ready to do business with consumers in the way they want to [00:19:00] do business.

Now, it's not 100% automated yet, but it's getting very close to automated. One of the challenges the entire industry has is how to register a car. In most States, registrations is done at the county level, not the state level. So, therefore, there's is still a small part of purchasing a car online that's still manual and still requires what signatures. But we're working through that, and we're seeing that end of our business grow dramatically during this time.

Kelsey Soule: Awesome. One thing I definitely want to touch on is if you obviously watch the news, see what's going on in social media, all eyes are on big corporations right now and what they're doing to support efforts locally and nationally. So, can you talk a little bit about what Toyota is doing to make a difference during this crisis?

Bob Carter: Yeah. Well, [00:20:00] I know personally, myself and many of our team members have reached out to the communities we're doing business in and saying, "How can we help?" And we're helping in every way that we can possibly assist the local communities.

I'll give you some examples. Some of the local food banks, particularly in the communities where we have manufacturing facilities or here in Dallas, Texas, we're providing financial assistance, so they can secure the goods that they need. The medical community has reached out to us. We've redeployed some of our R&D resources and our manufacturing and are actually manufacturing things such as face masks and N95 mask for the medical community because of the substantial need there.

We're also working [00:21:00] with some other hospitals and medical situations to see if we can help their sourcing. Right now, there's such stress on the systems of simple things such as rubber gloves and medical areas that if we're able to use our logistics systems and our transportation systems to quicken the supply chain from the manufacturer to the local hospital, we're doing all that. I'm really proud of the team. I get a daily report of what everybody across the country is doing. And I'm proud of the team to be responding to the communities as quickly as they are.

Kelsey Soule: Yeah. And I think we've talked about it before, but we have the Toyota Production System Support Center, which is the owner, creator, et cetera of the Toyota Production System. And they have been working with hospitals and other nonprofit businesses for years, over 25 years helping them to improve their efficiency and processes. And so, [00:22:00] we're deploying those services throughout the country right now too to help people be more efficient, so they can produce faster.

Bob Carter: Yeah. That's a little-known area of our business. But it's something we've been doing, as you said, for 25 years. Toyota developed the Toyota Production System, which is known to be the most efficient manufacturing system in the world. We have a team of our experts that know the system very well. So, we've gone into the communities, whether it'd be charitable organizations, or food banks, or local hospitals.

Also, some other manufacturing companies. There was a large manufacturing company a couple of years ago in Michigan that was having a difficulty retaining employment because of the inefficiencies they had in manufacturing. So, we deploy our people to go out and help other businesses to make sure that they're [00:23:00] stabilized and have a successful business in the communities that we operate.

Kelsey Soule: Yeah.

Tyler Litchenberger: All right. So, your optimism you talked about earlier, is there anything that you want to say to customers, to dealers, to anyone who's kind of nervous about the future?

Bob Carter: Well, it's understandable that some people may be nervous about the future, but this is simply a great place to do business, has a great economy. This is a great industry. But all businesses are about people. We've been through crisis before and we've been through many crises before, and we've come out the other side, and it's a better society, better business, better organization.

This will end. This will end. I don't know if any of us know exactly the date, but we will recover. And so, while we're in uncharted territories, [00:24:00] my intention is the focus on what got us here. Consumers and people got us to this point. And our consumers and our people that we trust in, that we care about will help us recover.

So, I'm very optimistic. Will better days ahead be in the month of May, or June, or July? Little unclear to predict at this time, but I'm absolutely confident. We've gone through numerous crises, whether it's supply chain disruptions or financial crisis, recovery will occur, we'll learn from this, and we'll be a better organization because of it.

Tyler Litchenberger: Thanks, everyone, for listening. Remember, stay home, practice social distancing, keep up hope and positivity, and stay in touch with friends and loved ones through social media, FaceTime, [00:25:00] Zoom, Skype, whatever. As mentioned in this episode, if you would like to check for a recall, please visit [Toyota.com/recall](https://toyota.com/recall) and enter your or your loved one's VIN number to check for a recall. If you want more information about our efforts around COVID-19, please visit pressroom.toyota.com. And during this extraordinary time, please make sure to stay safe and stay healthy.

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And again, if you want to talk to me, Tyler, specifically, on social media, make sure you tag @Toyota on Twitter and Facebook and @ToyotaUSA on Instagram. Till next time. See you later.

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