

LEXUS OF BRISBANE: REACHING FOR MARKET LEADERSHIP?

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Abstract

Lexus was a very late entrant into the global luxury car market – the brand was launched in 1989. Yet for some time Lexus has been the leading luxury vehicle brand by sales in the U.S.A., the world's largest and most competitive vehicle market. This paper initially considers the case of a marketer for a Lexus dealership in Australia, where Lexus is ranked third in market share for luxury cars, rather than first. The paper then examines how Lexus achieved leadership in the U.S. market. In particular, the paper explores the Lexus marketing communications strategy that focused on quality, value, customer satisfaction, and consistent communications at every level. The importance Lexus attached to relationship marketing and the company's methods for fostering customer loyalty are considered, along with its use of media and distribution strategies. The reader is invited to consider what strategy the Brisbane dealership should adopt in order to achieve the number one market share ranking.

KEY WORDS: Marketing communications, market entry strategy, luxury motor vehicles, Lexus

OBJECTIVES

This paper represents an overview of a successful new product marketing strategy, focusing on some key elements of marketing communications. Alternatively, challenging the reader to consider how the marketing communications entry strategy might be adapted for the same product experiencing a different level of success in a different market.

INTRODUCTION

John Evans, the Sales Manager of Lexus of Brisbane Queensland, Australia, surveyed the new models on the showroom floor and reflected on the sixteen years since the brand was launched in 1989. Based on some of the early reviews of the brand, no one would have confidently predicted that the Lexus brand would become the leading nameplate (i.e., leading brand by sales) in the U.S. luxury car market, the world's largest and most competitive vehicle market. The LS400, the first Lexus product introduced, was perceived very favorably from the beginning. In spite of the favorable early reviews, marketing and advertising experts knew that creating an image for a new car in a highly competitive segment wouldn't be easy. The Lexus LS430, the successor to the 1989 LS400, fared even better in the market. AMCI, the leading independent automotive testing company in the U.S., judged the LS430 to be the finest luxury sedan sold in the U.S. compared to a list of competitors including Mercedes Benz, BMW, Rolls Royce, Bentley, Audi, and Infiniti. There was another favorable outcome --- the largest automobile quality study in

the U.S.A., the J.D. Power Surveys, ranked the Lexus number one in customer satisfaction by owners for nine of ten years during the 1990s.

John mused that, despite the spectacular success in the U.S.A. market, Lexus still ranked third in luxury car sales in the Brisbane market. Andrew Scifleet, John's boss, wanted to improve the Lexus market share in Brisbane. He asked John to review the marketing communications strategy Lexus used in the U.S., the major market for the manufacturer, and recommend what the Brisbane dealership might consider adapting to its own situation.

IMPORTANCE OF COMMUNICATING WELL: PREVIOUS COMMUNICATIONS STRATEGIES

SELECTING MESSAGE CONTENT

Communicating Quality

When Lexus was launched as a new automobile company in 1989 in the U.S.A. and in 1990 in Australia, the company used mass media (TV and radio) advertisements to establish a brand image and marketplace positioning. One of the messages to be communicated was a superior build quality. Innovation for competitive advantage often starts with the invention of a new technology. However, an emphasis on technology often reflects a preoccupation with an outdated product concept, i.e., a product in search of a customer. The marketing concept implies that a more reliable source of competitive advantage derives from a deep understanding of a customer's desired consequences and use situations. The marketer then designs product attributes that match those needs. As the *Academy of Marketing Science Journal* pointed out,

Lexus designed superior sound-dampening characteristics (attributes) into its cars to create for customers a feeling of 'being in a quiet cocoon insulated from harsh road noise' (a consequence). Understanding the consequence (cocoon) first stimulates a creative search for new attributes (sound dampening) that few customers could have anticipated wanting [Woodruff 1997].

Another attribute to be communicated was the Lexus' smooth functioning. The vehicle's engine especially ran smoothly. The engines on both 1989 Lexus models were mounted on liquid-filled braces to reduce vibration and noise. In strategic places, the cars featured "sandwich steel," a layer of plastic placed between two layers of metal. Lexus officials demonstrated the importance of this design aspect by rapping the sandwich with a screwdriver, producing a thud instead of a metallic ping.

Rob Mooreman, a senior vice president at Lexus' ad agency Jordan, McGrath, Case & Taylor, noted: "When you have a story you can demonstrate, it makes sense to show it. Plus, actually showing it adds authenticity" [Miller 1993]. Exhibit 1 is an excerpt from an early Lexus TV commercial that provided an effective demonstration of the smooth functioning of the Lexus engine. The ad showed a pyramid of wine goblets being built on the hood or bonnet of a Lexus car. Company officials filled the glasses with water, elevated the rear wheels so the car wouldn't zoom away, and gunned the 32-valve, V-8 engine to 157 miles per hour. The water in the glasses didn't even ripple. As the ad agency senior vice president put it, "It all goes back to what kind of information people want from advertising, and showing what the product does and what the results are is quite relevant" [Miller 1993].

EXHIBIT 1
1989 LEXUS TV COMMERCIAL



Communicating Value

At the time of launch Lexus was well aware that some observers of marketing practice suggested that quality was no longer a competitive advantage. Rather, quality had become the price of market entry for many markets. Consequently Lexus focused on value in its early ads. Value refers to the balance between what the customer must give up (i.e., the price) and what they believe they get in return. In creating this message, Lexus knew that the price of the quality its vehicles represented a substantial price discount relative to competitors. In 1989 the LS400 was priced more than 40% below the comparable Mercedes. (See Table 1.)

TABLE 1
BASE PRICE COMPARISONS OF LUXURY SEDANS IN THE U.S.A. IN 1989

Sedan	Base Price
Lexus LS 400	\$35,000
Mercedes 420 SEL	\$61,210
BMW 735 i	\$54,000
Jaguar XJ6	\$43,500
Infiniti Q45	\$38,000
Cadillac Fleetwood 60 Special	\$34,325
Acura Legend Sedan LS	\$29,960
Lincoln Continental	\$29,910

Quality and Pricing Strategy

Estimates suggest that the total hidden cost of poor quality is three to ten times the visible cost of poor quality. Lexus took a radical approach in an attempt to reduce its costs without sacrificing the quality of the product. Japanese companies had been among the first in the world to realize that better quality could lead to lower costs. Toyota, Lexus' parent company, was on the forefront of the synergistic development of better quality and lower costs.

Massachusetts Institute of Technology published a five-year study of the global automobile industry at the time of the launch of the first Lexus models. The study provided a fascinating contrast between the production approaches used by Lexus and that used by Mercedes Benz, Lexus' competitive benchmark. In mass production vehicle plants, such as those of Mercedes, problems tended to be treated as random events. Each error was repaired in the belief that it would not happen again. Lexus used instead a system of problem solving called "the five whys". Production genius Taiichi Ohno developed the five-whys system at Toyota. Ohno trained production workers to systematically trace every error back to its ultimate cause by asking "why" as each layer of the problem was revealed. The workers would then devise a solution so

that the problem would never recur. At Lexus each assembly line worker was authorized to stop an entire assembly line and enlist the aid of the entire assembly line team to fix a problem. At first, the line was constantly being stopped. By 1990, it was rarely stopped and there was almost no rework to be done at the end of the assembly line. In other companies' plants 25 percent of labour hours might be devoted to rework. At Mercedes one third of production efforts went into catching mistakes.

To further reduce costs and enhance quality, Lexus made significant investment in automation through redesigning and re-engineering efforts. Lexus cars were made in a plant staffed by 66 humans and 310 robots. Not only did the company's automation efforts lower costs, but they also reduced defects.

None of these dramatic behind-the-scenes changes could be communicated to the consumer. Whether a car was made defect free by the path-breaking Lexus system or by Mercedes' inspection and rework internal process was of little interest to the buyer. However, two outcomes of this system could be incorporated into marketing communications. The first was Lexus' substantially lower price. The second was independent assessments of Lexus quality. In July 1990, only months after the first two Lexus models went on sale, the company first appeared in the J.D. Power Associates study. The Lexus was ranked number one in the Initial Quality Study. Soon after, Lexus appeared on the J.D. Power Customer Satisfaction Study, again as number one.

The value the final consumer receives is determined not only by the manufacturer's value chain but also by supplier and distributor efficiency and effectiveness. Lexus was able to achieve a cost advantage of 50 percent over market leader Mercedes by managing the costs over the entire economic chain [Doyle 1995]. The Lexus approach underlines the importance of marketing communications to parties other than final consumers. The need for communication with the company's dealership network is obvious, but there were other distribution partners with which Lexus needed to enhance communications.

One example was the U.S. railroads. Rail transport is the most cost effective form of moving automobiles over long distances. Lexus wanted to use the U.S. rail network to ship its imported vehicles to its major distribution locations. In order to solve rail distribution problems in the U.S., Lexus used the leverage of its powerful parent, Toyota. Toyota research showed that:

1. On a corridor-by-corridor basis, trains were late 32% of the time in the U.S.
2. In Portland, a key entry port for cars, 14% of the multi-tiered railcars were rejected as substandard prior to loading.
3. An unacceptable damage rate greater than 0.5% was found on 57% of rail corridors.
4. Communication between Toyota sales agents, line workers, and the railroads was non-existent.

The Lexus advertising slogan is "the relentless pursuit of perfection." In keeping with this objective, Lexus set high standards for the U.S. railroads. The company required that *all* vehicles would have to be delivered to established standards 100% of the time. Every piece of rail equipment would have to meet those standards or be rejected. At one point, Toyota and Lexus rejected 98 percent of the railcars placed at ramps for loading.

Solving the rail problems required communicating with many parties at the same time. Toyota co-hosted a banquet in Tokyo with the Japanese Automobile Manufacturers Association and convinced members of the American Association of Railroads to attend. Toyota also invited all its U.S. competitors to the banquet. Attendees included Mercedes, BMW, Ford, and Chrysler, all of which used the U.S. rail system to transport their vehicles. As Joe Williamson, a U.S. Toyota manager explained: "We couldn't expect to realize real changes without the participation of all the auto companies. We all use the same equipment. It's like a common pool of drinking water." In the past the rail companies had used a divide and conquer approach with the vehicle manufacturers. Toyota wanted to unify the car manufacturers' response to the railroad companies. At the same time Toyota wanted to raise awareness among Japanese manufacturers about the value of using the U.S. railroad distribution system. The Japanese manufacturing companies did not commonly use the rail for transport in Japan. Toyota also knew that all the major U.S. railroads needed to be involved because a car shipped from the west coast to the east coast might travel on as many as four different railroads [Muller 1993].

In implementing its rail distribution strategy, Lexus used a similar approach to that adopted in improving production quality in its plants. As the company put it, "We were willing to let railcars stack up until the message was clear that we wouldn't settle for less than our standards." [Muller 1993] In its "relentless pursuit of perfection" Lexus was particularly concerned about rust and corrosion on the railcars as well as poor tie-downs and loose parts. Lexus knew that even the tiniest rust particles deposited on a

vehicle could cause damage to pristine paintwork. The strategy has been so successful that today 85 percent of Lexus cars distributed east from Long Beach travel via the U.S. rail network. Effective communication with partners in the marketing distribution chain not only created value for the consumer by lowering distribution costs but also improved the quality of the delivered product.

Communicating the concept of value in a car is a complex task. There are many aspects contributing to the concept of quality. Some aspects --- for example, technology, safety, fuel consumption and price --- were easier to credibly communicate when the Lexus was first launched. Lexus engineers had repeatedly gone back to the drawing board to ensure that the Lexus drag coefficient was low enough to beat the "gas guzzler tax". The Lexus drag coefficient was 0.29, a dramatic improvement over competitors whose best performance was 0.35. This aspect of value could easily be communicated to the consumer.

Other aspects that contributed to perceived value were more difficult to communicate until the brand had been on the market for some time. Among these aspects was the company's intangible value strategy to ensure high Lexus resale values. All Lexus vehicles are designed to look and feel like new when they have traveled 80,000 kilometers. This means, for example, that a Lexus vehicle has six coats of paint – more than any other luxury car. Another anti-aging feature is the use of stainless steel exhaust pipes to prevent corrosion. To prevent uneven fading in the interior all of the leather in each Lexus car comes from the hide of the same individual cow [Stertz 1989]. Lexus was able to communicate this value strategy with studies that demonstrated reliability, durability, and post-purchase customer satisfaction levels. In the U.S. Lexus marketing communications, especially in public relations, highlight the results of market research surveys such as the Vehicle Dependability Index Study by J.D. Power. This study found Lexus to be the most reliable brand for the eight consecutive years up to 2002 [Jensen 2002].

COMMUNICATION IS AT EVERY CONTACT POINT

Build quality and value are effective strategies in the automobile as well as other markets. However, many marketers have realized quality and value are necessary but not sufficient conditions for success, especially in the luxury car market. As noted earlier, quality has become the price of entry and value will attract a buyer just as it did with many early Lexus buyers. However, value is often not sufficient to maintain customer loyalty. More than 90% of car buyers are satisfied or very satisfied when they drive away from a dealer's showroom with a new car, but less than half will buy the same car the next time [Stewart 1997].

Schultz [1994] observed nearly 10 years ago that many firms had poor loyalty rates among customers because they used outdated mass marketing techniques, which the author described as "inside-out marketing". Schultz argued for "outside-in" or "integrated" marketing. The focus of outside-in marketing is first on the customer or potential customer. Schultz contended that inside-out marketing generally started with a relational database, i.e., a record of customers and prospects. This marketing approach allows the organization to think about people, not markets. The focus in the approach is on customer satisfaction and retention and is based on building a relationship with the customer over time.

Research by Reicheld [1994] reinforces Schultz' arguments by demonstrating that the most successful companies cultivate loyalty from customers, employees, and investors. The reason is that the real enemy of profits is churn, which manifests itself in the form of price-sensitive customers, job-hopping employees, and fast-buck speculators. To combat customer churn the basic task of the marketing function should be managing customer loyalty. All three constituencies must be well served, but the customers must be considered "first among equals" because customer loyalty has to be earned each and every day. Of the three groups, customer loyalty is the most mobile. Customers typically have the least emotional and financial capital invested in the company and can usually go somewhere else with minimal effort.

Reicheld contends that measurement systems are an obstacle that marketers face in attempting to reduce customer churn. The reason is that most measurement systems that marketers use ignore cash flows and focus instead on variables such as market share or satisfaction scores. These measures are no match for those used in financial accounting systems that track the value created for investors. Outside the marketing department it is the accountant's measures that influence most business decisions. Yet these accounting measures miss many of the economic consequences of loyalty. For example, accountants do not usually consider that long-term customers are less costly to serve. Such accounting system deficiencies have contributed to loyalty being systematically undervalued and undermanaged.

Marketers understand that a customer's decision to be loyal or to defect is the result of the sum of many small encounters with a company. The promise of the brand is not just in the product itself but at every point of contact between the business and the customer [Stewart 1997]. Thus Lexus decided that a new approach to selecting and managing dealers was essential to communicating a consistent image and also a new perception of service to its customers. J.D. Power & Associates conducted a U.S. national customer loyalty survey of the top 20 makes of cars by volume. The survey concluded that the retail relationship with the customer is important to maintaining loyalty to the vehicle make. A good dealer can make a difference in customer loyalty [Sawyers 1994]. However, at about the same time Tom Peters offered the view that "customer service at the dealer still largely stinks ... or, more kindly, is unremarkable" [Peters 1995].

The Lexus of Brisbane dealership is an excellent example of this new philosophy, which attempts to build a personal relationship with every customer. This dealership has been described as one of the best dealerships in the world. Lexus of Brisbane has attempted to find ways to encourage owners to want to return to the dealership. Owners can enjoy the extensively equipped gymnasium, take a shower, and relax in a massage chair in the Lexus owners' lounge. They can enjoy coffee and homemade cake in a Parisian style mall or bring a friend to play snooker on a full sized snooker table in the sports room. Owners can use a boardroom for business meetings or watch a DVD selected from a library with over 200 titles. The Brisbane dealership also runs an airport valet service for owners. All Australian Lexus dealerships systematically schedule events to which Lexus owners are invited. These include movie previews, wine tastings, fashion shows, golf days at exclusive courses, and drive days where owners are invited to test drive any vehicle on a racetrack. Lexus of Australia also offers the Encore after-sales customer care program. The Encore program entitles Lexus owners to 24-hour customer assistance as well as access to the best seats at sporting and cultural events as well as complimentary parking and drinks at these events.

SELECTING HOW TO COMMUNICATE: THE MEDIA

Lexus marketing communications have focused on three messages --- quality and technology, value, and service. These messages appear to have been consistent in both the U.S. and Australian markets. The choice of how to communicate these messages has been similar across the two markets but has perhaps shown some differences, reflecting the different markets.

Mass Media Advertising

Lexus' initial brand launch as well as its subsequent individual model launches utilized mass media advertising on TV, radio, and print media. An effective positioning strategy means making choices. A product may offer many different benefits to the buyer. However, in an advanced economy a consumer could be exposed to between 1,000 and as many as 3,000 ads or marketing communications per day. To be effective within this advertising clutter the positioning of the brand must be clear, simple, and consistent.

For the initial launch Lexus manifested slightly different positioning strategies between the U.S. and Australian markets. As noted earlier, U.S. television ads demonstrated Lexus' sophisticated technology. In Australia the dealer had to communicate Lexus' technological superiority. The TV and radio ads positioned Lexus as the "smart" or intelligent choice of the discerning buyer. In the ad two men are pictured at a country club or golf club. A Rolls Royce approaches and one man says to the other that the Rolls driver was in banking and a millionaire. A Mercedes then drives past, and the Benz driver is described as a billionaire developer. Finally a Lexus passes. The first man asks, "What is he?" The second responds: "He's smart." Some recent U.S. ads are not imitated in Australia because of differences in humor between the two countries.

A 2002 Lexus ad in the U.S. used a different approach in two ways. First, it used interactivity, albeit within the limitations of the given media. Second, the ad played on consumers' common preconceptions about luxury cars. The ad campaign was stimulated by AMCI's findings. After testing a range of luxury cars for a year, AMCI found that the Lexus LS 430 was the "finest luxury sedan in America". Lexus' ensuing campaign had to overcome the immunity consumers developed to standard "superiority claim" ad. Lexus' strategy was to encourage consumers to interact with the ad. For example, one print ad led with the headline "The _____ is the finest luxury sedan in America." In the center of the ad were pictures

of a Rolls-Royce Silver Seraph, BMW 750iL, Jaguar Vanden Plas, Lexus LS 430, and Mercedes-Benz S600. The ad played to consumer preconceptions about these cars and challenged them to fill-in-the-blank with the right brand name. The body copy provided the AMCI results, allowing readers to discover if they had filled in the blank correctly.

This "challenge-and-discover" theme was carried throughout the campaign, which also included radio, direct mail, online, and outdoor executions. Outdoor and online banner ads simply featured the fill-in-the-blank headline along with a URL address (www.finestsedan.com) where consumers could guess and find out which brand completed the sentence. In direct mail pieces, scratch-off boxes allowed recipients to speculate which sedan they thought had received the "finest" title.

INTEGRATED COMMUNICATIONS FOR RELATIONSHIP MARKETING

Mass media advertising is valuable in establishing a brand. However, marketers have become increasingly aware of its limitations. The mass media are more broadly targeted than is appropriate for many products, including luxury cars. Even campaigns with interactivity such as the 2002 Lexus campaign just described have considerable limitations. These limitations relate to points made earlier. There is increasing need for marketers to manage the relationship building process. In addition, there are a consequent variety of "new generation" marketing approaches. These latter include customer-focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing (IMC), and integrated marketing communications or IMC [Parvatiyar and Sheth 1994; Reichheld 1996]. Each of these approaches emphasizes two-way communication implemented through interactivity, better listening to customers, and the concept that communication can enhance or destroy relationships [Peppers and Rogers 1993; Schultz, Tannenbaum et al. 1993; Duncan and Moriarty 1997].

Duncan and Moriarty [1998] cite an example of how Lexus ensures consistency at all customer contact points. Lexus maintains a database of all critical interactions with customers, so that the firm has the same "memory" as the customer. Through the use of relational databases that are universally accessible, all employees have the same information. The availability of the databases also means that an integrated marketing audit can be used to identify and analyze all brand messages to determine strategic message consistency.

CUSTOMIZED VIDEOS AND MATRIX MAIL

In 1991 Lexus created a five-minute video that featured a statement by designers of a new sports coupe. The video was made up of clips of the car being driven through various terrains. The video was mailed to three audiences. First, the video was sent cold to a list of people who had bought high-end Toyotas three to four years earlier and second, to Lexus dealers. Third, an offer to order the video was mailed to a list of individuals who were identified as "typical" Lexus buyers. This list was constructed based on ZIP code information, personal income levels, and other relevant data.

The goal of the campaign was to build an image, motivate visits to local dealerships, and detail advantages of the car to specific buyer types. A spokesperson commented: "Hard-to-see performance elements and subtle emotional and physical attributes are easily conveyed through the video" [Sutton 1992]. Overall the campaign garnered a response rate of about 156 percent. Lexus called the mailer "the most effective marketing and sales tool we have used to date to generate quality leads and close sales" [Sutton 1992].

Lexus also created a customized video to sell its ES300 model. The video was compiled from a compilation of footage previously shot for TV commercials. Audio overlay provided customization for the ES300. Other points of customization throughout the video included the name of the customer, the name and location of a nearby dealership, the car attributes that the customer has previously stated are most important to the buying decision, and an analysis comparing the Lexus and two other competitive cars being considered by the customer. In addition, each customized video closed by leading the potential customer to the company's web site and/or the closest retailer [Sutton 1992].

Another type of mail campaign used by Lexus was matrix mail. A day or so after a car is purchased, the buyer receives a postcard thanking them for the purchase. After ten days a customer satisfaction survey is sent and after thirty days, another postcard inquiring about service [Woodruff 1997].

SPONSORSHIP DETERMINATION

To determine appropriate events to sponsor Lexus polled its buyers. The initial survey asked a buyer questions about his or her personal interests. In response to the survey results, Lexus sponsored a jazz series for existing and potential customers. Those attending the events would find a Lexus parked in the lobby of the theatre and salespeople ready to explain the merits of the car [Lenchesky 1995].

COMMUNICATION MEANS LISTENING TOO

The growing recognition of the importance of interactivity in communication discussed above suggests that customer communication should be two-way. Improving service means listening to three types of customers. These three groups are: external customers who have already purchased, competitors' customers whom the firm would like to convert, and internal customers or employees. Multiple methods of listening are necessary because each approach has limitations. For example, Lexus has supplemented satisfaction surveys with focus groups to try to understand why customers are so satisfied. The company avoids just assuming that they know the reasons for its customer satisfaction.

In these focus groups it became clear that, although Lexus was manufacturing cars with few mechanical problems, it was the extra care shown in the sales and service process that strongly influenced buyer satisfaction. Owners felt pampered and respected as valued Lexus customers. It became apparent that the Lexus policy of always offering service customers a loaner car took almost all the pain out of the service experience [Berry and Parasuraman 1997].

LEXUS IN BRISBANE'S STRATEGIC CHOICES

OWNERS AS COMMUNICATORS

Andrew Scifleet, Dealer Principal of Lexus of Brisbane, provided insights into what works and what doesn't work for Lexus. For example, owners are the number one sales tool for the dealership. Owner events, to which owners and their friends are invited, are very effective communication mechanisms. Owner-friendly events provide opportunity for Lexus to cement customer loyalty and also for owner involvement in and enthusiasm for selecting prospective customers. The owner-friendly events demonstrate the power of word of mouth advertising, i.e., informal conversations about products or service between people who are independent of the company in a medium that is also independent of the company.

Word of mouth is more credible than any salesperson. Word of mouth is able to reach more people faster than advertising, direct mail, and even the Internet. Scifleet's insights about the effectiveness of word of mouth is corroborated in many studies which demonstrate that word of mouth is the most frequent purchase trigger among the factors the studies have examined [Silverman 1997]. The independence of both the message and the medium in word of mouth gives it much of its power.

EXCLUSIVE DISTRIBUTION

Lexus has chosen only one dealer for Brisbane – Lexus of Brisbane. Using exclusive dealership arrangements is unusual. Even in the luxury car market most manufacturers have a few dealerships working for them within any geographic market. Normally, the availability of only one dealer to serve an area would be inconvenient for most customers because of the distance required to travel to the dealer, especially for servicing. Lexus of Brisbane compensates for customer inconvenience with the level of service described above. The Brisbane dealership also offers free pick up and delivery of the vehicle if the customer prefers. Lexus maintains that the company can demand a higher level of service from its dealers in an exclusive distributorship arrangement. Distribution systems are not usually perceived as a communication mechanism, but Lexus' approach is supportive of the company's overall marketing communication strategy.

THE INTERNET

Andrew Scifleet at Lexus of Brisbane reported that his dealership uses the Internet as a communication media. However, the Internet ranks fourth in expenditures among the communication media as demonstrated in Table 2 below. While the cost of the Internet site is only fourth, the dealer rates its importance as second most important after the press.

TABLE 2
DEALER COMMUNICATION TOOLS IN ORDER OF EXPENDITURE FOR LEXUS OF BRISBANE

Press	Most important are the <i>Courier Mail</i> , Brisbane's newspaper, and the <i>Brisbane News</i> , a free color magazine. There is little spending on most magazines since they are national in coverage and not directed at the prime marketing area.
Owner events	E.g., wine tastings or invitations to owners to attend a theatre event with tickets paid by the dealer.
Sponsorship	E.g., golf days and sponsorship of a cultural venue such as the Queensland Performing Arts Centre.
Dealer website	Seven out of ten potential customers have seen the website before visiting the dealership. In some cases a sale has resulted from an Internet inquiry, although this is atypical for all cars.

QUESTIONS

- Evaluate the type of pricing strategy Lexus initially used.
- Why did this pricing strategy make sense at this time?
- Why was the Lexus approach to quality so important in creating value?
- What behavior would you expect from an "outside-in" marketer?
- On a 1-5 scale how satisfied does a customer need to be to remain loyal?
- It is said that: "The Lexus way is not to compete, but to excel". What do you think this statement means in terms of service?
- Why is communication so important for customer-focused marketing?
- Why does word of mouth work?
- Can a marketer influence word of mouth?
- Why is listening so important to marketing communications?
- Select a car dealer in your local area. Visit the dealership, observe its service, advertising by the brand, pricing strategy, etc. As a potential buyer how would you evaluate these aspects of the dealership?
- Ask some women who have been to car dealerships about their experiences; what do you conclude? Is the experience of buying a car the same for a woman as for a man?
- Why might market share for the same brand vary between markets significantly?
- If you were John Evans, what would you suggest to Andrew Scifleet do to increase Lexus of Brisbane's market share?

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