

video case 4 Toyota: Building Cleaner, Greener Cars

QR 4-4
Toyota Video
Case



"Toyota's mission is to become the most respected and admired car company in America," explains Jana Hartline, manager of environmental communications at Toyota. To accomplish this, Jana and her colleagues at Toyota are working toward a future where a wide range of innovative vehicles, fuel technologies, and partnerships converge to create an economically vibrant, mobile society in harmony with the environment. It's a challenge Jana finds exciting and the result is cleaner, greener cars!

THE COMPANY

Kiichiro Toyoda began research on gasoline-powered engines in 1930. By 1935 he had developed passenger car prototypes, and in 1957 he introduced the "Toyopet" in the United States. The Toyopet was not successful and was discontinued. In 1965, however, the Corona was introduced, and it was followed by the Corolla in 1968. The Corolla went on to become the best-selling passenger car in the world, with 27 million purchased in more than 140 countries!

The popularity of Toyota's automobiles continued to grow in the United States and in 1975 it surpassed Volkswagen to become the number one import brand. In 1998 Toyota launched its first full-sized pickup, the Toyota Tundra. Toyota also expanded its product line by adding the Lexus brand, which became known for its exceptional quality and customer service. By 2000, Lexus became the best-selling luxury brand in the United States, exceeding sales of both Mercedes Benz and BMW. Toyota also introduced the Scion brand of moderately priced vehicles for the youth market.

The company opened a national sales headquarters in Torrance, California, and also opened manufacturing facilities so it could produce cars in the United States. By 2010 Toyota had the capacity to build 2.2 million cars and trucks and 1.45 million engines in 15 plants across North America. Toyota's sales and distribution organization includes 1,232 Toyota dealers and 229 Lexus dealers. Toyota's marketing organization has led to many memorable marketing campaigns. Some of its early taglines included "You Asked For It, You Got It!" and "Oh What a Feeling!" which included the "Toyota Jump." The Lexus tagline, "The Relentless Pursuit of Perfection," is still in use today.

Today, Toyota is the world's largest automobile manufacturer. The company is ranked the eighth largest corporation by *Fortune* magazine. The company's core principle is "to contribute to society and the economy by producing high-quality products and services." Its success is often attributed to a business philosophy referred to as "The Toyota Way."

THE TOYOTA WAY

The Toyota Way is a business philosophy used to (1) improve processes and products, (2) build trust, and (3) empower individuals and teams. There are two values that act as pillars of The Toyota Way. They are continuous improvement and respect for people. These values are evident in five business practices:

- *Challenge*: To build a long-term vision and meet challenges with courage and creativity.
- *Kaizen*: To continuously improve business operations, always striving for innovation and evolution.
- *Genchi Genbutsu*: To always go to the source to find the facts and make correct decisions; to build consensus and expeditiously achieve goals.
- *Respect*: To respect others and the environment, to build trust and to take responsibility.
- *Teamwork*: To stimulate personal and professional growth, maximize individual and team performance.

In fact, according to Jana Hartline, the two values are "integrated into everything that we do on a daily basis," creating "a unique corporate environment."

As the company has grown it has also sought a larger role in society. For example, Toyota created the Toyota USA Foundation with a \$10 million endowment and a mission to make Toyota a leading corporate citizen. The foundation supports programs focused on the environment, education, and safety that help strengthen communities. Since 1991 Toyota has contributed over \$500 million to philanthropic programs in the United States. Combining The Toyota Way with its corporate philanthropy has been very successful. Toyota believes that the foundation of its success involves a constant spirit of challenge and enthusiasm for new ideas. For example, Toyota's environmental vision includes the concept of sustainable mobility.

ENVIRONMENTAL VISION AND THE PRIUS

To make its environmental vision actionable, Toyota developed a five-year Environmental Action Plan. The plan is structured around five key areas:

- Energy and Climate Change
- Recycling and Resource Management
- Air Quality
- Environmental Management
- Cooperation with Society

For each area Toyota creates goals and measurable targets based on a life-cycle view of vehicles: from design, to manufacturing, to sales and distribution, to use, and finally to how the vehicle is recycled at end-of-life. One of its top



goals has been to develop advanced vehicle technologies to complement traditional automobile technologies.

Ed LaRocque, national manager of vehicle marketing, describes how Toyota started one of these initiatives:

In the early 90s Toyota developed what we called the G21 vision. The goal of the G21 plan was to bring a vehicle to market that represented a great value, and had great environmental benefits, not just in Japan but globally.

The concept was eventually introduced as the Prius, a hybrid vehicle with a gasoline engine and an electric motor combination called the Hybrid Synergy Drive. The car received an EPA-estimated mileage rating of 50 mpg. Initially the Prius was attractive to very eco-conscious consumers but met with some resistance from the press and the general population. The cars were fuel efficient, but they were not attractive. Since the first introduction, Toyota has made changes and introduced two new generations of the Prius to help it become the world's most-popular hybrid and the winner of the Kelley Blue Book 2010 Top 10 Green Car award.

Toyota's development of new technologies such as the Hybrid Synergy Drive helped it recognize the implications for the entire mobility system. A strategy for sustainable mobility affects not only new technologies and vehicles, but also new energy sources, new transportation systems, and the many partnerships of involved stakeholders. Advertising for the Prius emphasizes this point, claiming the car provides "Harmony between man, nature, and machine." In the long-term, however, this strategy will not be successful if consumers are not aware of or knowledgeable about advanced technologies. To increase awareness and knowledge Toyota specified the development of partnerships as a goal.

STRATEGIC PARTNERSHIPS

Toyota believes that partnerships with relevant organizations help increase awareness of its technologies and products. These programs are designed to educate people so they can reduce their environmental footprint. One of these programs, for example, is *Together Green* – a \$20

million, five-year alliance with Audubon to fund projects, train leaders, and offer volunteer opportunities. Similarly, Toyota has partnered with the World Wildlife Fund to establish hybrid energy systems, oil recycling programs, and renewable energy outreach campaigns. The exposure from these programs is often much more effective than other communication options. Mary Nickerson, national manager of advanced technology, explains: "we [have] used partnerships with the American Lung Association, with the Electric Drive Transportation Association, Environmental Media Association, and the national parks to help touch many more millions of people than we ever could have done with a traditional advertising campaign."

Toyota recently announced a grant of \$5 million and 25 Toyota vehicles in support of U.S. National Parks. Parks included in this grant and other Toyota partnerships are Yellowstone National Park, Great Smoky Mountains National Park, Everglades National Park, Yosemite National Park, the Grand Canyon, the Santa Monica National Recreation Area, and the Golden Gate Bridge Foundation. The national parks partnership offers an opportunity to enhance the experiences of visitors through education and hybrid vehicle use (park employees use the donated Toyota vehicles to reduce noise and emissions in the parks).

Generally, the goal of the national parks partnership program is to make a personal connection with park visitors about Toyota's hybrid vehicles when they are in a natural setting in which they are receptive to receiving a message about sustainable mobility. The message implies important links:

"Green" Vehicles > Cleaner Air > Preservation of Parks

In addition, Toyota believes that the programs have other benefits, including:

- Strengthen Toyota's image as an environmental leader among automakers
- Communicate a message of environmental stewardship
- Build awareness of the Prius and other Toyota hybrids
- Educate park visitors on the benefits of advanced vehicle technology

Research by Toyota indicates that the program is working. A recent corporate image study indicated that among four leading automakers (Toyota, Honda, Ford, GM), Toyota was rated highest on dimensions such as "Leader in High MPG," "Leader in Technology Development," "Environmentally Friendly Vehicles," and "Wins Environmental Awards."

THE FUTURE

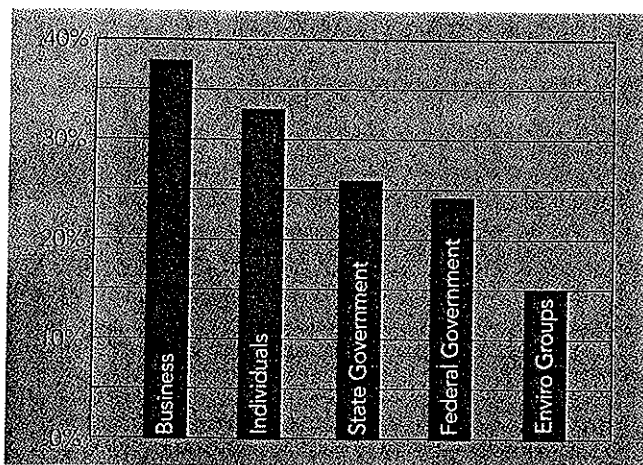
Figure 1 shows the results of a survey of consumer interests and their response to the question, "Who should take the lead in addressing environmental issues?" The results suggest that in the future consumers will expect businesses to be proactive about the environment and sustainability.

For Toyota, a focus on sustainability will mean considering the environmental, social, and economic consequences of the auto business, continuously working to reduce the negative and increasing the positive impacts of its activities and decisions. The increasing importance of sustainability will challenge Toyota to look at these impacts from all stages of the vehicle life cycle. It will also encourage Toyota's managers to consider the opinions of many stakeholders such as consumers, regulators, local communities, and nongovernmental organizations.

The recent concerns about Toyota vehicle product quality that led to the recall of 16 million vehicles have hurt Toyota's reputation. In the future, all activities, including the partnership strategy and the national parks program, will determine if Toyota can become "the most respected car company in the world."

FIGURE 1

Who should take the lead in addressing environmental issues?



Questions

- 1 How does Toyota's approach to social responsibility relate to the three concepts of social responsibility described in the text (profit responsibility, stakeholder responsibility, and societal responsibility)?
- 2 How does Toyota's view of sustainable mobility contribute to the company's overall mission?
- 3 Has Toyota's National Parks project been a success? What indicators suggest that the project has had an impact?
- 4 What future activities would you suggest for Toyota as it strives to improve its reputation?

at all for a period. Why might such a flighting schedule be more effective than a continuous schedule?

6 Which medium has the lowest cost per thousand?

Medium	Cost	Audience
TV show	\$5,000	25,000
Magazine	2,200	6,000
Newspaper	4,800	7,200
FM radio	420	1,600

7 Each year managers at Bausch and Lomb evaluate the many advertising media alternatives available to them as they develop their advertising program for contact lenses. What advantages and disadvantages of

each alternative should they consider? Which media would you recommend to them?

8 What are two advantages and two disadvantages of the advertising posttests described in the chapter?

9 Federated Banks is interested in consumer-oriented sales promotions that would encourage senior citizens to direct deposit their Social Security checks with the bank. Evaluate the sales promotion options, and recommend two of them to the bank.

10 How can public relations be used by Firestone and Ford following investigations into complaints about tire failures?

11 Describe a self-regulation guideline you believe would improve the value of (a) an existing form of promotion and (b) a new promotional practice.

building your marketing plan

To augment your promotion strategy from Chapter 17:

1 Use Figure 18-3 to select the advertising media you will include in your plan by analyzing how combinations of media (e.g., television and Internet advertising, radio and yellow pages advertising) can complement each other.

2 Use Figure 18-6 to select your consumer-oriented sales promotion activities.

3 Specify which trade-oriented sales promotions and public relations tools you will use.

video case 18 Google, Inc.: The Right Ads at the Right Time

QR 18-5
Google Video
Case



"So what we did, in essence, is we said advertising should be useful to a consumer just as much as the organic search results, and we don't want people just to buy advertising and be able to show an ad if it's irrelevant to the consumer's need," says Richard Holden, director of product management at Google.

To accomplish this, Google developed a "Quality Score" model to predict how effective an ad will be. The model uses many factors such as click-through rates, advertiser history, and keyword performance, to develop a score for each advertisement. "Essentially, what we're trying to do is predict ahead, before we actually show an ad, how a consumer will react to that ad, and our interest is in showing fewer ads, not more ads; just the right ads at the right time," Holden continues. The Google advertising model has revolutionized the advertising industry, and it continues to improve every day!

THE COMPANY

Google began in 1996 as a research project for Stanford computer science students Larry Page and Sergey Brin.

They started with a simple idea—that a search engine based on the relationships between websites would provide a better ranking than a search engine based only on the number of times a key term appeared on a website. The success of their model led to rapid growth and the founders moved the company from their dorm room, to a friend's garage, to offices in Palo Alto, California, and eventually to its current location, known as the Googleplex, in Mountain View, California. In 2000, Google began selling advertising as a means of generating revenue. Its advertising model allowed advertisers to bid on search words and pay for each "click" by

a search-engine user. The ads were required to be simple and text-based so that the search result pages remained uncluttered and the search time was as fast as possible.

Page and Brin's first search engine was called "BackRub" because their technique was based on relationships, or backlinks, between websites. The name quickly changed, however. The name "Google" is a misspelling of the word "googol," which is a mathematical term for a 1 followed by 100 zeros. Page and Brin used the name in the original domain, www.google.stanford.edu, to reflect their interest in organizing the immense amount of information available on the web. The domain name, of

Google

course, became www.google.com and eventually Webster's dictionary added the verb "google" with the definition "to use the Google search engine to obtain information on the Internet." The name has become so familiar that *Advertising Age* recently reported that Google is "the world's most powerful brand"!

Today Google receives several hundred million inquiries each day as it pursues its mission: to organize the world's information and make it universally accessible and useful. The company generates more than \$21 billion in annual revenue and has more than 20,000 employees. As Google has grown it has developed 10 guidelines that represent the corporate philosophy. They are:

1. Focus on the user and all else will follow.
2. It's best to do one thing really, really well.
3. Fast is better than slow.
4. Democracy on the web works.
5. You don't need to be at your desk to need an answer.
6. You can make money without doing evil.
7. There's always more information out there.
8. The need for information crosses all borders.
9. You can be serious without a suit.
10. Great just isn't good enough.

Using these guidelines Google strives to continually improve its search engine. "The perfect search engine," explains Google co-founder Larry Page, "would understand exactly what you mean and give back exactly what you want."

ONLINE ADVERTISING

Google generates revenue by offering online advertising opportunities—next to search results or on specific web pages. The company always distinguishes ads from the search results or the content of a web page and it never sells placement in the search results. This approach ensures that Google website visitors always know when someone has paid to put a message in front of them. The advantage of online advertising is that it is measurable and allows immediate assessment of its effectiveness. As Gopi Kallayil, product marketing manager, explains: "There is a very high degree of measurability and trackability that you get through online advertising." In addition, he says, "With online advertising you can actually track the value of every single dollar that you spend, understand which particular customers the ad reached, and what they did after they received the advertising message."

The online advertising market has grown from its initial focus on simple text ads to a much larger set of options. There are five key categories of online advertising. They are:

- Search: 47%
- Display: 35%

- Classified: 10%
- Referral: 7%
- E-mail: 1%

Google is the dominant provider of online search requests and receives more than 60 percent of the search advertising revenue. The fastest-growing advertising category, however, is display advertising where Yahoo! and Microsoft are established providers. Google believes that there is an opportunity to grow its display advertising sales by making the ads useful information instead of visual clutter. According to Google co-founder Sergey Brin, "It's like search—matching people with information they want. It just happens to be promotional."

Several improvements in technology and business practice tools contributed to Google's success. First, Google developed its patented PageRank™ algorithm, which evaluates the entire link structure of the web and uses the link structure to determine which pages are most important. Then the process uses hypertext-matching analysis to determine which pages are relevant to a specific search. A combination of the importance and the relevance of web pages provides the search results—in just a fraction of a second. Second, Google developed two business practice tools—AdWords and AdSense—to help (1) advertisers create ads, and (2) content providers generate advertising revenue. Both tools have become essential elements of Google's advertising model.

AdWords

To help advertisers place ads on their search-engine results, Google developed an online tool called AdWords. Advertisers can use AdWords to create ad text, select target keywords, and manage their account. The process allows advertisers to reach targeted audiences. Frederick Vallaeys, Adwords evangelist, explains: "One of my favorite things about AdWords is the fact that it really helps you find the right customer at the right time and show them the right message. With AdWords you can very specifically target your market because you're targeting them at a time when they do a search on Google. At that time they've told you a keyword, you know exactly what they're looking for, and here is your opportunity as a marketer to give them the exact answer to what they've just told you they wanted to find." Google has found that text ads that are relevant to the person reading them have much higher response ("click-through") rates than ads that are not targeted.

AdWords is also easy for any advertiser to use. Large or small businesses can simply open an account with a credit card and have ads appear within minutes. "When AdWords rolled out their self-service product, it really was one of the first times when it was very easy for a small business to put their ad up on the Internet on a search engine and compete on a level playing field

alongside Fortune 1000 companies," says Vallaey. Google has an experienced sales and service team available to help any advertiser select appropriate keywords, generate ad copy, and monitor campaign performance. The team is dedicated to helping its advertisers improve click-through rates because high click-through rates are an indication that ads are relevant to a user's interests. Methods of improving advertising performance include changing the keywords and rewriting copy. Because there is no limit to the number of keywords that an advertiser can select and each keyword can be matched with different ad copy, the potential for many very customer-specific options is high.

Another advantage of Google's AdWords program is that it allows advertisers to easily control costs. The ads appear as a "Sponsored Link" next to search results each time the Google search engine matches the search request with the ad's keywords and Quality Score, although the advertiser is not charged unless someone "clicks" on the link. In a traditional advertising model, advertisers were charged using a CPM (cost-per-thousand) approach, which charged for the impressions made by an ad. According to Holden, the Google model "transformed that to what we call a CPC, or a cost-per-click model, and this is a model that an advertiser, instead of paying for an impression, only pays when somebody actually clicks on that ad and is delivered to their website. So, in effect, they may be getting the benefit from impressions being shown, but we're not actually charging them anything unless there's a definite lead being delivered to their website." Google also offers advertisers real-time analytical services to allow assessment of and changes to any component of an advertising campaign.

AdSense

The AdSense program was designed for website owners as a tool for placing ads next to their web page content rather than next to search results. Currently, thousands of website managers use AdSense to place ads on their sites and generate revenue. Google applies the same general philosophy to matching ads with websites as it does to matching ads to search requests. By delivering ads that precisely target the content on the site's pages, Google believes the advertising enhances the experience for visitors to the website. In this way advertisers, website publishers, and information seekers all benefit.

AdSense is one of the tools Google is using to pursue its goal of increasing its display advertising business. Yahoo! and Microsoft's Bing are leaders in display advertising because they can put ads on their own websites such as Yahoo! Finance and MSN Money. To provide additional outlets for display ads, Google recently

purchased YouTube. In addition, Google purchased DoubleClick, an advertising exchange where websites put space up for auction and ad agencies bid to place ads for their clients. Google is also trying to make it easy for anyone to create a display ad by introducing a new tool called Display Ad Builder. Some experts observe that because Google is so dominant at search advertising, its future growth will depend on success in display advertising.

GOOGLE'S FUTURE STRATEGY

How will Google continue its success? One possibility is that it will begin to try to win advertising away from the U.S. TV industry. While this is a new type of advertising requiring creative capabilities and relationships with large advertising agencies, Google has dedicated many of its resources to becoming competitive for television advertising expenditures. For example, Google recently helped Volvo develop a campaign that included a YouTube ad and Twitter updates. Google is also likely to develop new websites, establish blogs, and build relationships with existing sites.

Another opportunity for Google will be mobile telephone advertising. There are currently more than 5.4 billion mobile phones in use, and 1 billion of those are Internet-capable. Just as Google's search engine provides a means to match relevant information with consumers, phones offer a chance to provide real-time and location-specific information. Some of the challenges in mobile advertising will be that the networks are not fast and that the ad formats are not standardized. Google believes its new phone and its Android operating system will also help.

Finally, as Google pursues its mission it will continue to expand throughout the world. Search results are already available in 35 languages and volunteers are helping with many others. It is obvious that Google is determined to "organize the world's information" and make it "accessible and useful."

Questions

- 1 Describe several unique characteristics about Google and its business practices.
- 2 What is Google's philosophy about advertising? How can less advertising be preferred to more advertising?
- 3 Describe the types of online advertising available today. Which type of advertising does Google currently dominate? Why?
- 4 How can Google be successful in the display advertising business? What other areas of growth are likely to be pursued by Google in the future?