

# Legacy in the Making

LEXUS

By 1989, the American luxury automotive landscape was dominated by highly pedigreed and highly desired European marques, including BMW and Mercedes-Benz. In turn, when Lexus, a Japanese brand, launched that year, it had to unseat the history that came before it—not by following the established rules, but by challenging them to build desire with a new generation of consumers. Today, Lexus is a leading luxury brand that is relentlessly creating change on a worldwide level. Recently, the Legacy Lab had the opportunity to speak to **Mark Templin**, executive vice president of Lexus International and managing officer of Toyota Motor Corporation, about the Lexus legacy in the making.



economy—and that were a great value too. An entire generation grew up with the Toyota brand. But once those young people got to a certain point in their lives, they wanted something more. They wanted luxury. And we didn't have any luxury cars in the Toyota channel. So, we started to lose some of those people who had been deeply loyal to us for a very long time.

By the 1980s, we saw a need to create another brand to keep those people in our family over the long term: to capture the hearts, minds and imaginations of fans all over again. To succeed, we had to look at the marketplace to see what was missing: what consumers wanted today and what they would desire in the future that was currently not available.

That was the genesis of the Lexus brand.

## What are the guiding principles, the foundations that have built and sustained the success of Lexus?

■ The reason we had so much success in the early days was because we made a big commitment to launching the brand the right way. You only get one chance to make

## Can you tell us a little about the origins of the Lexus brand?

■ The Lexus brand was born from the successes and challenges that our parent company, Toyota, faced, over time, in the United States.

Toyota, initially, came to the United States in 1957, and over a relatively short period of time, captured the hearts, minds and imagination of a generation of young people with vehicles that had great quality, great dependability and great fuel

a good first impression. From the product to the marketing to customer care, every piece of the Lexus business model was planned and invested in appropriately to get off to the right start. It was written in our founding document, the Lexus Covenant: 'We will do it right from the start.'

*"[The Lexus Covenant] signaled to everyone who worked in our retail partnerships and dealerships what their job was: to treat each customer as an individual, as a guest in our home."*

In addition to saying that we would do things right from the start, the Covenant made three key points that created strong foundations for the brand. It said that we would have the finest dealer network in the industry, that we would make the finest cars ever built, and that we would treat each customer as we would a guest in our home.

The last line, about treating each customer as a guest in our home, is the most famous line in the Covenant. It solidified the thought

that goes into everything we do. And everybody who was there to launch Lexus believed in the idea. It signaled to everyone who worked in our retail partnerships and dealerships what their job was: to treat each customer as an individual, as a guest in our home. And that's what they did. They bent over backward to treat people with respect and with care. Our dealers built relationships. They were on a first-name basis with customers. It was entirely different from anything car shoppers had ever experienced before. And that customer-first culture really came from that one line in the Lexus Covenant.

We were never going to let a customer be dissatisfied. Our early customers became our sales force and marketing department. Those first customers who came to us and took a chance on Lexus loved the experience and loved the product so much so that they went and told everyone else: their family, friends, peers and coworkers. And then, those people came and took a chance on Lexus. Then, *they* went and told everybody they knew too. It was like a snowball rolling down a hill getting bigger and bigger.

Recently, an internal team proposed rewriting the Lexus Covenant—modernizing the Covenant. Even Dave Illingworth, who wrote the Covenant, said we should consider it because treating a customer as a guest in your home means something different to a consumer today than it did to those we originally

wrote it for. That said, there isn't any statement that can better articulate what we stood for, and stand for, than treating each customer as a guest in your home. There may be a different way that we do it today than we did 26 years ago, but it still holds true. It tells everybody exactly what their job is.

Today, in every decision that we make, we look to the Lexus Covenant. I carry one on my money clip. I've been carrying it there for 26 years now. And it's going to stay there.

### **Have your foundations held Lexus back or propelled it forward through turbulent times?**

■ Every marketer and manufacturer is scared of something going wrong. Something going wrong in the auto industry means a recall. A recall has a negative implication.

In our case, at Lexus, we launched the brand and had phenomenal success in the first 30, 60 and 90 days of selling cars. But soon after launch, we had a real challenge with a couple of product-related issues: a high-mount stop lamp in the rear of the Lexus LS, our flagship, and a cruise control that had the potential to stick. We didn't have any serious problems. We didn't have any accidents or injuries. But, so close to launch, that was a very critical juncture for us.

Everyone looked at the Covenant and said, 'How would you treat a customer as a guest in your home? If they had this issue, would you fix it or would

you brush it off?' Everyone knew the right thing to do was to take care of the customer. So, we came out with a recall. And we handled that recall very differently than the auto industry had ever done before.

Until then, it was usual to just get a notice in the mail: 'Come in and we'll fix your car.' We didn't do that. At Lexus, we had somebody get on the phone, in every region of the country, to call each customer. We figured out a way to take care of customers the way customers wanted to be taken care of. If they wanted to come to us, we would do that. If they wanted us to come to them, we would do that too. We put technicians on airplanes to fly three hours to remote locations to fix cars at customers' homes. We left customers with service loaners so they wouldn't be inconvenienced during the period of time we were fixing their car. We gave them their car back with a full tank of gas and apologized for the inconvenience.

We did things that no one else in the industry had ever considered. It solidified what we were about to consumers. It was about authenticity, transparency, being honest and truthful, and doing what you say you will do.

It showed people what we stood for, what our culture was and what we wanted to be. From that point forward, we took off because everybody wrote about it, everybody talked about it, everybody said, 'Wow, nobody's ever done this for us. Look at what Lexus did when they had an issue. We can trust Lexus to take care

of us if anything ever goes wrong.' And it really built trust in the brand with consumers.

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#### **How has a focus on people shaped the future of Lexus automobiles?**

■ Even today, the consumer is what we talk about all the time. How do we get people from one place to another? How do we get them from one place to another safely? How do we get them from one place to another in a way that really excites them? Many brands inside and outside of our industry always talk about their product. It's all about the product. Well, why does the product exist in the first place? It exists for the consumer. So, at Lexus, our focus is always on the consumer.

We know that in giving consumers what they really desire, we can't simply ask, 'What does the consumer want?' Why? Because if you ask people what they want, they will tell you something they see in the marketplace today. Because the consumer doesn't always know what they want yet. To achieve our highest ambitions, we have to look into the future. We have to look beyond what people want today and ask, 'What will society look like in the future?' Not, what do people want now, but what will they want tomorrow? That way, we can prepare for that future and exceed their expectations.

During our life as a brand, for more than 25 years, there have been several milestones that saw us consider and address what the future was for consumers before the future arrived. We were the first ones to bring a car-based sport utility vehicle to market. We saw a need for the future that nobody else saw and created the Lexus RX. To this day, not because we focused on volume and share, but because we focused on what the needs of the consumer would be in the future, we ended up having a huge success. The RX is still the number-one selling car-based sport utility vehicle in the luxury market in the United States. We were also the first to bring hybrid technology to luxury. And now we have 10 hybrids in our lineup with more coming, while our competitors are just now launching their first and second hybrids. So, that's validation that what we did, looking into the future for the benefit of our consumers, was the right thing. Now people are following us there.

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### **How has a focus on people shaped the future beyond automobiles at Lexus?**

■ It’s funny. From a car-company perspective, we don’t talk much like a car company on the inside. Most car companies talk about sales share and profits. And we rarely talk about those things. At the highest levels of our company, those aren’t the everyday goals. Instead, the goals are always about how we can deliver something that helps society and helps consumers—and in doing all the right things, we will benefit.

We often talk about being a lifestyle brand and not a car brand. We want to focus on the lifestyle of the consumers

we are targeting: the consumers who are a part of our family today, and the consumers whom we want to bring into our Lexus family in the future. If we can enrich their lives, enrich the lives of others, enrich society and take care of the climate and everything else, then we are going to be a part of their lives, not just a part of their driving experience. At Lexus, we don’t just want to be a part of our consumers’ lives for the 10 minutes or one hour they drive each day. We want to be a part of their lives 24 hours a day. So, how do we help their lives all the time?

INTERSECT BY LEXUS, our new retail concept, is one example of that ambition in action: to be a lifestyle brand instead of a car brand. INTERSECT is our chance to show people what we stand for, the lifestyle we aim to be a part of, without them getting behind the wheel of a car or going to one of our dealerships.

### **What role does creativity play for Lexus in defining the future?**

■ Over the last four years, as we became obsessed with design and future technology, we started to really engage with the creative community. We learned a lot from that. We got really enamored by the fact that these creative people think big and think about the future. And the more time we spent with the creative community, the more we wanted to embrace them and do things for them. So, INTERSECT BY LEXUS, along with many of the other projects we have going on, is a way for us to embrace that creative community and give creative people a

place to connect with other members of that community too. It’s a place for us to show what we stand for, what we care about, what the culture of our brand is, and our aspiration to become more of a lifestyle brand than the perceived car brand that many people think about. We are readying to soon open our third INTERSECT BY LEXUS store, which will be the first one in the United States.

Overall, the creativity of people has made us think bigger about the future: What does the future hold not just for our industry but for society in general, and what can we do to help prepare for it? We are stepping into a world that most automakers don’t even think about.

### **How has becoming a more global brand had an impact on Lexus’ legacy in the making?**

■ Lexus was initially just a U.S. brand at the time of launch. Over a short period of time, because of the ongoing success Lexus had in the United States, other English-speaking markets around the world raised their hands and asked to sell the brand as well. So, we added distributors in markets such as Canada, the U.K., Hong Kong, Singapore, Australia and New Zealand. And then, slowly, even more distributors around the world said, ‘I want to sell Lexus too.’ And we grew, but not in a way that indicated we were trying to become a global brand. We were really focused on the U.S. during that early period. Back then, Lexus was a U.S. brand that happened to be sold in other places. And it remained that way until we launched

Lexus in China and Japan about 10 years ago. That's when we truly started to become a global brand.

More recently, about four years ago, we created Lexus International. The international division was given its own dedicated team of designers, its own dedicated team of engineers, its own planning function, and its own branding and marketing function. At that point, we truly started to think and talk and act globally. We've accomplished a lot just in the last four years.

As we've become more global, we've really changed a lot of where we're taking Lexus in the future without changing the core culture that we created more than 25 years ago. I keep telling people that those things that made us successful in the beginning—a great quality product that's unparalleled in the industry and a customer experience that is unmatched—are always going to be the core of our company and our brand. They'll always be important to us and something that we focus on. But with the changing needs of society now and into the future, we see people wanting even more.

Now, we get the opportunity to have fun. We are starting to play. We're starting to do things that are polarizing in the marketplace. One great example of that is the unified design language that we've put into our cars over the last few years. When we started, it was very polarizing. Some people loved it, and some people thought we were crazy. And now, those designs have become pretty

mainstream. In our contemporary thought process, we want our designs to be more disruptive. We don't want people to say, 'They make great products and so-so designs.' We don't want vanilla products. We want products that people love and have to have.

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#### **When you think about the legacy that you are creating, what are your proudest moments?**

■ First, I was part of the team that launched the Lexus brand. In 1989 and the early 1990s, when we launched the brand, we had a small group of people who were really committed to the culture that we wanted to create. It was unlike anything else in the automotive industry. The focus was on the customer, customer, customer. It wasn't about the product, product, product. And everybody lived that—I mean everybody in our corporate office, everybody in our regional offices,

everybody in every single one of our dealerships. We all understood what was most important to our brand. It was really exciting to watch a brand go from nothing to the success we had in such a short period of time because of the focus on customers.

Second, I'm really proud of these last four years. Working in Japan, working to turn Lexus into a global brand instead of a U.S. brand that's sold in many markets, has been an exciting time for me. We have a long way to go to become a truly global brand. We compete in less than half as many markets as our competitors do. When we go into new markets now, we have the opportunity to do what we did here in the U.S. in the beginning. We don't have grand ambitions to be the biggest. That's never what we were about. We were never about that in the United States. And we're not about that anywhere else. We're about being better, being different, being focused on consumers and their lifestyles. And it's a very different point of view. In every market of the world, that's a different position than any other automaker. It gives us a unique place in the market.

#### **What advice would you have for others trying to build their brand's modern legacy?**

■ I think if you look at the most successful brands, the ones that people admire the most, they are companies that are forward-looking. They are looking into the future. They are looking ahead and trying to figure out what the future holds, and trying

to address those future needs. At Lexus, we aim to look into the crystal ball and see what the future will bring. What is the world going to look like? What is society going to need? What will consumers look for in that society of the future? And we aim to deliver it before they even know they want it. That's a hard thing to do.

Somebody once told me a long time ago—and I really respected it when they said it—that you can only live off of your reputation for five years. If you go any longer than that, then you are going to lose your reputation. In turn, the only history that I want to call upon, at Lexus, is the cultural history. It's about keeping the legacy that we created for customer care and quality alive, while we are doing all of this forward thinking and doing things to address future consumer needs. I still repeat, every time I give a speech, the core tenets of Lexus include offering the best quality and the best customer experience, but I also talk about all the new things that we want to accomplish by looking into the future and reinventing ourselves.

We always want to be reinventing ourselves—reinventing ourselves for the society and for consumers. We want to act like the challenger brand that is always trying to do something new—thinking into the future and not into the past.

### **What is the book you hope they will write next about the Lexus brand?**

■ I think the next book should be called *Lexus: A Brand that Made*

*Everyone's Lives Better*. When we came into the industry 26 years ago, we changed it for the better. All consumers benefitted from it. Even if they were not Lexus customers, even if they were not part of our family, they benefitted, because we made everybody else get better. Because of the quality we brought to the marketplace, and because of the customer experience we created in the marketplace, everybody else was forced to get better. So every consumer benefitted from the Lexus brand even if they weren't a part of our family. And we want that to continue to be the case in the future. We want to keep changing the industry for the better. We want to always act like the challenger brand that is trying to do something new and think into the future and not into the past. We want to keep moving forward and making everybody else change as well so that all consumers benefit. I guess that's the ultimate lifestyle brand.

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*In its 26th year, Lexus, once an upstart in the American luxury automotive space, is now an iconic, desired luxury leader with a rapidly growing global reputation. While its European competitors had a decades-long head start, Lexus caught up—not by following in their path but by paving a new road for a modern generation of drivers.*

*Lexus succeeded, and continues to succeed, by mobilizing a set of consumers around a shared philosophy of challenging the status quo: prioritizing people and their lifestyle ahead of products alone, finding inspiration in creative pursuits beyond conventional engineering, and looking ahead versus in the rearview mirror. The brand persists as relentless in its pursuit. Lexus doesn't seek to only better its own performance but also to elevate the entire automotive experience: making everyone's lives better.*

*And all of the success of Lexus has been on purpose, by design, rather than by happenstance. The brand's foundations, articulated in the Lexus Covenant, continue to guide the brand toward moving at the rapid speed of people—moving Lexus to write history, not read from it every day.*

BY MARK MILLER

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