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Toyota RAV4 Model Year Marketing Plan for the U.K

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Executive Summary

For the development of this marketing plan, the perspective of Toyota Great Britain is taken with the main role of re-launching RAV4 in the UK. An internship performed in Toyota Motor Europe was the basis to get a closer look of the model's situation. As the pioneer of the Compact SUV segment, RAV4 was the first vehicle presenting off-road capabilities while maintaining a more dynamic appearance comparing to conventional SUVs. From being a solid dominator for several years, RAV4 has dramatically lost market share, dropping to the eighth position in 2012 **(Annex 1)**. This plan will have the purpose of regaining terrain in the C-SUV category until retaking the leadership of the mainstream segment in 2016.

To achieve this come-back, RAV4 Model Year will present new features with the focus in acquiring new and younger customers coming from main competitor brands as well as other vehicle categories. First, the product will go through a re-launch process that presents enhanced design elements along with equipment additions. Moreover, a new and smaller four wheel drive engine will be introduced in order to present an added value offer in the range of young families. Conclusively, with a more emotional approach in the communication strategy the perception of being only a functional and robust model will change in consumer's minds.

Secondary data provided by Toyota Motor Europe's sources were essential to target the main concerns of the model and its future in British grounds. Additionally primary data retrieved through qualitative interviews made to U.K's dealers and key members involved with the brand were crucial for the development of the engaged initiatives; always keeping in mind the purpose of following the road to a strong resurgence that will place RAV4 back to its origins: a solid leadership.

Situation Analysis

Internal Environment

The internal evaluation is a key point within the situation analysis, since it allows identifying the potentials to create competitive advantages to deal with today's highly competitive automotive market. One of the main distinguishing features that support RAV 4 is the reputation of the brand that stands behind the model.

Toyota is nowadays recognized as one of the most respected brands in the automotive industry. The Asian manufacturer was considered the most valuable brand related to automobiles in 2012 according to the well-known study made by Interbrand denominated Best Global Brands report[1]. Toyota was valued in more than 30 billion dollars maintaining its leadership for 9 years due to its enhancement in customer service and the constant environmental philosophy that seeks sustainability. In addition, the brand is perceived as a producer of high quality products mainly to the QDR (Quality, Durability and Reliability) concept, the pillar for the communication of all products.

RAV 4 is one of the 20 models offered to European consumers, and the only one of the C-SUV (Compact Sport Utility Vehicle) segment. RAV 4 is without a doubt one of the most emblematic models of Toyota. In 1994 it was introduced into the European market becoming a surprising novelty in the automotive industry. In fact, the Japanese brand is considered as the pioneer of the C-SUV market thanks to the introduction of this innovative vehicle that offered off road capabilities but at the same time could not be compared to a conventional 4x4. Considered as an urban four-wheel drive, it presented a smaller 2.000 cc engine with reduced chassis but without loosing the inside roominess and height of an off road, redefining the SUV archetype. "Today, the compact SUV segment is one of the few still growing in Europe, with sales increasing by some 18% between 2008 and 2012. In 2010 there were 10 different models in the compact SUV segment, there are now more than 20 to choose from"[2].

After three different generations being available in approximately 150 countries and contributing with over 4.5 million units sold since its launch (1.2 in European territory) the fourth generation has been recently launched in the beginning of 2013 (**Annex2**). To remain as an emblematic and important contributor of sales to the brand in the UK, the introduction of model year, that will keep most of the 4th generation features, will be key in a segment that has become increasingly competitive.

External Environment

Market Demographics

In 2012 the U.K turned out to be the European country with the biggest population growth of the region reaching an estimate of 63.7 million, becoming the third largest nation of Europe behind Germany and France with an estimate growth rate of around 0.55% per year until 2016. The 41.2% of the population had between 25 and 54 years and consequently the median age of the British was 40.2 years[3].

It is also indispensable to take a look at the socio-economic situation of British families, taking in mind that the acquisition of a vehicle is clearly a high involvement purchase decision due to the elevated cost invested in the transaction. In the beginning of 2011, a new method of classifying social classes was applied, in which 7 different categories were defined by the diverse kind of economic, cultural and social resources that people possess[4]. Three of the most interesting classes include: The Elite class made up by 6% of population with an average household income, after tax of £89,000, including the most advantaged and privileged group in the UK set apart from the other six classes on the basis of their economic advantages; the established middle class comprised by 25% of the population with an average household income after tax of £47,000 the most concentrated class characterized by being secure and established; and the Emergent Service Workers formed by 19% of the population, involving a new young group that has low economic capital but a high level of cultural characteristics. Other classes include the Technical Middle Class (6%), New Affluent Workers (15%), Traditional Working Class (14%) and Precariats (15%).

This study was also capable of revealing that the average considered as a "middle class" person works full time for £24,744 a year and lives in a three bedroom house in the suburban areas with their significant other, bringing in a combined income of £43,592. Researchers also found that those who consider themselves middle class own one car per household most likely to be a Ford, Vauxhall or Toyota[5].

Driven by the mentioned increases in the population and more so by the number of households there has been a steady rise in the amount of vehicles in the UK over the past thirty years. Growth has also occurred due to the increase in the number of people with driving licenses; there is now nearly one car for everyone with a driving license. The car park has risen from 19 million in 1971 to over 31 million in 2007, an average growth rate of 3% per year. An increasing trend of car ownership is quite clear and if growth continues on the same basis by 2020 there will be over 37 million cars in the UK. More optimistic projections based on accelerating population growth suggest that there could be 44 million cars by then. Car ownership is closely related to the number of households and the number of people in the household. Over 77% of households in Great Britain have a car and because car-owning households tend to have more than one person the number of people with access to a car in the house is 81% of the total population[6].

Market Overview

When it comes to the automotive market, the U.K is more than an attractive ground. In 2012, more than 2.3 million units were sold, figures that propelled it to become the second largest automobile market of Europe just behind Germany. This figure represented a 5.47% increase over sales in 2011 and this growth is expected to continue in years to come[7]. Considering that the economic crisis has led most of the vehicle markets in European countries to suffer accelerated turndowns, the case of the U.K is completely the opposite presenting surprising growing numbers.

This accelerated growth has caused intense competition in the business involving the participation of major brands. Toyota was, in 2012, the 10th major player in the passenger vehicle industry with 4% share, which was mainly led by Ford with 14% of market share (**Annex 3**). This important place has been achieved by the Japanese brand through careful long-term planning that started some years ago when the potential of the U.K in terms of vehicle market was identified, settling in with a manufacturing plant that started operations in 1989, although only Avensis and Auris models are nowadays produced in this facilities.

Knowing that the C-SUV Segment is becoming more important in the region, the case of Great Britain is no different. The compact SUV market in 2012 was 9.5% of the total vehicle industry with sales of over 193.000 units. RAV4 in the U.K held the 8th place with 2.08% of market share, meaning sales of just over 4.000 units. "It is easy to recognize a lot of RAV4s on UK roads; it is a well-established vehicle and almost a brand of its own" (Product Manager, TGB)[8]. In **Annex 4**, it is possible to observe that the C-SUV category is principally headed by the Nissan Qashqai with 24% of share and sales of more than 45.000 units in 2012. Although the difference between these two models is quite significant, they are not framed as direct competitors since there are considerations such as price, equipment and extras that divide the C-SUV market in three parts, according to Toyota's market segmentation such as: Value for Money, Mainstream and Premium.

Value for money is the lowest segment of the C-SUV market, characterized by accessible prices in exchange of acceptable levels of equipment and quality. Vehicles such as the Kia Sportage, Hyundai ix35 and Vauxhall Antara are considered value for money. Secondly, mainstream, this is nowadays the biggest segment of compact SUV's, made up by traditional brands with an increased price but expected quality and comfort. Models that include the Ford Kuga, Volkswagen Tiguan and Toyota RAV4 are part of this category. Finally, the premium segment is the smallest of the three but increasingly growing in the last years, offering highly priced C-SUVs with sophisticated levels of equipment and superior service. The Audi Q3, BMW X3 and Mercedes GLK-Class are in the premium segment.

Competition

As mentioned previously in some passages of this paper, the vehicle market in the U.K is a high competitive ground with a wide variety of strong brands and models constantly looking to conquer more customers. Although RAV4 is competing indirectly with many segments of the vehicle market and more directly with the value for money, mainstream and premium compact SUVs, after having a clear knowledge of the differences between these players in the British market it is possible to define which are the models that compete in a direct way with Toyota RAV4 (**Annex 5**).

Ford Kuga

Commercialized by the American brand since 2008, Ford Kuga has captivated the European consumers. The last generation has been recently launched in the beginning of 2013 characterized by its attractive design, excellent stowage capacity and an innovative All-wheel Drive system that adapts automatically to every terrain and condition. This model was in 2012 the leading mainstream C-SUV vehicle in the British market, ranked 5th in the general C-SUV table with 5.45% of market share and sales of almost 10.600 units.

Volkswagen Tiguan

The model had its debut in the automotive market in 2007, being Europe one of its most important markets in terms of sales volumes. This German C-SUV is known by its comfort, superior performance and fuel efficiency. It is also acknowledged by its high rating in security standards. The Volkswagen Tiguan had in 2012 a very close race against Kuga when it comes to the compact SUV market in the UK. Sales of the German mainstream C-SUV reached more than 10.450 units achieving 5.41% market share and ranked 6th in the whole C-SUV British market.

Market Trends

Important variations in U.K's automotive industry have been registered in recent years, especially when it comes to the market shares of manufacturers. Brands that have arduously built up their sales since the 1960s, are seeing share falling back to where they were decades ago. Meanwhile, Korean brands for example, have emerged in the last decade to become major players. It is clear that buyers are far more likely to change allegiance, becoming more brand promiscuous. With no perceived risk in changing brands, and more focus on novelty as opposed to sticking with what consumers know, it has become possible for new brands to grow almost as if cars were as new and exciting as technological gadgets.[9]

A very significant trend can also be identified in the last five years, exposing a dramatic change in the buying behavior of UK motorists and consequently on the rate of CO2 emission reduction. New car buyers have prioritized fuel efficiency more than ever and vehicle manufacturers have intensified efforts to enhance efficiency and reduce emissions. The Hybrid and Plug-in technologies nowadays seem like the future of the automotive technology. Almost every brand selling vehicles has introduced or will launch a vehicle with this alternative technology to become more environment friendly and at the same time provide better consumption performance to drivers.[10] (**Annex 6**)

Consumer Behavior

Narrowing more into the RAV4 consumer, there are some main concerns that are fundamental to understand what the situation of the Japanese compact SUV is in the British point of view. These highlights were based on a quantitative study made by Toyota Motor Europe denominated Early Buyers Survey taking in account actual owners of the 2013 model from January to June (**Annex 7**).

Main insights include the average age of C-SUV buyers in the UK, which is around 54 years old, while the average RAV4 consumer is 62 years, a significant difference that is definitely not favorable for the Toyota model. “Mature and empty nesters prefer RAV4 because they have familiarity and recognition, the model is not a new kid on the block but an established vehicle with a strong brand behind” (U.K Country Manager, TME)[11]. Additionally, the biggest group of RAV4 purchasers are considered to be *empty nesters* (36%), compared to the 18% of this group in the general C-SUV segment, while the lowest is *young families* (3%) considerably inferior than the segment which presents an average of 10%, “we do not see special interest, so far, from families in the RAV4” (Store Manager, Stirling)[12].

Moreover, 72% of RAV consumers are considered to be loyal, meaning that they already owned a previous model of the vehicle before purchasing a new one. According to some retailers “RAV4 is among the favorites of our staff, it is an easy sale for returning loyal customers” (Manager, Blacknell)[13]. Consequently, only 28% of them are new customers that come from other brands and other models. Comparing these numbers with the whole C-SUV segment, which is characterized by a higher percentage of new customers (68%) and a lower (32%) being loyal, completely the opposite of what happens with RAV4. It is vital to emphasize that exterior styling and advice from close acquaintances are the principal motivators to attract buyers.

Finally it is essential to understand what persuades consumers to make a purchase decision. In the U.K the most important aspect when deciding which model to buy is exterior styling, 36% of consumers base their decision on the design and outside look of the vehicle. “According to some of our customers, there's nothing seductive to make it stand out from the crowd” (Sales Executive, Glasgow)[14], this concern will be addressed in subsequent sections. The following motive with 15% encloses the loyal customers that rely their purchase behavior in always buying the same make. At last, price and level of equipment are also important for a potential customer when making a decision on which model to purchase with 16% and 14% respectively.

Considering that the purchase of a vehicle includes an expensive product and there is a high consumer involvement, the decision made is categorized as extended problem solving. In this process, the motivation includes high risk, information search is extensive in multiple sources, alternative evaluation involves many criteria used and for the final purchase communication with store personnel is often desirable.

SWOT Analysis

"The overall evaluation of a company's strengths, weaknesses, opportunities and threats better known as the SWOT analysis, is a way of monitoring the external and internal marketing environment"[15]. This is a key process when building a marketing plan because it allows identifying attributes of the organization and the environment, which are either helpful or harmful on achieving the objectives being pursued. This analysis is exhibited in **Annex 8.**

Keys to Success

The main critical success factor in the automotive industry is directly related to the product design. Exterior styling is amongst the main purchase reasons and is fundamental for a model to be approved and considered by customers. Other product features such as size, interior space and size of boot, are as well crucial elements in the C-SUV segment and part of RAV4 main selling points with the goal of increasing its functionality: "Functional features are the ones that customers like the most, such as spaciousness and some unique driving characteristics" (C-SUV Manager, TME).[16]

Furthermore, distribution channels are as well a critical factor in the vehicle industry. In the case of RAV4 a more complex distribution structure is used comparing to competitors. The model is imported from Japan while its main contenders are assembled in European territory (Germany). Overcoming this obstacle, the brand has achieved excellence in operations and distribution causing dealers in U.K to be recognized for providing brilliant service and considered in 2012 the 5th best dealership with 82% satisfaction according to the JD Power Dealer Satisfaction Survey[17].

Finally, the communication shaped between the brand and the audience is the last success factor. In a competitive industry in which consumers are blasted with information, it is vital to deliver clear messages of the benefits that the product offers.

With high share of voice, as a measure of relative activity, it is possible to guarantee that a relevant audience is being effectively reached.

Marketing Strategy

Mission

As a universal brand, Toyota has a global vision that is transmitted from one side of the world to the other overcoming all types of cultural barriers. In 2011, the Japanese manufacturer communicated a strategic approach that will lead the company worldwide for the next 5 years and beyond. This concept is a commitment to being a company that customers will choose and will feel good about having chosen. Toyota has expressed that commitment with the slogan: "Rewarded with a smile by exceeding your expectations". This statement also places emphasis on safety, minimizing environmental impact, conscientious manufacturing, technological advancement, the development and application of low-carbon technologies, quality and reliability, and an ongoing commitment to continuous improvement – all of which are of the highest importance to Toyota, both now and in the future.

After underlining some of the most important concepts of the Toyota Global Vision, this is how it is originally structured: *"Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people. Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile. We will meet challenging goals by engaging the talent and passion of people, who believe there is always a better way."*[18] The case of RAV4 is no different; it inherits all the core values and conceptions of the brand that brought it to life conveying quality and durability always with the aim of evolving and enhancing.

Objectives

The conception of this marketing plan is to determine the shift on the path RAV4 has to begin pursuing in years to come. This scheme centers on regaining leadership as the inventor of C-SUV mainstream segment by closing the gap between direct competitors. "Since other manufacturers came in with their products to compete, share has been eroded significantly, RAV4 was the leader for some time and now it is some way below that" (Country Manager, TME)[19]. In volume terms, to start climbing the mainstream C-SUV ladder to reclaim number one position in the near future, the objective will be accomplished with sales of 7.190 units in 2014, 8.315 in 2015 and 9.524 in 2016. Meaning a market share of 3.06%, 3.40% and 3.98% respectively, surpassing the two direct competitors in the mainstream segment that are the current leaders. Achieving these figures will reflect a turnover of 155, 179 and 205 million pounds for 2014, 2015 and 2016 correspondingly.

Some of the key strategies required to achieve this objective include the re-launch of product with design enhancement elements, the shift on focus towards the authentic target of the model: young families and the concentration in attracting and attaining new customers.

Segmentation and Targeting

Employing the usage-based approach, RAV4 will principally target competitors' users. As our main goal is to close the gap with main contenders, it is necessary to increase their purchase intention towards Toyota and conquer them through the minor exterior enhancements that RAV4 will go through. For these other brands users to be captivated by the mentioned modifications it is essential to draw them to dealerships visually by exhibiting a consistent "best looking car" in U.K's showrooms to conclusively pull them to test drive the model and sense its superior quality to persuade them to change brands.

As seen before in the first section of this paper, the C-SUV segment is forecasted to grow in upcoming years, which is why the secondary target will center in users from other segments such as minivans and multi-purpose vehicles (D/E MPV). With the introduction of a new and smaller four-wheel drive engine, a superior quality C-SUV capable of performing well in all kinds of surfaces will be in the reach of more customers who are more price sensitive. Along with a creative IMC strategy, they will be pulled towards the showrooms and events locations to test drive and have a closer look to a high-class C-SUV within their purchase capacity.

Due to the fact that the actual main customer profile of RAV4 is outside the model's ideal target, it is fundamental to define the demographic and psychographic outline that RAV4 will primarily implement: British population mostly between 35-54 years old with a family including one or two children who have a medium/high income and are used to pay around 26.000 pounds for a new vehicle.

Their car needs include family usage and reliability tending to focus more on durability, comfort and safety. They are mostly attracted to SUV models and D/E MPV segments because of their exterior styling and come from brands such as Volkswagen and Ford. Principally men will be targeted since they usually are the purchase decision makers but women shouldn't be left aside since they will most likely be the end users as the secondary or even principal driver of the vehicle due to its household functionalities.

Positioning

To analyze the positioning of RAV4 it is essential to understand that this process is mainly done to illustrate the points of similarity and distinction with main competitors to achieve the brand image desired. "To increase the potential benefit, it is necessary to find the right spot in the mind of the consumer in which they will picture the brand in the way it is intended by the organization"[20].

It is first of all, necessary to identify who the target audience should be. The audience for the Toyota RAV4 is constituted by men and women between 35 and 49 years old who are in search of a durable and reliable vehicle with a prominent design and more specifically look for the compact SUV category as illustrated in the market hierarchy in **Annex 9**.

How the brand should differ from competitors is the next key step in the positioning process, the identified distinctive points will determine the competitive advantage that the brand will hold against its competitors. These points of difference (PODs) focusing on RAV4 stand out: heritage as the pioneer of the segment, superior quality, lower CO_2 emissions, improved fuel consumption **(Annex 10)** and now introducing a distinguished design. To end the positioning process, the points of parity (POPs) are as well important to orient the consumers when comparing to other category members, these are: off-road functionalities, safety and versatility (urban - suburban).

Conclusively, the reason to believe can be defined, outlining what the RAV4 offers that its competitors don't. It stands out as an authority model amid meaningful heritage with a strong brand reputation that supports high quality perception accompanied by extra roominess and comfort able to meet the highest demands of active families. The positioning map (**Annex 11**) exhibits a wider image of how main players of the overall category are distributed.

Finally, the positioning statement is assembled, encompassing the most relevant points identified through the positioning process. For RAV4 it would keep this structure: *For British drivers between 35 and 49 years old who are other brand loyals and other brand switchers, head of young families that prioritize comfort, durability and reliability* ***(Target)****, RAV4 is the compact SUV* ***(Product Category)*** *that offers superior quality, lower CO_2 emissions, improved fuel consumption and distinguished design* ***(Points of difference)*** *because of its recognized heritage, brand support, extra roominess and comfort to fulfill the aspirations of active families* ***(Reasons to believe).***

Marketing Mix

Product

"At the heart of a great brand is a great product. Product is a key element in the market offering. To achieve market leadership, firms must offer products and services of superior quality that provide unsurpassed customer value"[21]. A product is constituted by a series of dimensions that will be considered in this passage, such as design, features, benefits and warranties; these elements will directly influence the value perceived by the customer. In the case of RAV4, the product strategy will be based on the re-launch of RAV4 with an enhanced exterior look with the potential to draw new and younger customers coming from competitor brands and other segments.

It is vital to recall that RAV4 is considered the pioneer of the C-SUV segment, the product itself created a new category of smaller but more practical off-road vehicles. "The name "RAV4" was conceived as a vehicle name well suited for a small SUV in a category different from that of conventional SUVs. It is based on the first letters of the words Recreational, Active, Vehicle, and 4-wheel drive. This easy-to-remember name matches the image of the vehicle: active, untamed yet cosmopolitan, and stylish"[22].

Quality and design are the two most important dimensions that customers seek when considering a durable good such as a vehicle. As quality being one of the key core elements of the Japanese brand, this characteristic is reflected in the products carrying the Toyota badge in the market. When it comes to design, it has not been one of the strongest points of the brand; "Our customer's opinions show that the new RAV4 has an anonymous design which makes the vehicle not individual anymore" (Salesperson, Kingston)[23], reason why for the re-launch of the product this will be one of the main modifications to drive the vehicle towards leadership. "Its design is sometimes considered outdated, specially comparing to competitors such as Kuga" (Brand Manager, TGB)[24]. Newness in exterior appearance, new exterior communication color and new alloy wheel design can be seen in **Annex 12.**

The new exterior appearance will include design elements such as a chrome lip, rear under-run and side sills that sophisticate the look of the vehicle and at the same time provide a younger and refreshed image. The new communication color includes the introduction of dark brown. This earth color expresses RAV4's SUV role in a better way giving it a natural authenticity and has been approved widely by 72% of positive and very positive opinions according to feedback provided by quantitative study involving a sample of 69 customers exposed to a static exposition[25]. The concluding touch of the re-launch is given by the new 18'' alloys that exhibit a latest trend angular 10 spoke design, machined faced and painted finish delivering a unique urban and sportive aspect. "The visual appeal of model year is great, as a communication hero it can have a deep impact with a product proposition as a big improvement" (U.K Country Manager, TME)[26].

To support even more the re-launch of the product and taking in mind that level of equipment is one of the top 4 reasons when considering buying a new C-SUV, some equipment elements will also be aggregated. Smart entry and start engine will add value to the comfort of customers letting them start the vehicle with the push of a button. The introduction of Toyota Touch 2 multimedia system with a renovated navigation system and connectivity opportunities will also appeal more technological customers.

To offer a wider variety to consumers and their multiple needs, the product line will be composed by three different assortments of the vehicle based on a grade strategy with different levels of equipment, accessories and prices. This line up is composed by the Active grade (focused on the entry to brand), the Icon grade (as the best seller) and the Invincible grade (the up-selling version) with more detailed characteristics of the level of equipment included in each one in **Annex 13**. Additionally, in the actual version of the RAV4 there are three different engines to choose from to cater different customer desires **(Annex 14).** To support the introduction of the product re-launch a new engine will be introduced to attract younger segments, a 2.0 Diesel 4WD engine with 136 g/km C0, meaning less price, emissions and more attractive fuel consumption.

Being brand support one of the main advantages of RAV4, the manufacturer's warranty of 5 years or 100.000 miles covering mechanical faults, delivers confidence and peace of mind to consumers. It is also essential to understand that customer based brand equity appears when "the consumer has a high level of awareness and familiarity with the brand and holds strong, favourable and unique brand associations in their memory"[27]. In **Annex 15** it is possible to see, comparing to direct competitors, that RAV4 has high awareness with 84%, high knowledge and liking but low consideration and preference. That is why it is vital to increase traffic in dealerships to motivate test drives and consequently increase preference (it is crucial to point that test drives are key in the Toyota sales process to acquire new customers). To reinforce the new positioning statement that includes design enhancements, the brand identity prism **(Annex 16)** highlights its distinctiveness.

Price

"No other weapon in a marketer's arsenal can boost sales more quickly or effectively than price"[28], this is why pricing is a key element of the marketing mix to reach profitability. RAV4 has a key strategic role for Toyota; it is a vital model for the development and future of the brand in the U.K because of the unique profit it is capable of producing, the amount of volume it is able to generate and the image it is capable to project as a brand contributor.

One of the key principles of pricing is proactivity, a principle in which Toyota focuses specially when defining a price. The Japanese brand takes in account external factors such as competition in each local market in order to reach sales and market share goals. "Pricing against competition is more challenging and hazardous than pricing a unique product"[29]. Nevertheless, Toyota bases it process in a market driven pricing for the European territory. The "Basket selection" is a crucial stage for every Toyota model; in this pricing process, feature models of direct competitors are included in a conjoint analysis to examine their specification offer one by one, setting a value for each one until 100% parity is reached. In the case of RAV4, Kuga and Tiguan are considered in this basket in most markets of Western Europe, including Great Britain.

As mentioned formerly in the situation analysis, the price of RAV4 is slightly higher comparing to direct competitors **(Annex 17)**. Even though parity is 100% reached in terms of the elemental vehicle within the basket pricing method, RAV4 conveys more value to consumers including more specs in its offer. "Price and quality perceptions of cars interact. Higher-priced cars are perceived to possess high quality"[30]. This part of the positioning is intended by the brand to transmit a perception of higher quality and value. However, prices vary depending on the grade and engine the consumer chooses, “customers value products differently because of different abilities to pay and different preferences”[31]. **(Annex 18)**

“Price is one of the biggest constraints that push young people away from RAV4” (Product Manager, TGB)[32]. The feature model with the new 2.0 AWD engine will have a retail price of 26.395£ in the mid- grade, meaning that, with this introduction an all-wheel-drive engine will be in the reach of the new target market. Additionally, the customer benefit will be notable since it includes the exterior styling pack that has a value of 900£ and all the latest equipment enhancements. This price is aligned with the former appraisal made about the new target’s purchasing power.

Place

“Marketing channels are the routes to market used to sell every product and service that consumers purchase. A marketing channel is a set of interdependent organizations involved in the process of making a product or service available for consumption”[33]. In the case of RAV4, the product is part of a retailer-based channel format, in which dealers are the only members of the channel design in which end consumers can purchase and test the model. Moreover, a need of high after-sales service support is required by the customer and fulfilled by dealerships.

RAV4 goes through a complex channel structure before reaching the final customer. The product is imported to the U.K from Japan, where all the materials, suppliers and labor assembly the vehicle in the main plant located in Tahara. The end product is stored in a warehouse or it can also be directly shipped to European territory. In the case of Toyota Great Britain, the product arrives directly to a distribution center (HUB) located in Berkshire, where they will be stored and later dispatched to dealers across the country according to their orders. **(Annex 19)**

An essential part of the channel design involves a “framework for codifying and generalizing how the end-user wants to buy a particular product, better known as the service outputs”[34]. Three of these outputs are critical to ensure that the demand-side is being satisfied. Regarding spatial convenience, in the U.K, the Japanese brand has 199 Toyota Centers including after sales and business centers (180 of those stores are points of sales) in strategic locations helping customers save on transportation and search costs when purchasing or repairing their automobiles. Additionally, customer service and information provision are critical for a high involvement purchase, reason why the brand needs to take singular considerations in these elements; especially bearing in mind that direct competitors, such as Ford, that has over 190 dealers in UK territory and Volkswagen with approximately 210. In this sense it can be implied that Toyota is not doing intensive distribution as main competitors but instead it uses a selective strategy.

In consequence, three demand-side gaps can be identified in these service outputs, mainly because of a greater coverage achieved by competitors and a high degree of requirement by customers. To close these gaps, a new channel member will be introduced to serve consumers in a versatile and efficient way covering spatial convenience, customer service and information provision. Toyota kiosks **(Annex 20)** will be located in the centers were events will take place. Through this channel, customers will be able to obtain information about RAV4 involving brochures, specifications, financing and even the opportunity to order the vehicle that will be later delivered in an agreed dealership. Additionally, Toyota kiosks will also provide information regarding service appointments through a system in which the revision of the vehicle can be scheduled at the more convenient service center for the customer.

A fourth element is also significant in the demand-side, considering breadth of variety for which a new initiative will be in place encouraging that in every showroom there is at least one "best-looking car" in exhibition. This vehicle will need to be Icon grade equipped with the new 2.0 diesel engine, display the new dark brown color along with exterior styling enhancements, latest 18'' alloy wheels and newest equipment installed. This way, new and younger customers will be pulled to showrooms where they can feel, test and see the vehicle they are capable of acquiring.

The supply side must also be analyzed to "obtain a basic understanding of how manufacturers, wholesalers and retailers participate in marketing channels to create the service outputs demanded by their end-users, these activities are known as the channel flows"[35]. The most critical flows identified in the case of RAV4 are physical possession, promotion and financing. Promotion is critical to pull new consumers to showrooms and increase traffic to raise consideration and preference; this flow involves the three main members of the channel in terms of material for production, adaptation and broadcasting respectively. Finally, financing is a key factor for the automotive business to make consumers choose one brand over another. Toyota Great Britain is capable of incorporating financial services into the same channel to provide a better overall service. To conclude, no gaps were identified for the supply-side.

Promotion

The last P of the marketing mix is capable of building profitable relationships as well as transmitting the identity of the brand towards customers and stakeholders. This essential component of the mix "is focused on the planning process that will identify appropriate target audiences, set specific communication objectives for these target audiences, develop marketing communication that will accomplish those objectives in a consistent way, and find the best ways of delivering the message”[36].

The first step is defining a target audience and action objectives for the campaign. Other brand loyals and other brand switchers are the primary targets since one of the objectives is to close the existing gap between RAV4 and competitors. The secondary target involves new category users that come from different segments, especially family cars (Multi-purpose vehicles) and motoring journalists. The target audience, therefore, will be men and women aged 35-49 that live in the main urban and suburban locations of Great Britain seeking for a family car in their reach able to deliver off-road benefits, high quality and reliability with an attractive exterior style and that conveys peace of mind. The action objective for the campaign is to drive OBLs, OBSs and NCUs to Toyota’s showrooms and places where events will take place to test drive and feel model year RAV4 as a trial and repurchase promotion. Through a P.R campaign, the action objective is to encourage media to write favorable articles about their experience with the new model year.

The communication objective follows as a next step when defining the IMC strategy. These objectives “always have three universal purposes as brand awareness, brand attitude and it may have a third, brand purchase intention”[37]. Specifically in the case of RAV4, the recall brand awareness is necessary to prompt a visit to the dealer; brand attitude is required to increase brand preference and brand purchase intention to motivate performing a test drive.

To reach these communication objectives, the creative strategy will be supported with the idea: “For generations taking you farther. The new RAV4: young spirited”. This message will be capable of engaging a younger segment creating an emotional bond with the audience attached to the familiar and heritage feeling. Several tools will be used to revitalize the product, "mass media tends to be effective in meeting brand awareness and brand attitude communication objectives"[38]. Mainly television, digital and social media, printed advertisement, public relations, events and POP material will be implemented for this campaign. Start of sales of model year is planned from the beginning of the year, reason why the focus of the campaign will be from mid-January until April. For RAV4, "looking from a communication point of view, there is a need to ensure the level of visibility with a relevant message for the customers and to find out the key aspects that stand out" (U.K Country Manager, TME)[39].

Before the promotional activities take place, it is essential to establish an internal dealer presentation of the product, in which model year will be introduced to all the network members. In this session, in-depth training will be provided to transmit the new features of RAV4 and the new strategic approach that the model will take, so that the general objective is acknowledged by the sales force and spread to consumers.

For the introduction of the product to communication media, a P.R event will take place at London, in which the newness of model year RAV4 will be presented to journalists and general media providing static exhibitions of the feature model as well as test-drives. These last ones will be made through a circuit of ramps and trails that will prove the capabilities of the vehicle as well as its performance and reliability in hard conditions. The circuits portrayed in **Annex 21** will be later replicated in rented parking lots of main British shopping centers to extent the experience to young families.

TV, printed media and billboards have the capability of wide coverage. Through these media, the target audience must feel an emotive authenticity towards the product taking in mind that "an effective advertisement engages the prospective buyer's emotions and enlightens him or her about the brand"[40]. A creative brief is presented in **Annex 22** to ensure that "the outcome of the strategic planning process advises message execution and ensures alignment within all the members involved in the campaign"[41]. A 30" T.V spot, ads in specialized magazines, newspapers and billboards will exhibit the emotive connection between the heritage of RAV4 in the lives of several generations of a family until the youngest model. The concept of the ad centers towards the importance of RAV4 throughout the years as an irreplaceable member of the family appearing in special moments as a trustworthy companion. Less focus will be given to functional messages that are still relevant such as a description of the new design features, benefits like extra roominess and fuel performance and finally the availability of the latest engine along with the new price. An example of the layout is exhibited in **Annex 23.**

To increase traffic in dealerships and to motivate test drives, a promotion-like message will also be executed. This message will communicate an incentive that will raise the interest of the target audience. Between all individuals that perform a test drive, 5 adventurous trips for a family of four will be drawn at the end of the campaign in April. This sweepstake will be announced through mass media and POP displays.

Digital and social media take a key role for RAV4 since "most customers discover the model on the internet" (Salesperson, Cardiff)[42]. A special Facebook based mini-site dedicated to model year will be developed communicating the new features including pictures, videos and a virtual tour of the vehicle. To motivate interaction with new customers, there will be a section "Beyond with RAV4" in which families are motivated to post pictures from their trip experiences and share ideas on new routes to take with other owners. Additionally, RAV4 will have a special landing page in the brand's website for traffic coming from banners and Google ads that will also be used.

Marketing Research

The research conducted to support this marketing plan was mainly obtained through qualitative methods sourced from U.K retailers and key staff with a vast know-how of the product. Regarding retailers, six different dealers (Blacknell, Kingston, Nottingham, Cardiff, Glasgow and Stirling) were interviewed following a certain interview guide **(Annex 24)**. The feedback obtained from these sources was essential to identify British consumer's perceptions and response towards the model. A more detailed summary of the interviews can be found in **Annex 25.** Five additional interviews were conducted towards RAV4's product and brand managers in Toyota Great Britain and the specialist, C-SUV general manager and U.K country manager in Toyota Motor Europe. Through these interviews, a closer look of its situation and performance in British grounds was vital to enrich the marketing plan. (**Annex 26).** It is important to mention that there were various limitations to the qualitative research. Regarding secondary data, sources from Toyota Motor Europe such as Early Buyers Survey and New Car Buyer Survey were used to support the initiatives taken.

Financials

The financial analysis is exposed in **Annex 27,** encompassing periods from 2014 to 2016. Details of sales performance are displayed with the expected growth of 4%, 16% and 15% over the upcoming three years considering each grade. The segment growth of 1.4% in 2014, 4% in 2015 and 2% in 2016 will allow the model to reach an increasing market share of 3.06%, 3.40% and 3.98% respectively. Assuming there will be a high customer gain coming from direct competitors, in 2016 RAV4 will become the leader in the mainstream C-SUV segment achieving our main objective. This will be supported by the marketing budget that comprehends all the activities mentioned previously with an allocated budget of 10% of dealer's profits. Finally, it is essential to point that dealer's margin is 8% of the MRSP after the VAT deduction of 20%.

Controls

Conclusively the last element of the marketing plan is fundamental to monitor and evaluate if the initial objectives are being achieved. Toyota will implement some metrics to examine the progress of the plan. The measurement of monthly sales volumes is critical to monitor market share status to compare against competitors performance. Furthermore, it is important to keep track of the amount of quotations requested on the model to assess the percentage of sales closure. To evaluate channels, it is vital to keep a close look on monthly traffic at dealers and kiosks and the number of test-drives made. Finally to monitor advertisement performance, study if a positive brand attitude is being generated, if main target is reached and if new customers are being attracted. The timetables in **Annex 28** should be a reference for the execution of activities.

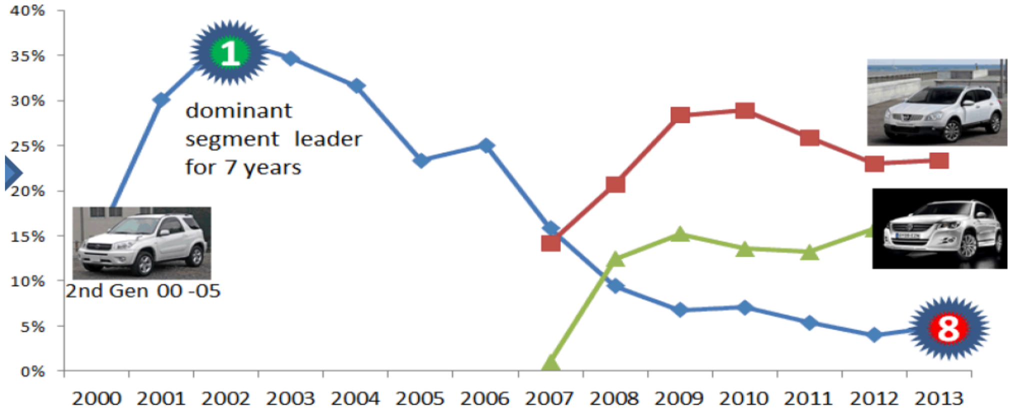
Contingency Plan

For contingency measures, it is necessary to be prepared in case unpredictable results emerge. It is of huge importance to refer to the EBS (Early Buyers Survey) results once again in the second half of 2014. This way, perceptions and comments from customers who have bought model year can be identified to assess its performance. In case the previously established objectives are not reached, it is crucial to realign with the latest market trends adjusting new design elements, exterior colors and equipment components for a re-launch in the beginning of upcoming years. It is important to mention that the full model change of RAV4 will arrive just in the beginning of 2017.

Annexes

Annex 1 – RAV4 market share evolution

Source: NEW REG database



Annex 2 – All generations of RAV4

Annex 3 – Sales and market share by manufacturer in U.K

Source: NEW REG database

Manufacturer	2012	M.S
Ford	281917	14%
Vauxhall	232255	11%
Volkswagen	183098	9%
BMW	127530	6%
Audi	123622	6%
Nissan	105835	5%
Peugeot	99486	5%
Mercedes	91855	4%
Toyota	84563	4%
Hyundai	74285	4%

Annex 4 – C-SUV sales and market share by model in U.K
Source: NEW REG database

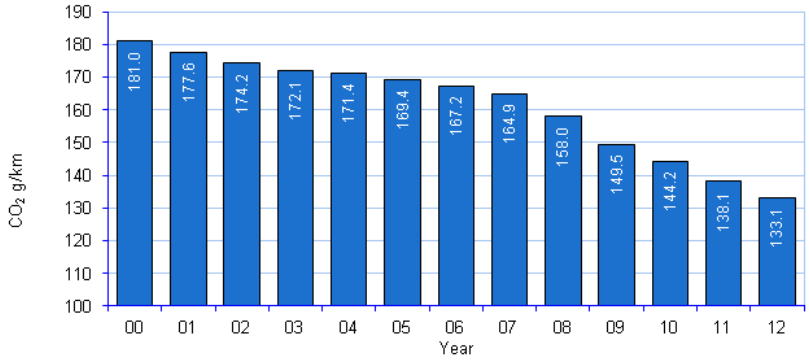
Model	2012	M.S
Nissan Qashqai	45675	24%
Kia Sportage	14964	8%
Honda CR-V	13649	7%
Hyundai ix35	11053	6%
Ford Kuga	10570	5%
VW Tiguan	10477	5%
Vauxhall Antara	7500	4%
Toyota RAV4	4028	2%
Mitsubishi ASX	2511	1%
Mazda CX-5	1882	1%

Annex 5 – Direct competitors

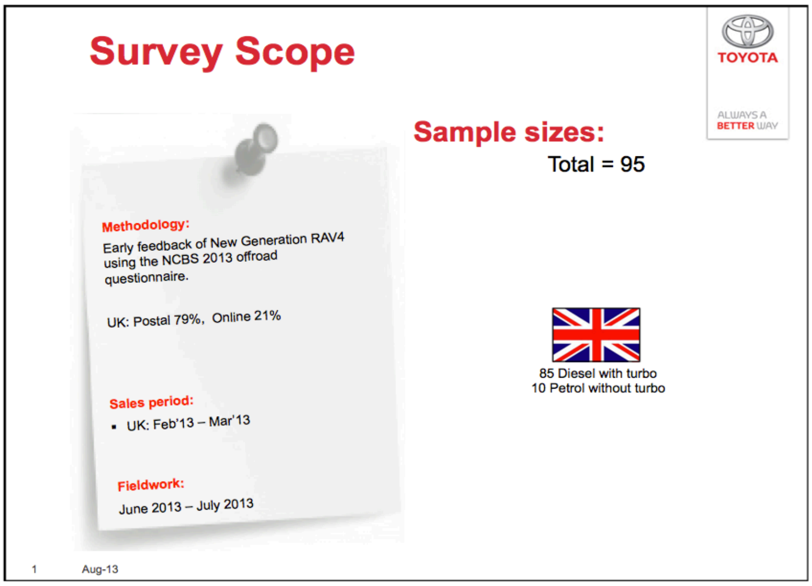
FORD KUGA 2013

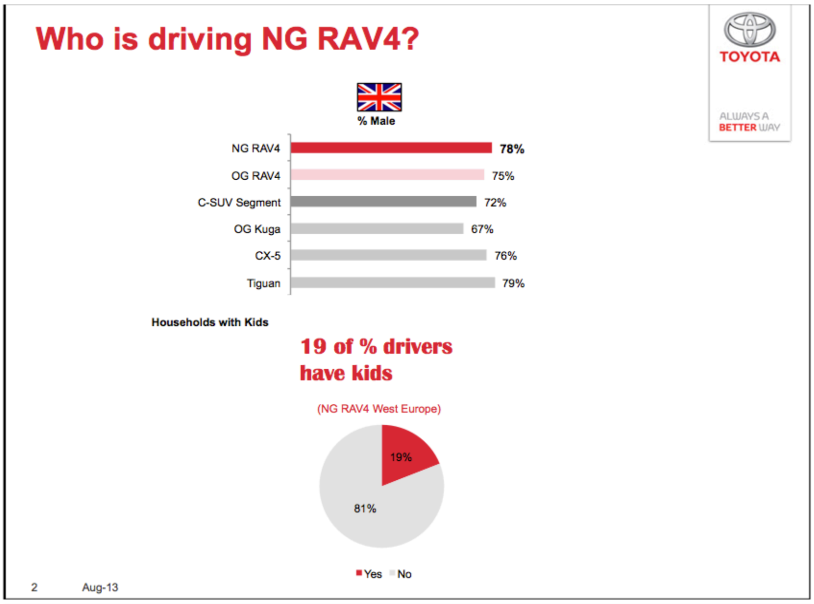
VOLKSWAGEN TIGUAN 2013

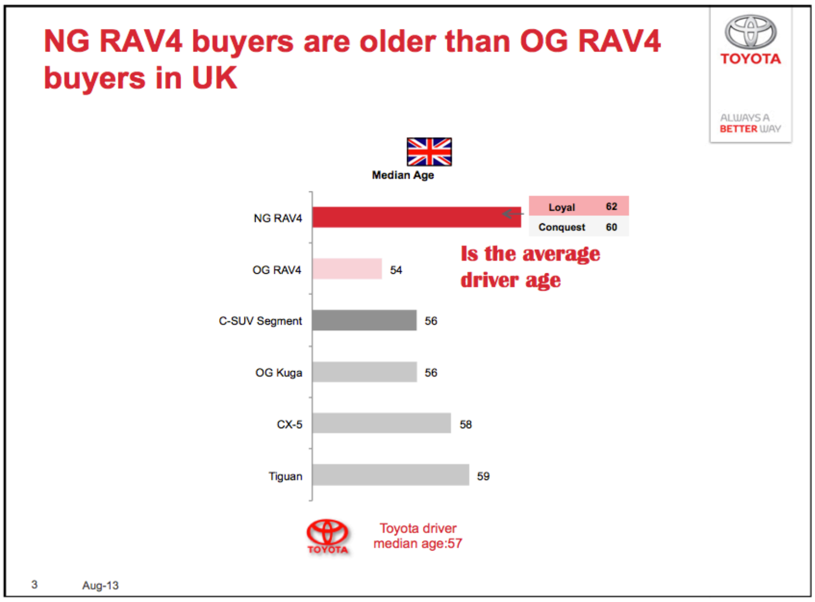
Annex 6 – U.K new car CO2 emissions
Source: Society of Motor Manufacturers and Traders



Annex 7 – RAV4 Early Buyers Survey in U.K



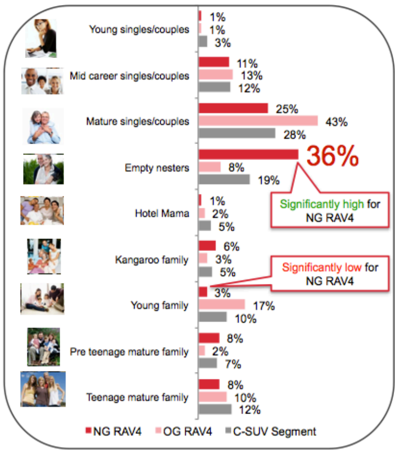




NG RAV4 Lifestage

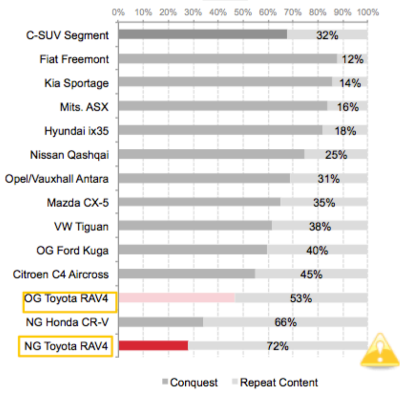
36% of drivers are empty nesters

NG RAV4

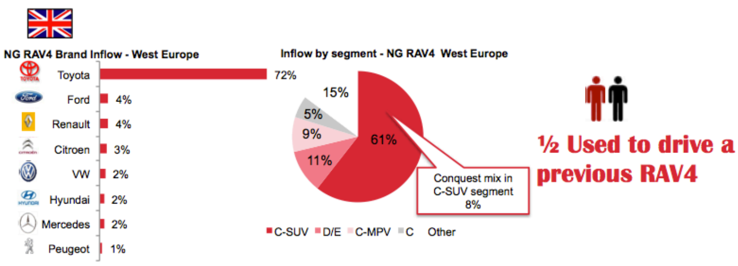


Low Conquest Rate in UK

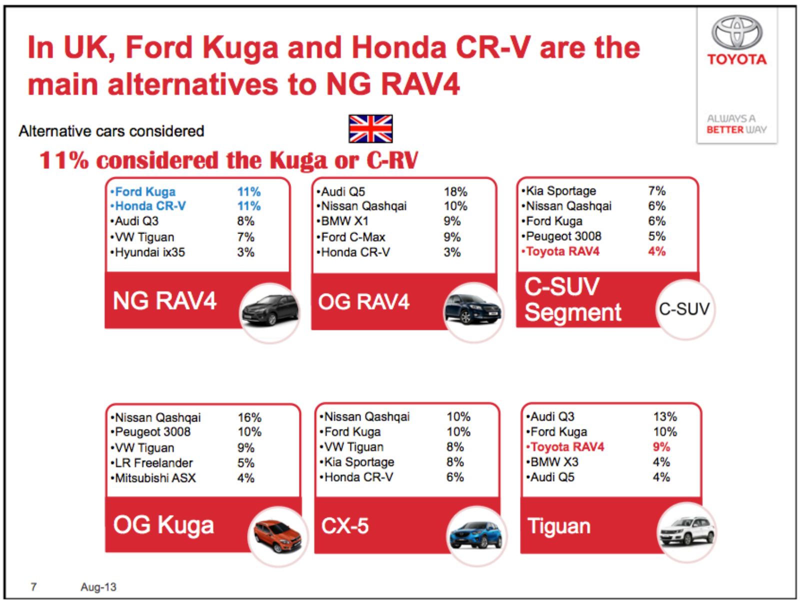
28% of customers are conquest



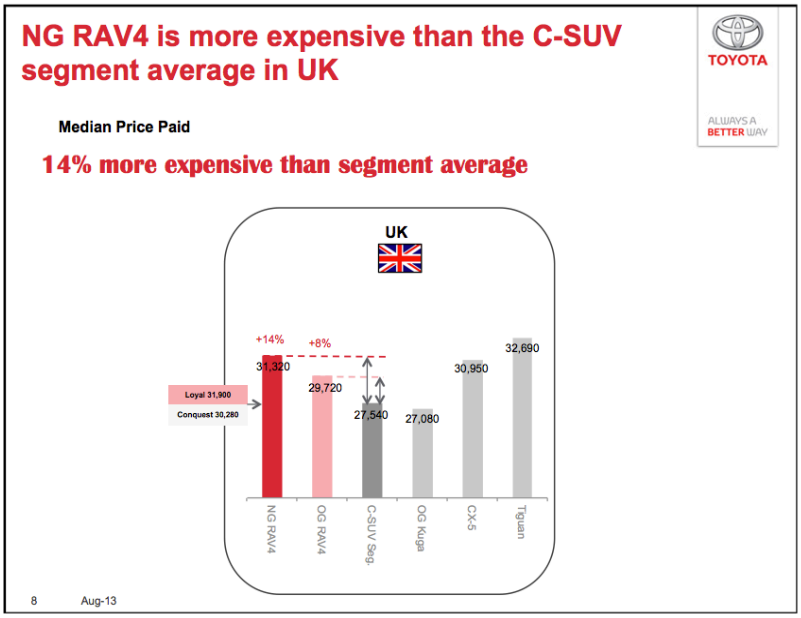
Buyer inflow



½ Used to drive a previous RAV4



In UK, Ford Kuga and Honda CR-V are the main alternatives to NG RAV4
TOYOTA
ALWAYS A BETTER WAY
Alternative cars considered
11% considered the Kuga or C-RV
•Ford Kuga 11%
•Honda CR-V 11%
•Audi Q3 8%
•VW Tiguan 7%
•Hyundai ix35 3%
NG RAV4
•Audi Q5 18%
•Nissan Qashqai 10%
•BMW X1 9%
•Ford C-Max 9%
•Honda CR-V 3%
OG RAV4
•Kia Sportage 7%
•Nissan Qashqai 6%
•Ford Kuga 6%
•Peugeot 3008 5%
•Toyota RAV4 4%
C-SUV Segment
C-SUV
•Nissan Qashqai 16%
•Peugeot 3008 10%
•VW Tiguan 9%
•LR Freelander 5%
•Mitsubishi ASX 4%
OG Kuga
•Nissan Qashqai 10%
•Ford Kuga 10%
•VW Tiguan 8%
•Kia Sportage 8%
•Honda CR-V 6%
CX-5
•Audi Q3 13%
•Ford Kuga 10%
•Toyota RAV4 9%
•BMW X3 4%
•Audi Q5 4%
Tiguan
7
Aug-13



NG RAV4 is more expensive than the C-SUV segment average in UK
TOYOTA
ALWAYS A BETTER WAY
Median Price Paid
14% more expensive than segment average
UK
+14%
+8%
31,320
29,720
27,540
27,080
30,950
32,690
Loyal 31,900
Conquest 30,280
NG RAV4
OG RAV4
C-SUV Seg.
OG Kuga
CX-5
Tiguan
8
Aug-13

Why do people buy NG RAV4 in UK?
In terms of purchase criteria, financial consideration, Design and size are the top 3.
TOYOTA
ALWAYS A BETTER WAY
Main Purchase reasons (grouped)
Financial Considerations/ Economy
27%
Price 8%
Fuel consumption 6%
Value for Money 4%
Economy/Running Costs 3%
Design
24%
Exterior Styling 20%
Size
22%
Interior space 6%
Size of boot 3%
Dealer
19%
Aftersales Service 13%
Quality Aspects
12%
Robustness/Reliability 12%
Driving Characteristics
13%
Performance 3%
Suspension 3%
Suit. for Local Roads 3%
Technical aspects
8%
Drive (FWD/ RWD/ 4WD) 6%
Accessories/Equipment
6%
Level of equipment 5%
Comfort
5%
Safety
2%
Other
35%
9
Aug-13

Exterior styling and advice from friends are key motivators to conquest buyers

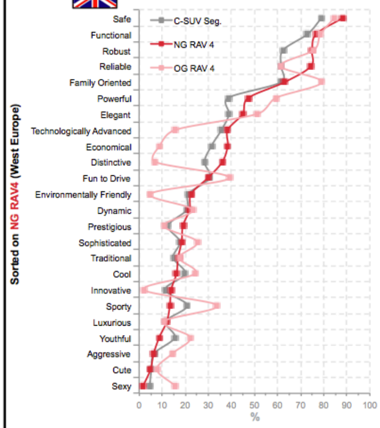
TOYOTA
ALWAYS A BETTER WAY

NG RAV4 UK

Loyal		Conquest	
Always Buy Same Make	64%	Exterior Styling	32%
Aftersales Service	15%	Advice from Friends	21%
Exterior Styling	15%	Price	14%
Robustness/Reliability	14%	Always Buy Same Make	14%
New Model/Version	13%	Value for Money	11%
Advice from Friends	12%	New Model/Version	11%
Low Fuel Consumption	6%	Drive (Wheels)	9%

NG RAV4 is considered to be functional and robust in UK

TOYOTA
ALWAYS A BETTER WAY



This chart summarises relationships between the models and car characteristics. A model positioned close to a characteristic suggests more mentions/a stronger image for that particular characteristic. Two or more car characteristics positioned close together suggests a strong correlation between the characteristics in question.

NG RAV4 Vs C-SUV Segment Average

✓	✗
Reliable Robust Safe Powerful Distinctive	Sporty Youthful Cool Sexy

Key messages – UK

TOYOTA
ALWAYS A BETTER WAY

Profile

- The typical NG RAV4 driver in UK is male, aged 62 and is married. In addition, just 19% of NG RAV4 buyers have kids.
- NG RAV4 buyers in UK are predominantly **empty nesters** (36%) or **mature singles/couples** (25%).

Purchase Process

- **Median price paid** for NG RAV4 in UK (€31,320) is significantly higher than the segment average (€ 27,540).
- **Conquest rate** is still low (28%) compared to both the segment average (68%) and OG RAV4 (47%)

Product Execution

- 64% of NG RAV4 buyers in UK are **completely satisfied** with their car overall, this is significantly above the segment average of 53%.
- 76% of NG RAV4 buyers would **definitely recommend** the car; once again this is notably better than the segment average of 68%.
- NG RAV4 is performing well in almost all **product satisfaction** areas, the most notable being **luggage capacity** and **rear interior roominess**. However, some improvements could be made regarding the **ease of reading instruments**.

Annex 8 – Detailed SWOT analysis

Strengths:

- Very strong brand reputation behind RAV4, value recognized by the market and appreciated by consumers.
- Model with a meaningful heritage, the first in the compact SUV segment and still an icon after 4 different generations.
- Broad segment of devoted customers, automatically immersed in the loyalty loop of the purchasing process.

Weaknesses:

- Significant loss of share in recent years, overtaken by various competitors.
- Model mostly related to functional elements, not associated with emotional attitudes.
- Low customer attraction, RAV 4 is too dependable in previous loyal customers.
- Median price paid by customer is 14% more expensive than the C-SUV segment average.

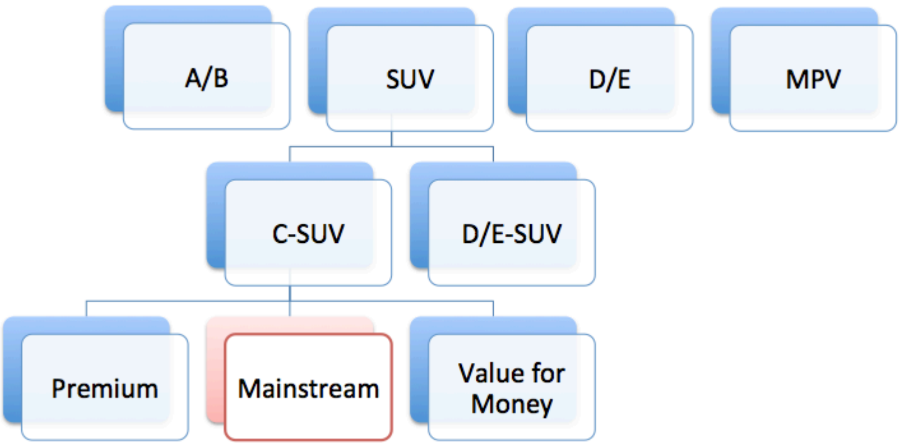
Opportunities:

- U.K vehicle market growing and still expected to grow in the following years.
- Increasing C-SUV segment weight comparing to the total automotive market.
- Attract new and younger customers to renovate the customer base of RAV4.

Threats:

- Fewer gaps in quality perception between more traditional and mostly new Korean brands.
- Economic crisis determines more price driven customers that have a wide variety of vehicles to choose from in every price range.
- Mainstream segment is being pressured by the premium brands that are attracting European customers aggressively.

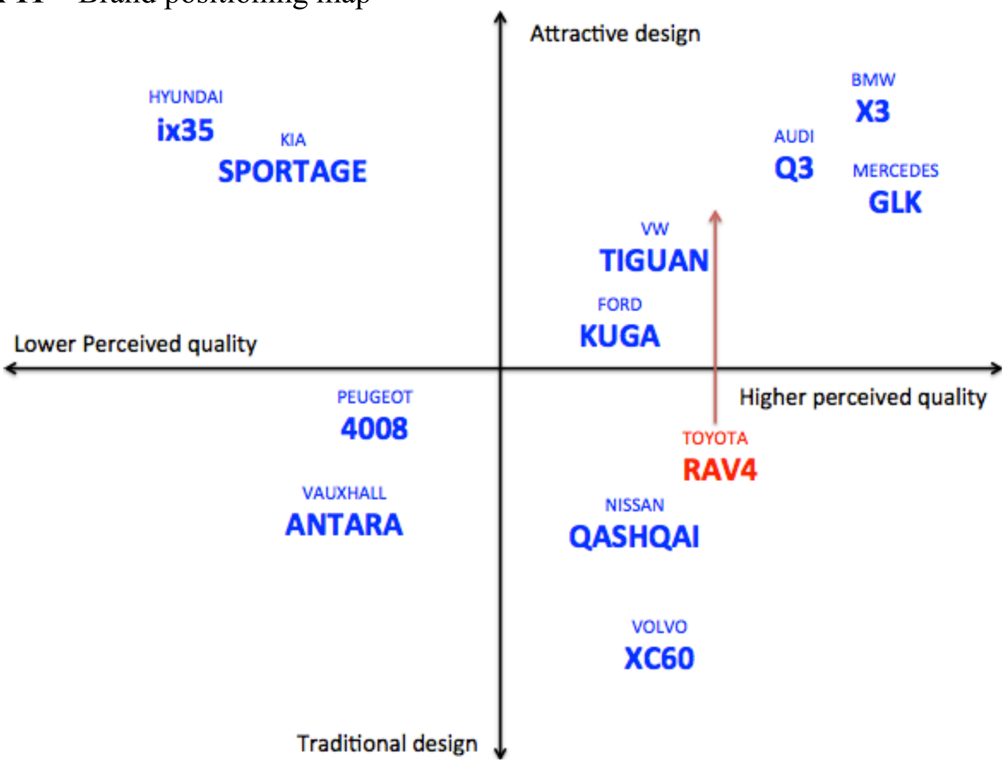
Annex 9 – Automotive Market Hierarchy



Annex 10 – RAV4 main features comparison with direct competitors

Vehicle	Engine	Power [hp]	CO_2 [g/km]	Fuel (l/100km)	Boot Capacity (l)
NG RAV4	2.0D M/T 4WD	124	136	7.2	577/1866
Tiguan	2.0D M/T 4WD	110	148	7.5	470/1510
Kuga	2.0D M/T 4WD	140	163	7.7	406/1603

Annex 11 – Brand positioning map



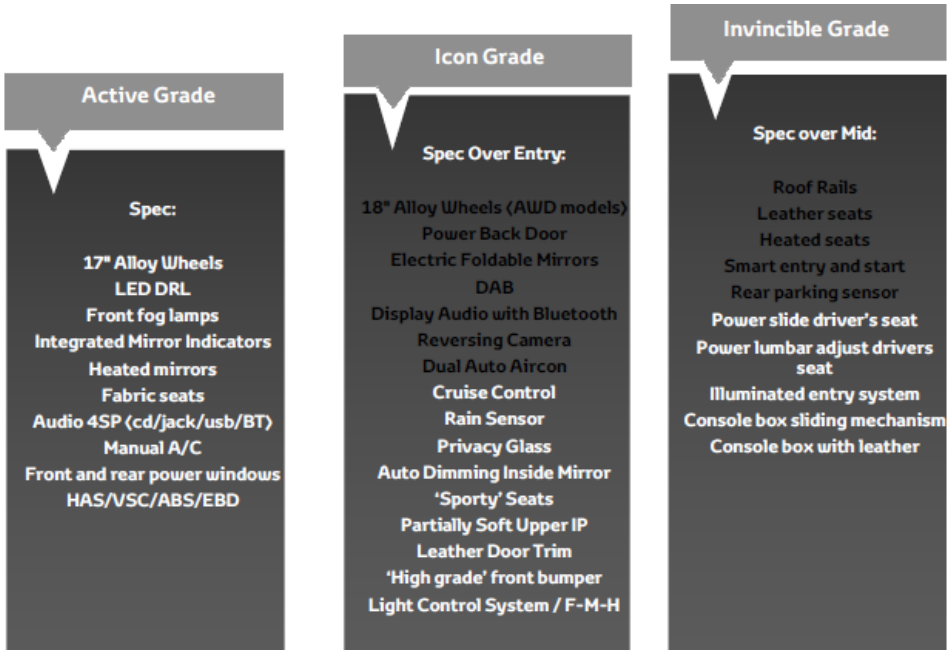
Annex 12 – Model Year RAV4 Newness

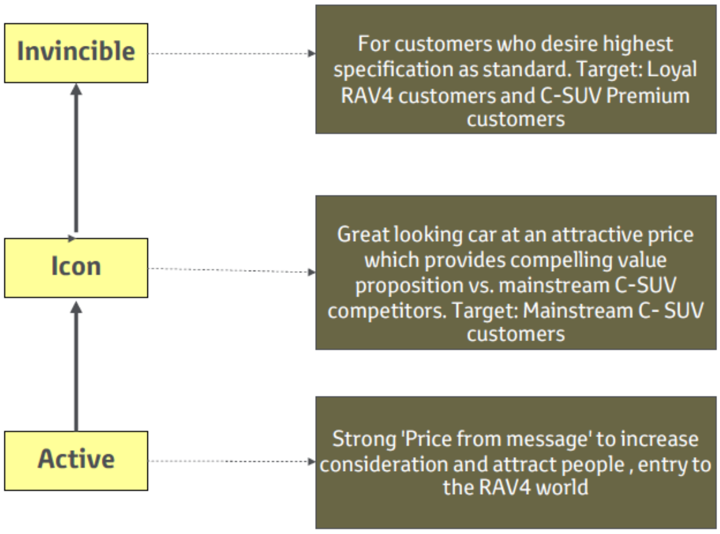
New exterior design enhancements

New 18" alloy wheels

New dark brown colour

Annex 13 – Grade strategy for RAV4 in U.K

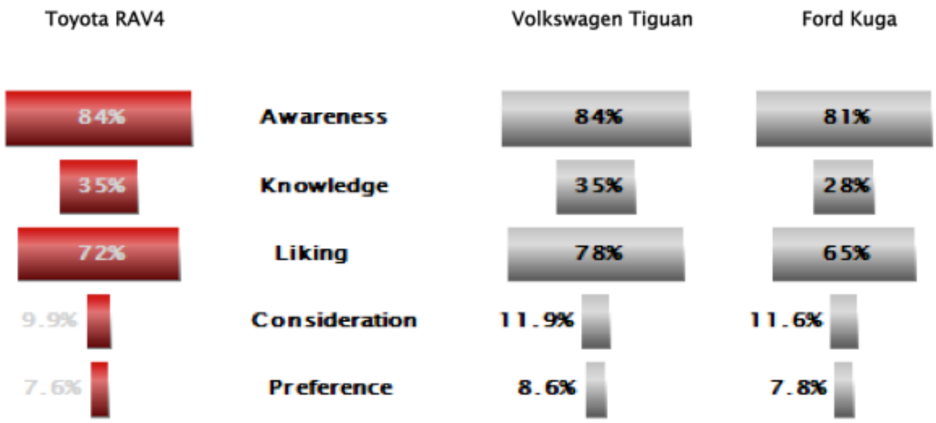




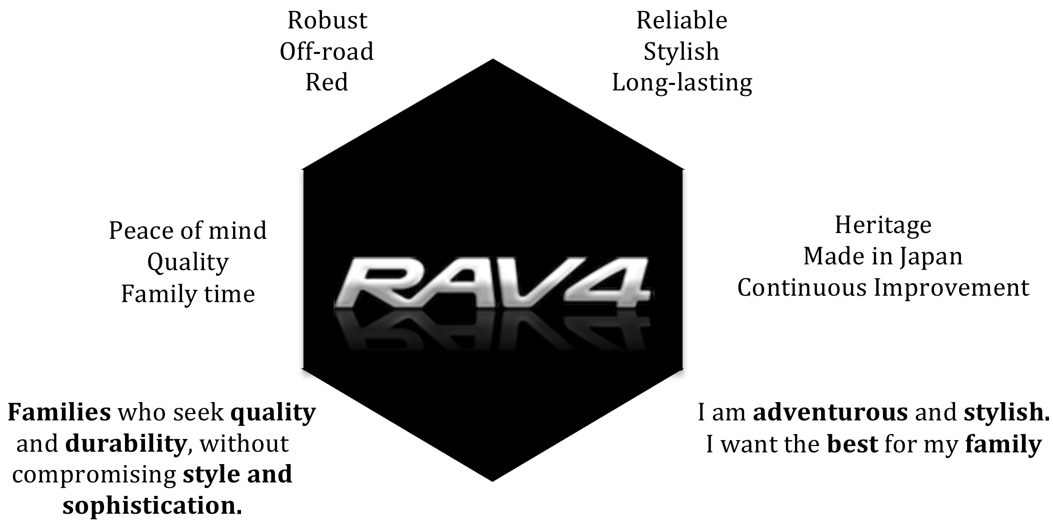
Annex 14 – Engine Line up available for RAV4 in U.K

2.0 DIESEL MANUAL 2WD	2.0 PETROL AUTOMATIC 4WD	2.2 DIESEL AUTO/MANUAL 4WD	2.0 DIESEL MANUAL 4WD
			NEW
Co2 emissions: (g/km): 127	Co2 emissions: (g/km): 167	Co2 emissions: (g/km): 149	Co2 emissions: (g/km): 136
Fuel Economy (mpg): 57.6	Fuel Economy (mpg): 39.2	Fuel Economy (mpg): 49.6	Fuel Economy (mpg): 53.1

Annex 15 – RAV4 and main competitors brand performance
Source: New Car Buyer Survey, sample of 265 people, U.K Feb-Jun 2013



Annex 16 – RAV4 identity prism



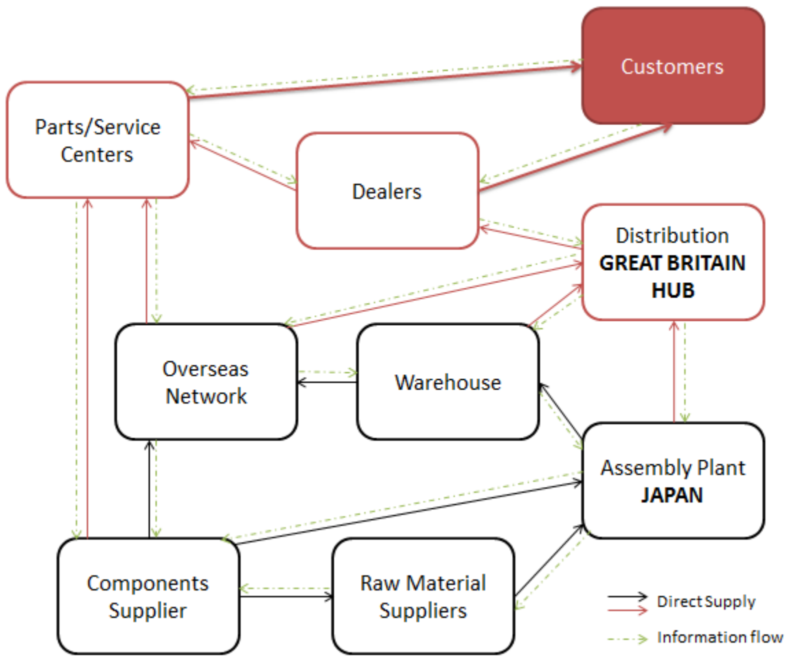
Annex 17 – Main competitors feature model offers in U.K

	HONDA	VOLKSWAGEN	FORD	TOYOTA
Feature Model	**CR-V** SE 2.2 IDTEC 4WD	**TIGUAN** SE BLUEMOTION 2.0 TDI 4MOTION	**KUGA** TITANIUM 2.0 TDCI AWD	**RAV4** ICON 2.0D 6MT AWD
OTR Price	£26,105	£25,895	£25,900	£26,395
Customer Deposit	£6,254	£6,254	£6,254	£6,254
Representative APR	5.0%	6.9%	7.9%	4.9%
35 mthly payment	£358	£334	£253	£299

Annex 18 – RAV4 grades, engines and prices available in U.K

GRADE	ENGINE	FINAL OTR
Active	2.0D 2WD	£23,495
Icon	2.0D 2WD	£25,195
Icon	2.0P CVT 4WD	£26,495
Icon	2.0D 4WD	£26,395
Icon	2.2D 6MT 4WD	£27,395
Icon	2.2D 6AT 4WD	£28,495
Invincible	2.0D 2WD	£26,895
Invincible	2.0D 4WD	£28,095
Invincible	2.2D 6MT 4WD	£29,095
Invincible	2.2D 6AT 4WD	£30,195

Annex 19 –Toyota supply chain (RAV4)



Annex 20 – Illustration of Toyota Kiosks

Annex 21 – Illustration of ramps used in events

Annex 22 – BSM and Creative Brief

- **<u>Behavioural Sequence Model</u>**

	Need Arousal: Transportation/Replacement	Information search & evaluation	Purchase	Usage & evaluation
Who	Him/Her (initiator) Family members, friends, colleagues (initiators, influencers)	Him/Her (decider) Family members, friends, colleagues (influencers)	Him/Her (purchaser)	Him/Her (user)
Where	At home/work, dealer, events	At home/work, in-store, events	Dealers, events	At home/work, in-store
When	Need of transportation /replacement	1-3 months after need arousal	Months after information search and evaluation	1 month after purchase
How	Need of transportation /replacement	Call, ask for brochure search online, on mobile, magazines, dealer, ask friends and family	In-store, events locations	In-store, events locations

- **Creative Brief**

Target audience

Men and Women aged 35-49 that live in the main urban and suburban locations of Great Britain seeking for a family car in their reach able to deliver off-road benefits, high quality and reliability with an attractive exterior style and that conveys peace of mind.

Marketing Objectives:
- Increase sales volumes
- Increase market share
- Increase brand image and brand purchase consideration amongst young families

Action Objectives
- Brand trial
- Repeat Purchase

Communication Objectives
- Recall Brand Awareness
- Increase favourable brand attitude
- Brand purchase intention

Positioning Statement for Campaign
- To: For British drivers between 35 and 49 years old who are other brand loyals and other brand switchers, head of young families that prioritize comfort, durability and reliability, RAV4 is the compact SUV that offers superior quality, lower CO2 emissions, improved fuel consumption and distinguished design because of its recognized heritage, brand support, extra roominess and comfort to fulfill the aspirations of active families.

Key benefits
- A reliable and sophisticated 4WD now in the reach of young families with the new 2.0 Diesel engine that provides low emissions and fuel economy.
- Improved design with attractive new colour presenting extra roominess and comfort.

Reason to believe
- RAV4 has a recognized heritage, brand support and extra roominess and comfort to fulfil the aspirations of active families

Advertising should…
- Emphasize the new features of RAV4 including new design and equipment elements
- Emphasize the key benefit of owning a reliable C-SUV full of heritage linking it to the emotional involvement throughout generations

Must mention
- Promotional sweepstake associated to Test drives

Mandatory content
- Toyota and RAV4 logos, product visual accompanied by families and previous generations to show heritage and emotional bond.

Desired consumer response
- To persuade heads of young families to visit dealers and places where events will take place to test-drive model year RAV4.

- **Creative Target, Media and Media Target**

Creative Target	British drivers
Media	Primary (TV, Newspaper/Magazines, Internet, Social Networks, Outdoors) Secondary (PR/events).
Media Target	Head of young families 35-49 looking to replace or buy a new family vehicle.

Annex 23 – Sample of creative idea for printed advertisement

Annex 24 – Retailer's In-depth Interview Guide

A. Pre recruiting questionnaire

Filter 1: Have you been in direct contact with potential customers interested in purchasing a RAV4?

-No: Stop interview
-Yes: Filter 2

Filter 2: Did any of these customers end up purchasing a RAV4?

-No: Stop interview
-Yes: Set up interview

B. Warm up:

The following interview will be an important support for the development of a work project with the purpose of acquiring my master's degree. Thank you in advance for the time invested in talking about this theme. After the first topic that I will introduce now, you will be free to tell me whatever comes to your mind on the subject… If you don't mind, I will record the interview. This interview will last approximately half an hour. Before we start, could you tell me a little bit about your business?

C. Topics to be developed:

- Image and perceptions of this model. (Obstacles and incentives for consumption, understanding of the offer).
- Consumer behavior and consumer s' profile (Sex, family members, occupation…) Focus on age of purchaser (influence of this variable)
- How do they choose? Other models considered, most mentioned features, relevant comments design and look remarks. Competitors… Pricing leverage when making a decision.
- Were they offered a test drive? Specific comments on driving qualities.
- Principal usage of the vehicle (personal, family transportation, work, etc.…)
- Outcome of communication efforts? Mention of ads, printed media, digital media, etc.) Emotional or rational effects?

Annex 25 – Summary of Dealer's in-depth interviews

Retailers' In-depth Interviews SUMMARY Blacknell, Kingston, Nottingham, Cardiff, Glasgow and Stirling
1. Image and perception fo the model
-According to retailers most of the customers are satisfied with NG RAV4.
-Main customers are aware about the superior quality RAV4 offers versus competitors.
-Retailers are very positive about the NG RAV4 which constitutes an "easy" sale for them considering that
most of them are loyal customers who do not need convincing.
-For them, overall consumers believe the NG is better than the previous one.
"Our clients are mostly happy with their choice, the reliability of RAV4 stands out" (Store manager, Stirling)
"The quality behind the brand is what helps consumers make up their minds" (Sales executive, Glasgow)
"RAV4 is among the favorites of our staff, it is an easy sale for returning loyal customers" (Manager, Blacknell)
"Some customers mention how this generation is the best they have seen so far" (Salesperson, Kingston)
2. Consumer Behavior and Profile
-Most retailers do not see special interest, so far, from families in the RAV4.
-A majority of customers already know the specifications before making a visit to the dealer
-Some of the men that are involved in the purchasing process are not the main drivers of the car
-Most purchasers already owned a RAV4 or Toyota, the percentage of new consumers is low
"RAV4 typical consumer is about 60 years old, living only with his wife" (Store manager, Stirling)
"Customers are well aware about the features of NG RAV4 before coming to the retailer" (Sales Executive, Nottingham)
"Sometimes, men are the puchasers of the vehicle but the ones actually driving are their wives" (Salesperson, Cardiff)
"The amount of customers coming from other brands is not very frequent in the case of RAV4" (Sales executive, Glasgow)
3. How consumers choose
-According to retailers most new consumers are comparing RAV4 to direct competitors and other C-SUVs
-Dealers highlight that some of the negative comments are related to the exterior design of the model
-Most retailers agree that customers mention driving elements, boot space and comfort as the most positive features
-Considering the 4WD engines, price is one of the main reason why families are not attracted to RAV4
"New customers are comparing RAV4 to Qashqai, Tiguan and Kuga while they do not mention CR-V" (Manager, Blacknell)
"According to some of our customers, there's nothing seductive to make it stand out of the crowd" (Sales executive, Glasgow)
"Our customer's opinions show that the new RAV4 has an anonymous design which makes the vehicle not individual
anymore" (Sales person, Kingston)
"After driving the RAV4, customers are very pleased with its driving characteristics" (Sales person, Cardiff)
"Families could be more attracted to RAV4 if a 4WD version would be more affordable" (Sales Executive, Nottingham)
4. Test Drives
-Some dealers mention the importance of test drives when closing sales of RAV4
-Retailers consider in general that the amount of test drives performed by new customers could still be higher
"Some consumers that end up buying the model take their time performing a test drive" (Store manager, Stirling)
"Customers could take up to 30 minutes testing the vehicle before making their decision" (Sales executive, Glasgow)
"Only a few customers of the overall come for a test drive" (Manager, Blacknell)
5. Communication Efforts
-A majority of delaers commented that most customers discovered the NG on the internet.
-The former TV spot was suspended, retailers claimed that the ad did not grab customers' attention and customers
seemed to be confused about its message
"Although they are considered mature, their first contact with the model is through the internet" (Sales person, Cardiff)
"Traffic on the website is increasing, certainly it is the main way to communicate with customers" (Store manager, Stirling)
"The ad developed for RAV4 was lacking more emotion to create a greater link with viewers" (Sales person, Kingston)
"The TV commercial was not achieving the objective of pulling customers to our stores" (Sales Executive, Nottingham)

Annex 26 – Summary of Interviews with key brand members

Brand key members In-depth Interviews SUMMARY Product and brand managers (TGB) - Specialist, C-SUV general manager and U.K country manager (TME)
1. Positioning image in the U.K
-According to the product and brand managers, RAV4 has a significant heritage in the U.K with some years on the market
-They believe the vehicle has almost created a brand of its own although it is not as strong as some other brands.
-For the country manager, UK is a market receptive to new trends and as RAV4 being a pioneer it has been well received
-According to the TME members, RAV4 was the creator of a whole new vehicle category that is now very significant
"There's a big vehicle park with a lot of RAV4s on the road, making it trusted and solid" (Product manager, TGB)
"It is a well stablished brand, but it still has a long way to go" (Brand Manager, TGB)
"RAV4 stablished itself very well from the beginning, it was a strong contributor of Toyota in U.K" (Country manager, TGB)
"RAV4 is the pioneer of the C-SUV segment, the very first to present unique off-road features" (C-SUV manager, TME)
2. Main features and comments from British consumers
-In Great Britain, according to TGB staff, consumers mainly appreciate the functional characteristics of RAV4
-In terms of the design, the British press and consumers crticized how outdated it was comparing to other competitors
-According to the country manager, the SUV phenomena has attracted a lot of drivers from other segments to RAV4
-RAV4 was the main leader of the C-SUV segment but with years and new competitors, share has eroded significantly
"The top likes of our customers are: spaciousness, comfort, fuel economy and driving experience" (Product manager, TGB)
"The actual design is somewhat considered old-fashioned comparing it particularly with Kuga" (Brand manager, TGB)
"The driving position, the sense of safety are key factors that attract customers to RAV4" (Country manager, TME)
"Functional features are the ones that customers like the most, such as spaciousness and some unique driving characteristics" (C-SUV manager, TME).
"Since other manufacturers came in with their products to compete, share has been eroded significantly, RAV4 was the leader for some time and now it is some way below that" (Country Manager, TME)
"For the last two generations of the model, competitors have appeared with stronger and better designs" (Specialist, TME)
3. Appealing to younger customers
-The fact that RAV4 has a lot of years on the roads makes older people be more familiar with the model
-Toyota is characterized throughout most of its models available in the UK by having consumers of advanced age.
-According to TGB perspective, value for money C-SUV appeal more to younger customers because of price mainly
"RAV4 is not just a new kid on the block it is a very well stablished model with a strong brand" (Country manager, TME)
"The overall profile of Toyota customers tend to be older customers in every product line-up" (Country manager, TME)
"The low cost SUVs are preferred by young families, empty nesters have more disposable income" (Brand manager, TGB)
"Price is one of the biggest constraints that push young people away from RAV4" (Product Manager, TGB)
"To attract younger customers is all about price and delivering added value benefits" (Product Manager, TGB)
4. Perspectives for MY
-The offering of Model Year has the capability of bringing a new spirit to RAV4 to increase competitiveness
-With the new engine and more attractive looks, the product will be able to attract new and younger customers
"The visual appeal of model year is great, as a communication hero it can have a deep impact with a product proposition as a big improvement" (Country manager, TME)
"The new design elements are mainly targeting younger customers as well as the new smaller engine" (Specialist, TME)
5. The future of RAV4
-The market has changed dramatically since RAV4 opened a new segment some years ago according to TGB members
-Competition is still going to be increasing with new brands bringing in their own C-SUV models with different offerings
"The market is so diverse with so many compeitors that it won't be number 1 of the whole segment" (Brand manager, TGB)
"The segment has been redefined, but leadership of the mainstream segment could be achieved" (Product Manager, TGB)
"Premium segment is pressuring all the category, with a non-stop and increasing growth" (C-SUV manager, TME)
"Looking from a communication point of view, there is a need to ensure the level of visibility with a relevant message for the customers and to find out the key aspects that stand out" (Country Manager, TME)

Annex 27 – P&L per grade, market share estimation and marketing budget

	PRICE STRUCTURE		
	ACTIVE	ICON	INVINCIBLE
Price	£ 23,495	£ 26,395	£ 28,728
- VAT (20%)	£ 4,699	£ 5,279	£ 5,746
Net Price	£ 18,796	£ 21,116	£ 22,982
COGS (87%)	£ 16,353	£ 18,371	£ 19,995

P&L s

	2014			
Volume	288	4961	1941	
Net Sales	£ 5,413,248	£ 104,756,476	£ 44,608,838	
COGS	£ 4,709,526	£ 91,138,134	£ 38,809,689	
Gross Margin	£ 703,722	£ 13,618,342	£ 5,799,149	
Marketing Expenses	£ 70,372	£ 1,361,834	£ 579,915	
Fixed Costs	£ 6,686,700			
Operating Profit	£ 11,422,392			Dealer's Margin 8%

	2015			
Volume	333	5737	2245	
Net Sales	£ 6,259,068	£ 121,142,492	£ 51,595,488	
COGS	£ 5,445,389	£ 105,393,968	£ 44,888,075	
Gross Margin	£ 813,679	£ 15,748,524	£ 6,707,413	
Marketing Expenses	£ 81,368	£ 1,574,852	£ 670,741	
Fixed Costs	£ 7,732,950			
Operating Profit	£ 13,209,705			Dealer's Margin 8%

	2016			
Volume	381	6572	2571	
Net Sales	£ 7,161,276	£ 138,774,352	£ 59,087,750	
COGS	£ 6,230,310	£ 120,733,686	£ 51,406,343	
Gross Margin	£ 930,966	£ 18,040,666	£ 7,681,408	
Marketing Expenses	£ 93,097	£ 1,804,067	£ 768,141	
Fixed Costs	£ 8,857,320			
Operating Profit	£ 15,130,415			Dealer's Margin 8%

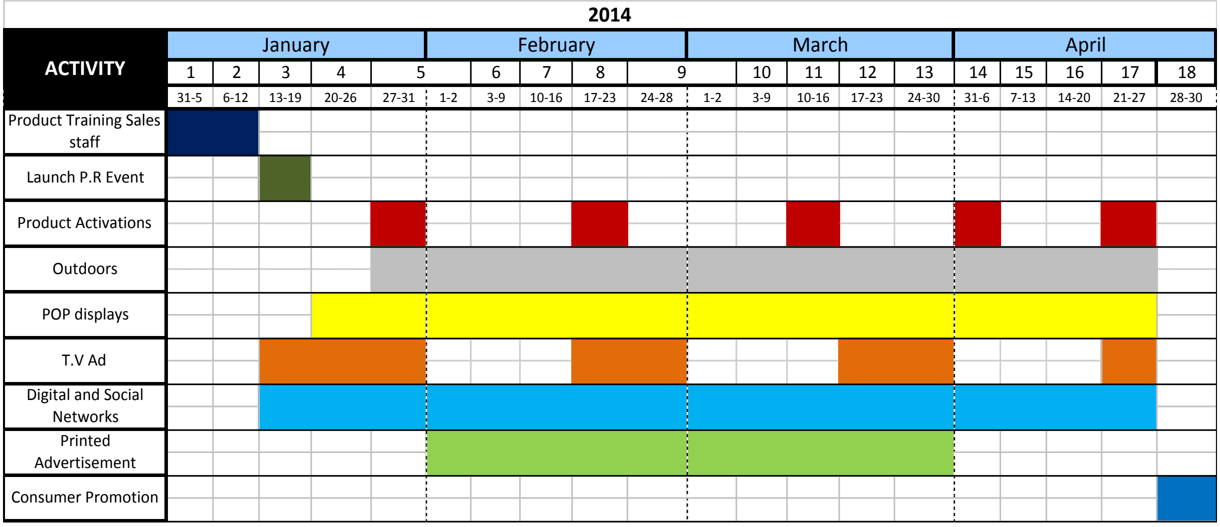
	RAV4 Sales	Growth	Segment sales	Growth	M.S
2012	4028		193773		**2.08%**
2013	6903	71%	231724	20%	**2.98%**
2014	7190	4%	235060	1%	**3.06%**
2015	8315	16%	244523	4%	**3.40%**
2016	9524	15%	249413	2%	**3.98%**

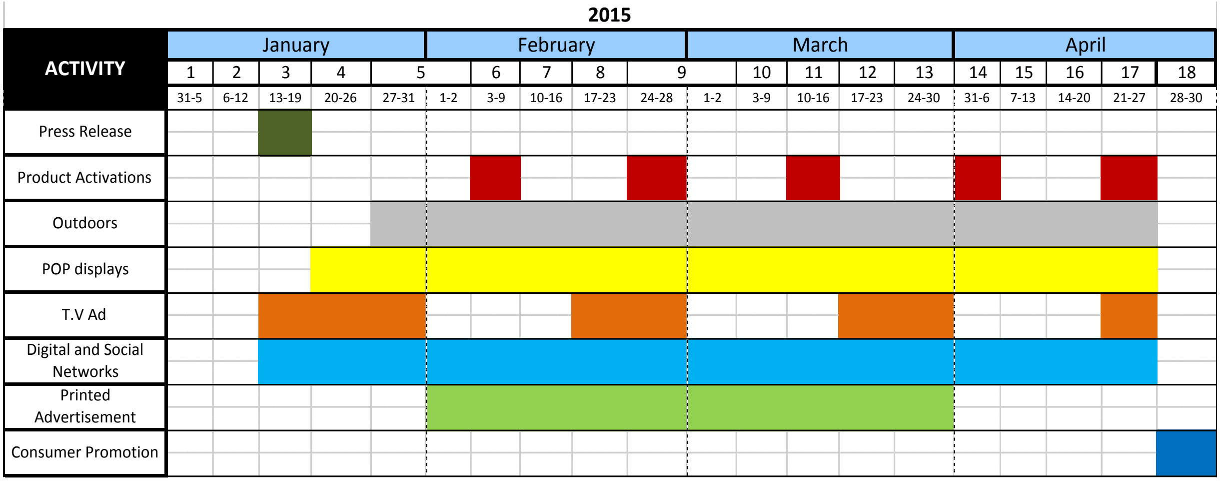
MARKETING BUDGET							
		2014		**2015**		**2016**	
TRAINING	SALESFORCE	£ 21,000	1%	£ 25,000	1%	£ 28,500	1%
ADVERTISING	TV	£ 925,650	46%	£ 1,116,900	48%	£ 1,252,000	47%
	NEWSPAPER	£ 399,500	20%	£ 515,000	22%	£ 670,000	25%
	OUTDOORS	£ 250,000	12%	£ 250,000	11%	£ 250,000	9%
	POP MATERIAL	£ 9,743	0%	£ 5,062	0%	£ 4,804	0%
	DIGITAL & SN	£ 101,228	5%	£ 145,000	6%	£ 190,000	7%
CONSUMER PROMO	SWEEPSTAKES	£ 60,000	3%	£ 60,000	3%	£ 60,000	2%
P.R & ACTIVATIONS	EVENTS	£ 245,000	12%	£ 210,000	9%	£ 210,000	8%
	TOTAL	£ 2,012,121		£ 2,326,962		£ 2,665,304	

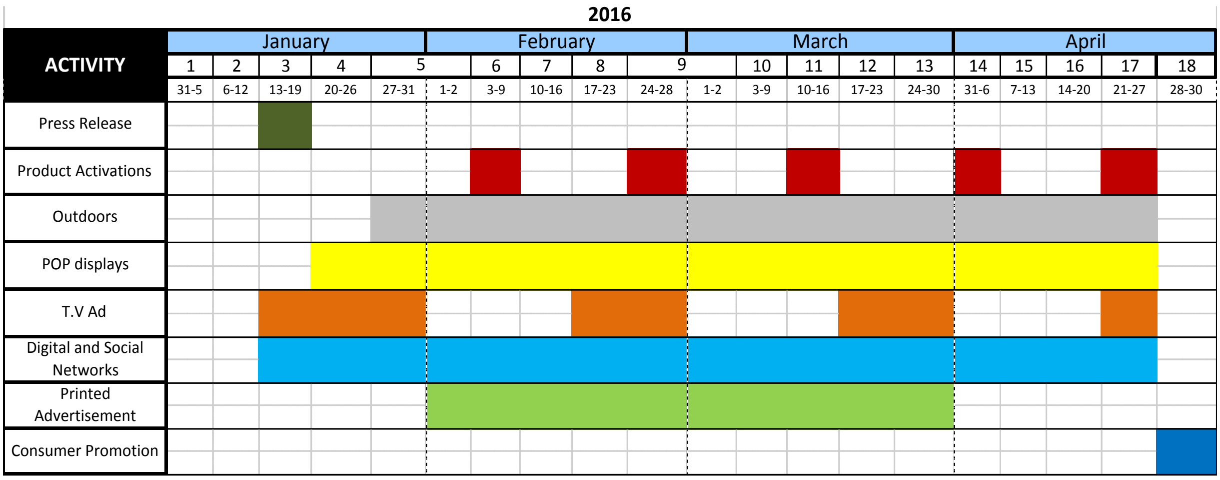
Assumptions

- Price assumed to stay fixed for the next three years until launch of 5th generation model (2017).
- Retailer's margin is approximate to 8% of the net price.
- COGS based on an approximate value obtained from a CIF reference provided by TME.
- Volume amounts per grade are based on actual sales mix of the model in the U.K meaning: Active 4%, Icon 69% and Invincible 27%.
- Price per grade for calculation purposes was compounded using the average price of all engines for each line up.
- Marketing expenses are based in cost per unit calculated at around 7%, for new customer attraction purposes the budget is increased to 10% of revenues.
- Fixed costs were calculated by a given reference from TME as fixed sales expenses: 560€ and General-Administrative expenses: 370€ per unit.
- Segment sales growth calculated on forecasted volumes for the next three years based on New Registrations database, updated October 2013.

Annex 28 – Recommended schedule







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