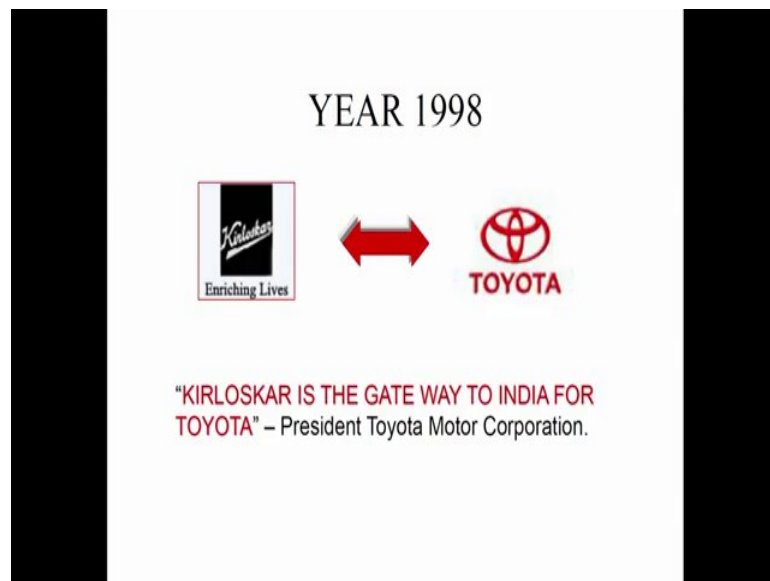


Integrated Marketing Management
Prof. R. Srinivasan
Department of Management Studies
Indian Institute of Science, Bengaluru

Lecture – 30
Toyota Strategy

Welcome to this class. Today, we will look at one scenario of how marketing strategy plays such an important role in a company's environment. The strategy you devise - how it makes the fortunes of a company is brought out by this strategy adopted by Toyota in the Indian market. This is an actual case which happened in our own country, in our own environment. The company in question is the Toyota company, this whole lecture is titled as the that is the Toyota strategy.

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This is how Toyota did this strategy in the market place, it was the year 1998 Toyota wanted to come into the Indian market. When they wanted to come into the Indian market, they were looking for a partner from the Indians side. It was also the time when Kirloskar was looking for new opportunities to tie up, the result Toyota picked up Kirloskar to enter India.

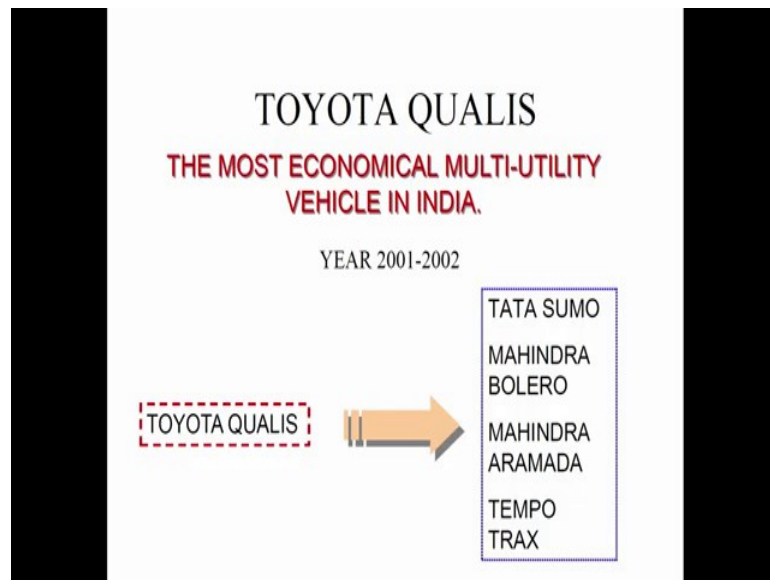
The statement given by the president of the Toyota motor company at that point of time was Kirloskar is the gateway to India for Toyota. So, this was the year 1998, then what happened?.

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From 2001 to 2004 Toyota came up with a wonderful car, not really a car, it is an SUV that is the Toyota Qualis.

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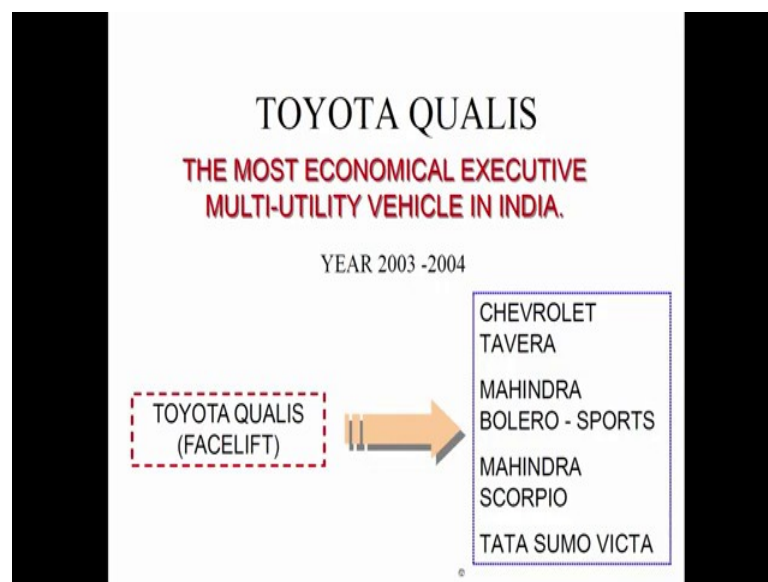


This Toyota Qualis which came out from Toyota was considered as the most economical multi utility vehicle in India. It is actually Toyota put this Toyota Qualis as an MUV in the Indian market in 2001. At that point of time there were so many vehicles, which were being manufactured by a other well-known manufacturers, which was also in the same category of this MUV like Toyota Qualis.

In other words, these vehicles were competitors to Toyota Qualis, which were these vehicles? These vehicles were TATA Sumo manufactured by Tata's, Mahindra Bolero by Mahindra's, then Mahindra Aramada again by Mahindra's, then the Tempo Trax by Bajaj. All these are well-known names; you have four well known Indian auto manufacturers, who have got entrenched in the Indian market, and that was the time when Toyota came and introduced this Toyota Qualis.

Toyota Qualis had in effect very stiff competition from these four, that is the TATA Sumo, Mahindra Bolero, Mahindra Aramada, and then the Tempo Trax, this was the year 2001 when this happened.

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Look at what happened next. 2003 to 2004 Toyota was considered as the most economical executive multi vehicle in India. Toyota Qualis got a face lift from Toyota and they made it to look like a good executive MUV, which many of the Indian executives would be happy to travel in. The Indian Automobile Association looked at this vehicle Toyota Qualis and said this is the most economical executive, multi vehicle, multi utility vehicle in India, this was 2003.

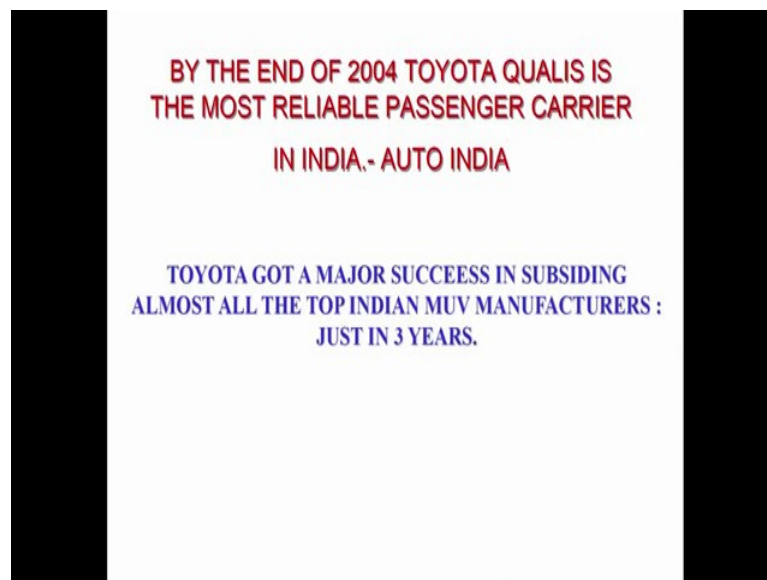
At that point of time some more competitors came to Toyotas Qualis, that is the facelift at Toyota Qualis, which where these competitors? The first competitor was Chevrolet Tavera, this is from GM. The second one from Mahindra Bolero Sports from Mahindra, then you had Mahindra Scorpio again from Mahindra, then you had TATA Sumo Victa.

It was again a facelift given to TATA Sumo to make it more appealing to executives who would like to travel the TATA Sumo. So, they called it the TATA Sumo Victa. Toyota Qualis the facelift given to Toyota Qualis to make it become the most economical executive multi vehicle in India had very stiff competition again from well established players kindly note this. Chevrolet Tavera from the GM, then Mahindra Bolero Sports, then Mahindra Scorpio from Mahindra's, then TATA Sumo Victa from TATAs.

The first Toyota vehicle if you see, it had the competition from TATA Sumo, Mahindra Bolero, Mahindra Aramada, Tempo Trax. Now, within a span of 2 years what is happening, Toyota Qualis has got a facelift and how does it look like? If you see Toyota Qualis facelift has changed the competitive scenario.

Instead of the four we saw the facelift at Qualis has got competition from Chevrolet Tavera, Mahindra Bolero Sports, then Mahindra Scorpio, then TATA Sumo Victa. You see the Tempo Trax of Bajaj not in this picture now instead you have the Chevrolet Tavera.

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What happens in by the end of 2004? According to the auto India Toyota Qualis is rated as the most reliable passenger carrier in India. Look at this extraordinary performance of Toyota, just within 3 years auto India rates Toyota Qualis as the most reliable passenger carrier in India, when there was such a terrific competition, from such established players, including a foreign player like GM.

The result is Toyota got a major success in subsiding almost all the top Indian MUV manufacturers. Just within a span of 3 years Toyota Company got a major success, in subsiding almost all the top Indian MUV manufacturers, and it was considered as the best vehicle most reliable passenger carrier within a span of 3 years, this is an extraordinary performance by Toyota.

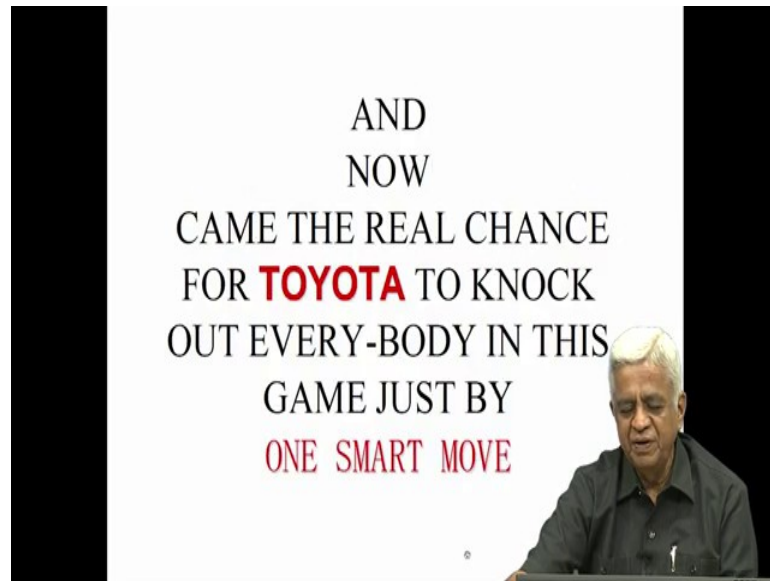
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Look at what happened afterwards, this is something very interesting. Now, the people who were giving competition that is the manufacturers who were giving competition to Toyota Qualis? They were not prepared to look back; they said we will compete with the facelift at Toyota Qualis. What happened? To compete with the Toyota Qualis all the major MUV manufacturers in India diverted their funds in development of new generation SUVs and MUVs.

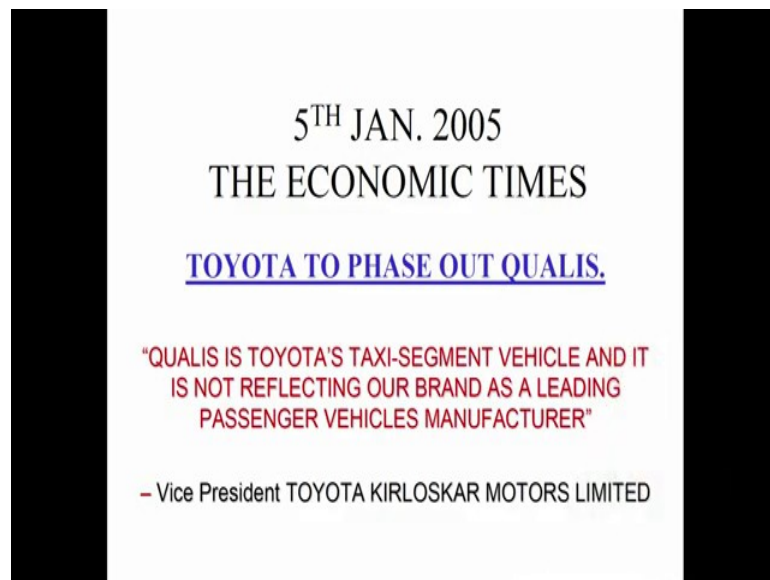
Look at this terrific amount of money pumped in by these major manufacturers from the house of TATAs, from the house of Mahindra's, and then from the house of GM to take on Toyota, Toyota in the Indian market. Now, what does Toyota do now, this is what strategy can do to a company kindly see this next one.

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And, now came the real chance for Toyota to knock out everybody in this game just by one smart move. What is this one smart move which Toyota did? You will be taken aback by the way Toyota played this game.

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What did it do it said 5th January 2005? There was an insertion in the Economic Times, what was the insertion in the Economic Times? Toyota to phase out Qualis; such a wonderfully performing vehicle in the Indian auto market, which has almost swamped competition from major auto manufacturers in the country having virtually no

competition, that being the case Toyota announces in 2005, that it wants to phase out Qualis unbelievable what is the explanation given?

Qualis is Toyota's taxi segment vehicle and it is not reflecting our brand as a passenger vehicles manufacturer. Qualis is Toyota's taxi segment vehicle and it is not reflecting our brand as a leading passenger vehicles manufacturer. The reason given by Toyota to phase out Qualis, the statement attributed to the vice president of Toyota Kirloskar Motors Limited.

Toyota entered India through this venture with Kirloskars, it is called TKML. And this TKML manufactures Toyota's in it is sophisticated plant near Bangalore in a place called Bidadi. And, this is where from where the Qualis use got rolled out in the country. And, it became such a huge success after enjoying this success Qualis all of a sudden says, on 5th January 2005 that it wants to phase out Qualis ok.

The reason given is Toyota Qualis is a taxi segment vehicle and it is not reflecting the brand of Toyota as a leading vehicle, passenger vehicles manufacturer.

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What happens next? Toyota says, we will launch Innova as a replacement to Qualis look at this. First they come out with Qualis; Qualis establishes itself within 3 years swamps competition, then after Qualis swamps competition Toyota announces that it is going to

discontinue manufacturing Qualis. What is this called? This is called product cannibalization ok.

This is called product cannibalization; this was also done by Microsoft. When Windows 95 was very popular all of a sudden Microsoft announced that it is going to replace Windows 95 with Windows 98, many were taken a back. Why should Windows 95 be replaced? When windows is doing very well and 95 is doing well and it has almost captured the entire market.

The reason given by the chairman of Microsoft at that point of time that is bill gates was if we do not cannibalize this product ourselves, it is very possible that is somebody else will do it. That is somebody else meaning a competitor to Microsoft will ensure that this is cannibalized.

Before, it they can do it Microsoft said, we will cannibalize the product ourselves. This is where sometimes when we go through when I went through the first lectures of marketing; you should be prepared to give up sentiment in the market place take the 2 cars, which were then there in the 70s and the 80s in India. You had a fiat or a Premier Padmini very sleek vehicle and you had the Ambassador.

Ambassador was a time trusted car in the Indian road conditions. Many of the Indians of that period used to boast of having an Ambassador. Father would give his son, the Ambassador car from the son, it would go to his son, that is from father to son, to grandson and the grandson also will be very happy to say this car belong to my grandfather, and I am running it now, contrast it with the auto scenario now. Even in the wildest of once dreams no one ever thought that Indian's would be replacing their cars in 3 to 5 years.

You have a scenario in the Indian market, where an Indian consumer is prepared to look at a new car once in 5 years and sometimes less than 5 years also once in 3 years. What does this tell you? This tells you that the purchasing power of the Indian consumer has enormously increased in this particular segment to own a car in the 70s and the 80s was considered a luxury.

And, if you drove the car in the 70s and the 80s, you would see the traffic police person who at that point of time used to wear a half pant and a shirt that was his uniform. He

would invariably salute most of the people who used these cars in the Indian market, because they were it was considered to be a particular status symbol to own a car, in the 70 in the 60s, 70s and 80s.

From the mid-80s after the entry of Marathi this scenario started changing. You had foreign players also coming into the Indian market like the Toyota, and in 3 years Toyota comes in gives the taste of what it is it can offer the Indian market by it is Qualis, and within 3 years it says that we are going to replace Qualis with Innova.

Even to this day you may see many consumers Indian consumers still having the Toyota Qualis, still having good words to say about Qualis even to this day that is in 2019 also. Toyota says that in 2005 we want to launch Innova as a replacement to Qualis, why?

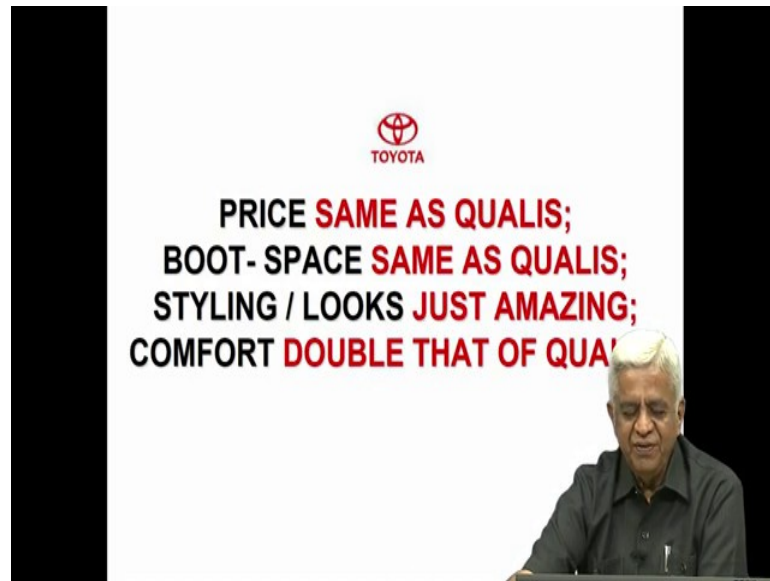
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This is one smart move by Toyota why did it do? So many 4 top Indian and SUV manufacturers put lot of money to take on Toyota Qualis. To come with an alternative for Toyota Qualis in the Indian market and now Toyota announces, that it is cannibalizing Qualis and now comes out says that we want to launch Innova. What is this called in the marketing terminology?

It is one smart strategic move by Toyota, what is a result 4 top Indian SUV and MUV manufacturers their bags are packed. So, much of money invested all gone why and how if you look at it?

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What does Toyota do? It comes with this new product Innova prices it at this the same level as that of Qualis at that point of time. Now, Innovas price has increased manifold number of a manifold in 2019 you I was told that Innova cost about 23 lakhs.

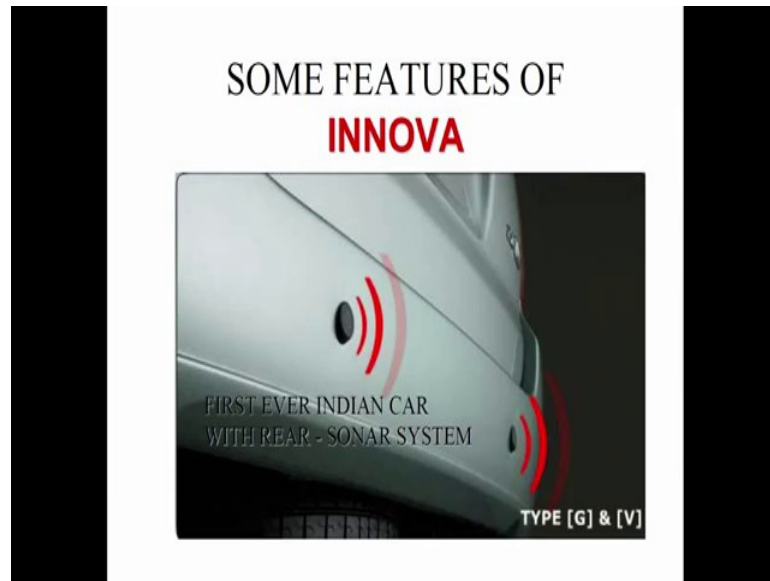
When introduced in 2005 the price of Innova was the same as that of Qualis, the boots space was also as that of Qualis, but now look at the other two things, the styling the looks just amazing, what is the type of comfort that has that was likely to get from this Innova for the Indian consumer, it was double that of the Qualis.

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If you looked at some of the features of Toyota Innova, it was a totally new concept of interiors, it was a revolution in utility, it was a revolution in utility. We had never seen that is the Indian consumer had never seen a cars interior like this till Innova came up with this interior, that was in the year 2005. Look at the type of interiors which Toyota gave to the Indian consumer in 2005.

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Totally new concept revolution in utility, for the first time ever an Indian car with a rare sonar system was given by Toyota. This could sense what is at the back of the car that is what is at the back of your car? If your reversing whether you are going to hit some vehicle or some other object all these types of things would get beamed to you in the driver seat through an (Refer Time: 25:37) which was unthinkable at that point of time.

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QUALIS BOOKING STOPPED
IN ALMOST ALL
SHOWROOMS OF TOYOTA
KIRLOSKAR MOTORS
LIMITED IN INDIA ON 5TH OF
JAN. 2005

INNOVA BOOKING WILL START IN THE FIRST WEEK
OF FEB.2005

TKML TO ROLL OUT FIRST INNOVA IN THE SECOND
WEEK OF FEB.2005

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TOYOTA KIRLOSKAR
MOTORS LIMITED – TKML
TO ASSEMBLE **INNOVA** IN
BANGALORE PLANT

INNOVA IS NEITHER A SUV NOR A MUV, IT IS MORE OR
LESS LIKE A MPV(MULTI-PURPOSE VEHICLE).

A rare sonar system, then what did Toyota announce. It just said this Innova is going to be assembled in TKML that is the Toyota Kirloskar Motors Limited, in the Bangalore plant. It made one more statement, what is that statement? It said Innova is neither a SUV, nor a MUV, it is not a SUV. It is not an MUV; it is more or less like an MPV.

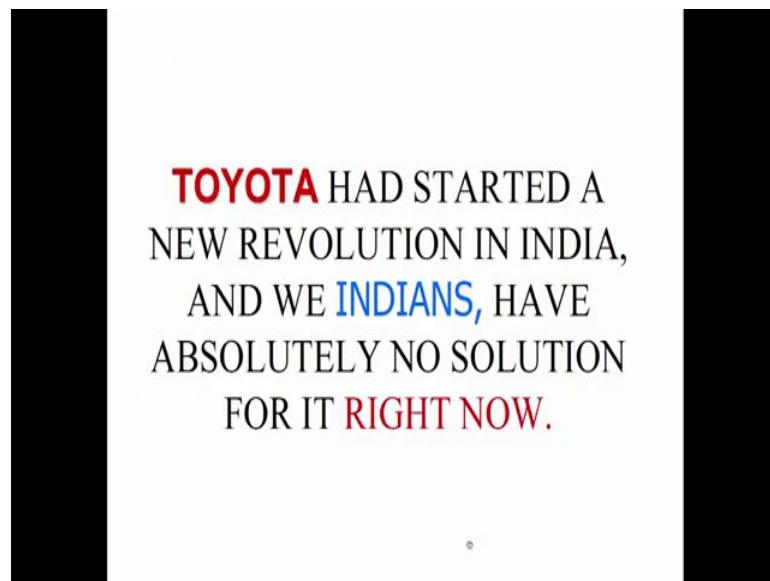
What is this MPV? Toyota called it has the multi-purpose vehicle, if you want to have passenger look at it has a passenger vehicle yes fine. If you want to look at it has a big vehicle where you can go from intercity very comfortably yes that could also be done

with a lot of boot space. So, it said it is more or less like an MPV, then what did it say, it said a few more things, which almost shook the Indian automobile market.

It said Qualis booking will be stopped, in almost all showrooms of Toyota Kirloskar motors limited in India on the 5th of January 2005; came with a wonderful car that replaced Toyota Qualis within 3 years, it made an extraordinary mark in the Indian market auto India considered it as the best passenger vehicle, then it said best executive vehicle in fact, passenger executive vehicle then all of a sudden Toyota says that we are discontinuing Toyota Qualis coming out with Innova.

And, then Toyota announces Innova booking will start in the first week of February 2005, TKML to roll out first Innova in the second week of February 2005.

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Now, through this move what did Toyota give? It had started an Indian a new revolution in India and we the Indian's have absolutely no solution for it right, now even today if you see there is no really no competition for Innova.

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The slide features a central text block: "INNOVA IS AN ALTOGETHER DIFFERENT STYLED VEHICLE". Below this, the word "SO" is written. To the left, a list of vehicles is enclosed in a blue dashed border: "TAVERA (GM - INDIA)", "SCORPIO", "(MAHINDRA & MAHINDRA)", "TATA SUMO VICTA", "(TATA MOTORS)", "BOLERO - SPORTS", and "(MAHINDRA & MAHINDRA)". An orange arrow points from this list to a red dashed box containing a question mark. In the bottom right corner, a man with grey hair, wearing a dark shirt, is shown speaking.

If you look at through this move what did Toyota prove again? Toyota proved that they are the worlds rank 1 passenger vehicles manufacturer, there is virtually no competition for them from anyone you name it, whether it is the ford, or whether it is the GM, or whether it is the TATA's they said they cannot compete with us.

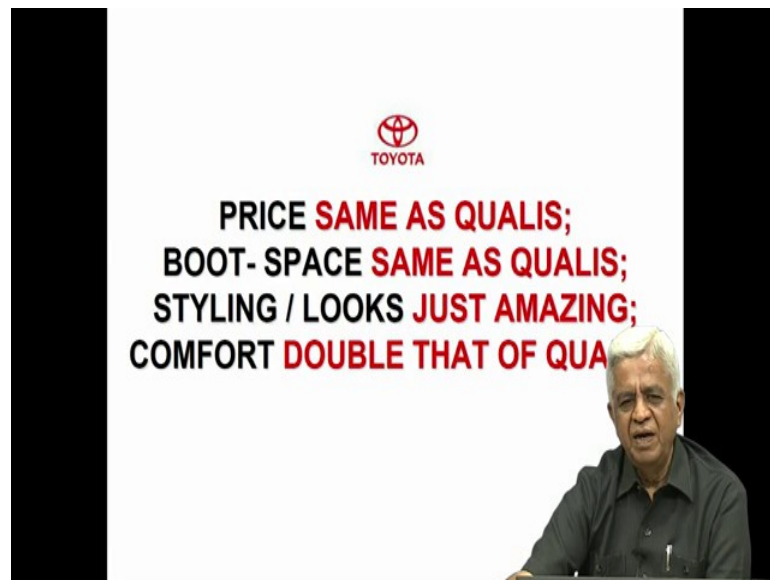
Now, if you look at Innova in a different aspect, what is it actually? Innova is an altogether different styled vehicle take the other competitors, whether it is the GM India, or the Mahindra's, or that or the TATA Sumo Victa, that is from the TATA motors, why it is a different styled vehicle?

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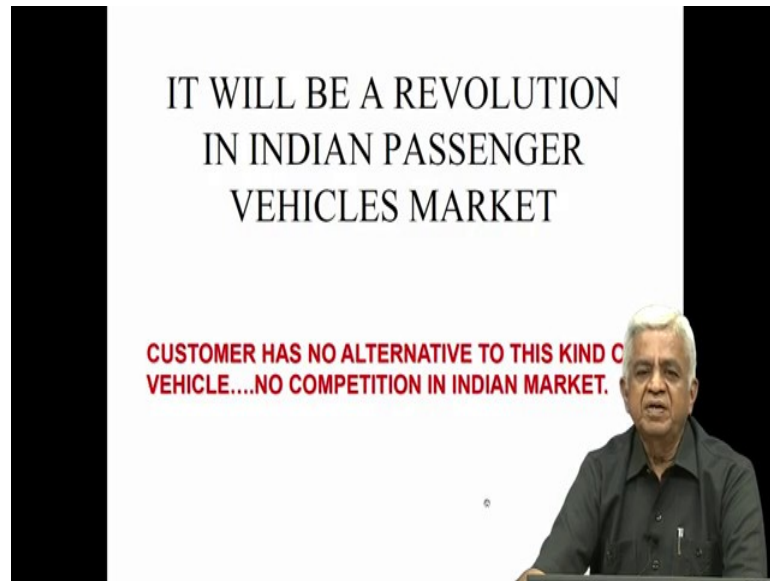
This vehicle if you see look at this amazing feature of the Toyota Innova at that point of time. No Indian vehicle was looking like this look at this care up of Innova.

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Used the same prices that of Qualis used the same boots phase that of Qualis with a amazing styling and amazing looks.

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What did it bring out to you? It came out to be a Revolution in the Indian Passenger Vehicles Market. The Indian passenger never thought that he can get a vehicle like this in the passenger vehicles market. The customer has no alternative to this kind of vehicle no competition in the Indian market.

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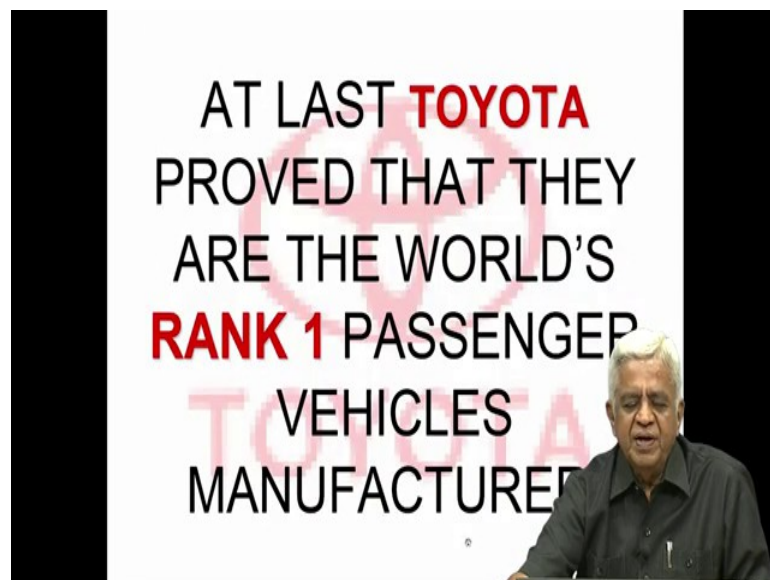


Whether it is revolution in utility or the concept of the interiors, then for the first time you had in the Indian market a decent and smart motion mechanism, that is you do not have to use the handle to bring down the window panes, whether it is in the front

window glass panes in the front or the back, you started getting this smart motion mechanisms that is a switches, which can adjust the you can adjust the height of your glass panes through this bring it up go down with a very smart move.

Never in the Indian market the Indian consumer knew that, this type of movement was possible, then you had this rear sonar system, then you had Toyota announcing that all this will be done through their TKML Plant in Bangalore. And, this TKML plant to produce this Toyota's, to produce this Innovas from Toyota and Toyota coming out with one more statements saying that Innova is neither a SUV nor a MUV it is more or less like an MP like a MPV that is the multi-purpose vehicle.

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And, then says that it will launch the Innova on in the second week of Feb 2005. What does all these tell you it tells you, why you have to be smart in the market place. Toyota is a fresh entrant into the Indian automotive scenario kindly note that. It entered the Indian automotive scenario through the well-known brand umbrella of Kirloskars.

For Kirloskars, it was also a proud moment to associate with Toyota and come out with this Toyota vehicle in the Indian market. And, all that manufacturing was taking place in the Bangalore plant. This was called Toyota Kirloskar TKML plant in Bidadi.

And, even to this day the TKML plant is a very sophisticated plant automotive manufacturing plant in India. Highly known for it is very efficient production lines and

all this was possible, because of this extraordinary meticulousness, which was exhibited by Toyota to capture the Indian market. Doing this in the phase of very stiff competition by GM by Mahindra's and TATA's speaks volumes about Toyota's ability to with stand competition in the Indian market.

Through this one smart move Toyota had created a new revolution in India. And, when it created this revolution at that point of time Indian's really had no answer, or no solution, no competition for this vehicle. In one smart move, what did Toyota do it trounce competition, it trounced competition from such established players like, GM Mahindra's, Bajaj and TATAT's.

It was just unthinkable; if you really see right now you find even to this day Toyota Innova has virtually has got no competition. We have got other entrants into the market also we have got different vehicles some of them are saying that they also sport the same feature as that of the Innova, but still Innova stands very tall in the Indian market. This is how if you look at it for the customer, it was a delight the Indian customer, it was a delight.

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He never thought that he would get exposed to this type of vehicle in the Indian market.

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To compete with **TOYOTA QUALIS** all the Major MUV manufacturers in India Diverted their funds in Development of New Generation SUVs and MUVs.

TATA SUMO VICTA EX+ TATA SPACIO GOLD+

MAHINDRA SCORPIO MAHINDRA BOLERO SPO


CHAVROLET TAVERA



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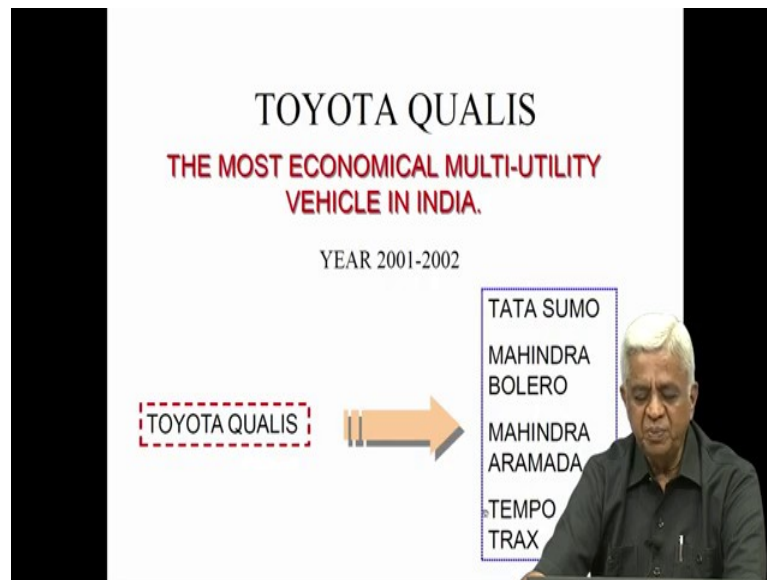
BY THE END OF 2004 TOYOTA QUALIS IS THE MOST RELIABLE PASSENGER CARRIER IN INDIA.- AUTO INDIA

TOYOTA GOT A MAJOR SUCCEESS IN SUBSIDING ALMOST ALL THE TOP INDIAN MUV MANUFACTURERS : JUST IN 3 YEARS.



This type of vehicle in the Indian market, it was grabbed by the Indian consumer.

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Again, it turned out to be a great success for Toyota. If you really look at how Indian market has reacted to this vehicle. You just wonder how your strategic moves. Especially, the marketing strategic moves can create a ripple effect, this is called the ripple effect, you introduce a very good product like the Qualis and then before your competitors your competitors come to take you on come out with make the R and D energize their R and D wings to come out with a product, which can be a stiff competitor to Qualis.

Then you cannibalize the Qualis itself, come out with a new launch say it is Innova and you when you have this Innova you come out with the new features, which the Indian consumer at that point of time had never thought would be he could have in his vehicle. Never did he think that you could have this wonderful interiors, never did he think that he could have this decent and smart motion mechanisms.

And, that wonderful styling which it came out with all that resulted in Qualis, which was cannibalized by Toyota replaced with Innova been lacked up by the Indian consumer market, that is it was slapped up with such extraordinary speed. Toyota when it introduced this Innova pricing at the same level that of the Qualis around 6 lakhs.

If you now think of the pricing of Innova it has multiplied 4 times that is 400 percent increase. And, still it is sales are at a very high level, even to this stay in the Indian

market what does this show for you. It shows how strategic marketing can be extraordinarily effective in a competitive scenario?.

The present day Indian market is very competitive there is in fact, take the consumer market like, your whether it is the vegetables market, or whether it is the consumer perishables market, or it is the consumer durables market, you have terrific competition, you have many outlet us, you have the Reliance, you have the Big Bazaars, you have the Wal-Mart, you have the Flipkart, you have the Amazons now, all these players you have entered into the Indian market.

When there is so, much of competition. What is the thing which they are trying to do? Some of the later players like the Amazon they think that, it is still worth to have a second bite of the apple that is what we discussed in the profit life cycle. You do not have to be the first entrant in the market place.

Still the second bite of the apple would be more than enough, if you look at the booming Indian market. Almost every player wants to have a slice of the cake. Because, he thinks that it is a big chunk and in that big chunk even a small portion is fair enough, it is good enough for him to such time. Wal-Mart thinks the same way, Amazon thinks the same way, Flipkart also thinks the same way, you have the metros, you have the Big Bazaars.

If you really see all this are making the life of the small retailer very tough. As these people are invading to his retail space also. Many times', you wonder, whether this retailer will continue to exist or will he disappear. Like your small stores where you used to everyday go visit this small store ask for items from him and he would pick up those items then give it to you.

And you find that your children are not going to that store instead they may be going to a Big Bazaar, or some other the Reliance store, and bringing these items, or they may sometimes, they may not even be going there they may be ordering online all this digital marketing, which has come in and your items come and get delivered at your door step.

What does all this make? It makes competition when extremely critical component in the present market scenario. The present market scenario has made competition extremely critical and in order to survive in this type of a market, the play the market player have to be on their toes always, they cannot afford to relax. If you see the Big Bazaars or the

reliance you find that every week they announce a different type of sale, they say there is a Wednesday market.

For every festival they say there is a Diwali sale, there is a Dasara sale, all those types of things and prices at a rock bottom. Many times, people wonder whether you can sell the product at this rock bottom price, how can a marketer make any profit if he sells at this price.

Whereas these, you may call it the semi wholesaler or the wholesalers, they are looking at it from the volume marketing aspect. Sell large number of units of the same product, suppose you sell at only one unit, you may not be making any profit. Suppose, you sell large number of units the volume, you may still be able to get profits due to this volume.

This makes the life of the retailer that much harder. He has to compete with all these big players and still survive in the market place. This is what the Indian market is in the present day, whether it is the automotive market which was brought out by this Toyota strategy or whether it is the consumer market, which is amplified by all these players like the Big Bazaars, the Metros, the Amazon, the Flipkart, the Wal-Mart you name it you have so many other players also.

Almost all of them have entered the Indian market, why have all these players entered the Indian market? They think that India could be a good place, where they can re profits; it is because of the large demand base that can be created here for their products. Recently if you see even the watches have undergone a terrific change earlier you had the Titan you still have the Titan, earlier you had the HMTs, the Titan after it virtually upset the HMTs.

Now, you have the Chinese players coming out with LED watches. This LED watches look like a band on your wrist, on your hands and unless you touch it nobody will know that it is a watch. If you touch that watch time will get displayed, then what else is going to come in this they have said your heart beat can also be, you can record, your heartbeat, you can see how your heartbeat is really clicking through this watch itself.

It can be tagged on to your phone and all this is done at the tap of this particular screen, it does not look like a screen, it looks like a very sleek band on your hand, you touch this

you get so many features. When you just wonder how all this is possible; this is what is called innovation in the market place.

This innovation in the market place is the key to face competition this is what Toyota has done through it is Innova. And, this is what the other companies are also doing like, the latest watches which I said they call it the o led watches OLED watches. We will stop here.

Thank you.