

Response to Toyota's presentation on success of the RAV4-EV retail program

By: Mike Kane

Following is a rebuttal to Toyota's presentation of "facts" regarding their short-lived consumer sales program for the RAV4-EV, fully electric, zero emissions vehicle. This PowerPoint presentation has been used recently by Toyota in response to inquiries about demand for their RAV4-EV, but dates from at least March 2003, when it was used at the California Air Resources Board meeting to discuss the most recent changes to the California Zero Emission Vehicle Regulation.

The RAV4-EV was manufactured by Toyota to meet their obligations under California's ZEV regulation from about 1996 through 2003. A total of almost 1500 vehicles were manufactured and, until 2002 were available only to fleets under a 3-year closed-end lease. In late 2001 Toyota announced that they would offer the RAV4-EV to consumers under a retail program starting in February 2002. Under the retail program, RAV4-EV's were available from selected Toyota dealers if special arrangements were made with the appropriate sales personnel, or the customer signed up through a web-based sales program. In November of 2002, (slightly more than 9 months into the program), Toyota abruptly stopped taking new orders for the vehicles, and in early 2003 announced that they had discontinued it. Orders already taken under the program continued to be filled, but many vehicles were not delivered for several months.

Following are several points that should be considered in reviewing Toyota's presentation on this program:

- Toyota bases their entire argument on the assumption that the RAV4-EV program would be successful by replicating the Prius program, and that similar expenditures of money and resources should have yielded similar results. This is a bad assumption, because the RAV4-EV is a very different vehicle with a different set of sales considerations. Toyota would have been better off spending at least half of the money on community outreach, training programs, demo cars for highly visible market influencers and maybe highly visible charger infrastructure rather than advertising, which seems to have been the primary focus of their program.

- The Prius was a brand new concept with a unique and compelling (to many) design. It's inclusion of the slick interactive screen in the center console was a primary selling feature to many customers interested in driving the newest technology. The RAV4-EV, in contrast, was built on an outdated SUV body that had, in fact, been superseded by an updated design almost 3 years prior to the start of the RAV4-EV program.

- The Prius was designed as a consumer vehicle and included a number of consumer oriented dealer/factory options (i.e. GPS, higher-end stereo, etc...) The RAV4-EV was a repurposed fleet vehicle with a relatively spartan interior, and included no dealer/factory options/upgrades.

- The base price of the Prius was just over \$20,000. The base price of the RAV4-EV was \$42,500. This fact alone likely resulted in far fewer potential buyers. Does Toyota expect to sell as many Lexus GS300's at \$43,000 apiece as it does Camry's at \$20,000, for example?

- Another minor note, the Prius included an 8 year warranty on the batteries and drive-train. The RAV4-EV included only a 5 year warranty on similar components.

- The Prius could be ordered at any Toyota dealer in the country, and the cars were often featured in the dealer's show rooms. The RAV-4 EV was offered at only 25 dealers in California (about 1 in 6 of the total ~138 Toyota dealers in CA). Based on my own experience, and that of many others I have talked to, the cars were not in the showrooms and were out of sight of the general public.

- Although, in my experience, only certain sales people were authorized to take sales orders for the Prius, all of the sales people at the dealerships were familiar with the car and knew who to talk to about ordering one. Again, based on my own experience and others I have talked to, most sales people at the dealers were not even aware of the existence of the RAV4-EV let alone who to talk to about it.

- The presentation charts on advertising seem to be suggesting that Toyota spent a lot of money and did a lot of advertising, targeted at potential customers. It's likely true that they spent a lot of money. Whether this reached the right target customers is debatable. What is obvious to someone with marketing experience, however, is that none of the advertisements included any call to action (some wording asking the reader to do something - i.e. "for a list of authorized RAV4-EV dealers visit www.Toyota.com"). As a result, any potential customers seeing the advertising are left to their own devices as to how to follow-up. In most cases I believe one could reasonably assume that a visit to a Toyota dealer would be the next step. This however would likely lead the potential buyer to a dead end at either an unauthorized dealer, or at an authorized dealer, but with a salesperson that was not authorized to sell the car. In this case any car salesperson worth their salt would do what they are trained to do. Steer the buyer to a vehicle they can sell.

- The chart comparing 1st 6 months Prius sales to 1st 6 months RAV4-EV sales suggests a really dramatic discrepancy, but let's look at it another way. 213 RAV4 EV's divided into 25 authorized dealers means they sold 8.5 RAV4-EV's each. 3262 Priuses divided into approx 138 authorized CA dealers means they sold approx 23.6 Priuses each. Since the RAV4 EV's sold at more than twice the price of the Prius, this means that on average, these dealers took in only about 30% more dollars in Prius sales vs. RAV4-EV sales in the first 6 months.

- The chart comparing Prius sales to RAV4-EV sales at selected dealerships is also an unfair comparison. In addition to the issues raised above, Toyota is comparing sales of a brand new vehicle, with one that had already been on the market for almost 2 years and benefited from the increased awareness associated with the longer public exposure and an international advertising and public relations campaign.

- The Chart titled "Web Site Activity" suggests that there was more interest in the RAV4-EV which should have translated into higher sales than the Prius (i.e. we really did get the word out there, but people just weren't interested), but let's look closer. The 500K visits to the Prius site were virtually all from potential buyers who could go down to their local dealer and purchase a vehicle. The 800K visits to the RAV4-EV site, in contrast, were from all over the USA (and world for that matter) and likely only a small percentage of them were qualified buyers in California.

The bottom line: It's unreasonable to expect that the same sales formula used on the Prius would be appropriate for the RAV4-EV. The buyers may have shared many characteristics, but in the final analysis, many RAV4-EV buyers were not interested in the Prius and vice-versa. Bringing a new technology product like this to market is not about fulfilling pent-up demand. It is about creating a market through training, repetitive messaging and the creative use of the product's early adopters. Any review of new technology product introductions will show that this is a process that takes at least 3 to 5 years, not 8 months.

Mike Kane is a clean fuel and renewable energy advocate, who has recently retired from a 25 year career in high-tech marketing. During this time Mike has been responsible for the successful introduction of new products and technologies aimed at both professional and consumer markets.

Mike and his wife, Cathy Lam, have owned both hybrid and electric vehicles and have owned both a 2002 Toyota Prius and a 2003 RAV4-EV. Mike describes their experience with the RAV4-EV retail program below.

After our successful experience with our Toyota Prius, my wife Cathy and I decided to look into purchasing a RAV4-EV, which we had previously tried unsuccessfully to lease from Toyota under their fleet program. Our experience trying to test drive a RAV4-EV in March 2002 is pretty telling of the effort to sell these vehicles.

Having been informed by Toyota that the vehicles were available only at selected dealers, I checked the web-site to determine which dealers carried RAV4-EVs. (Most consumers would probably skip this step, assuming that any Toyota dealer could sell them the car). I visited the closest authorized dealer and found that none of the sales people knew about the RAV4-EV. When I pressed further I was brought to the Sales Manager who told me the only person who could discuss the car was the Fleet Manager who was not currently in the office. I found the office administrator who told me that he only took appointments from 9-5 M-F and that she could not set one up. I took his number and called later to leave a message. A few days later he called back and told me he was very busy and could not set up a meeting for several days. The next slot he had available was for about 2PM one day the following week. I took off work and met my wife at the dealer for our test drive. After waiting about 45 min., we met the fleet manager who then had to find the car for test drive. It was in the back of the service department behind several other vehicles and obviously hadn't been moved or washed in a while. Once the service people found the keys and moved the other cars out of the way we were able to drive the car. In general the fleet manager answered our questions but really seemed not to care whether we ordered one or not.

After our test drive, we both felt disappointed that the RAV4-EV did not have the level of creature comforts nor, being a repurposed fleet vehicle, the level of fit and finish that we were used to. We decided to hold off on our purchase and wait for the rumored redesign of the RAV4-EV based on the newer 2000 body type, which had by this time been available in gasoline versions for three years. We were disappointed when Toyota abruptly cancelled the program, and realizing this would likely be our last opportunity for many years to buy a production electric vehicle, jumped at the opportunity to purchase a vehicle which another customer had ordered but could not take delivery of. We drove our new RAV4-EV home in September of 2003. It is our primary family vehicle and has over 60,000 miles after 36 months of driving. The RAV4-EV has been one of the most dependable vehicles that we have owned and to date has not required a single repair.