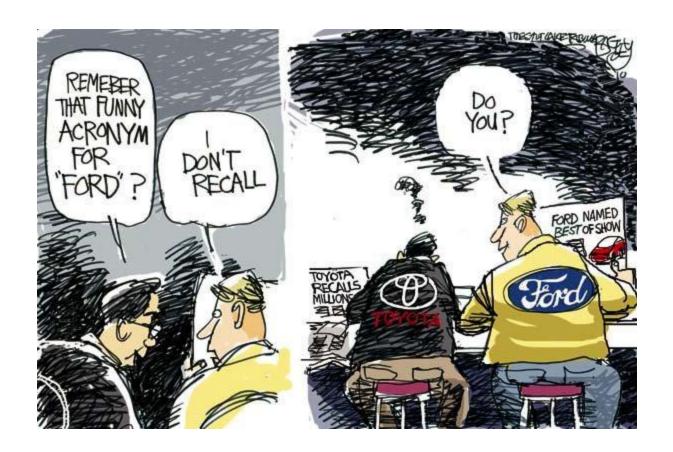
No Braking in the Fast Lane: Toyota Recalls Over Nine Million Vehicles Worldwide



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Abstract

Over time, Japanese motor company, Toyota has created a name for itself, particularly since it started business in the United States in 1957. While the 74-year-old company has become a household name for its quality cars and reliable services, it has also encountered some trouble in the past. Beginning in 1956, a series of Toyota recalls began. Of these recalls, the most recent have been arguably the most serious. Between the years of 2009 and 2010, Toyota saw what dealing with a public relations crisis was all about. Following a series of terrifying Toyota crashes involving faulty brakes and accelerators, the investigation of "Sudden Unintended Acceleration" went under way. This investigation process led to two separate recalls which took over 10 million vehicles off the market, resulting in Toyota's loss of at least 54 million dollars one day. Through a series of reactions, arguments, apologies and settlements, Toyota struggled to cling on to its immaculate reputation.

1- Toyota Motor Corporation- A Brief History

In 1937, a Japanese man by the name of Kiichiro Toyoda founded an automobile company. Little did Toyoda know at the time, but his company would later be one of the leading automobile manufacturers in the world. A branch of his father, Sakichi Toyoda's, automatic silk and cotton loom company, the automobile department was added as the textile industry suffered major losses during the 1930s. After the company created a "Type A" engine and a passenger car known as the "Toyoda Model AA Sedan," the automobile department emerged as an independent company in 1937, and "Toyota Industries" was born (Toyota Motor Company, n.d).

Twenty years later, Toyota established sales headquarters in the U.S. on October 31, 1957. The separate subsidiary, Toyota Motor Sales U.S.A Inc., began sales in 1958. In January of 1982, Toyota Motor Company and Toyota Motor Sales merged into one company, called Toyota Motor Corporation, to cope with financial struggles (Toyota Motor Company, 2009). Since the establishment of Toyota Industries, the company has been led by 11 members of the Toyoda family line. In 2009, Akio Toyoda, grandson of Kiichiro Toyoda, was appointed as president and currently serves as CEO of Toyota Motor Corporation (Reuters, 2009).

1.1 - Toyota's Sister Brands

Throughout the 1980s, Toyota's major competitors began to offer more upscale vehicles with the launch of higher-end models. Between 1985 and 1990, Honda launched its luxury division Acura brand, Nissan launched its upscale Infinity brand and Mazda attempted to launch a high-end Amati brand, which ultimately failed. After observing this growing trend, Toyota researchers began to study luxury consumers and decided that there was a public desire for a Toyota luxury series. The end product was the Lexus Marque, initiated by the launch of the

Lexus LS 400 and ES 250 in 1989. The Lexus brand experienced a huge success in the United States, and was later introduced in Japan in 2005.

In 2003, Toyota continued to build its family by launching its third brand of vehicles, the Scion line. This line was targeted toward a younger public, boasting modestly-priced, yet feature-rich vehicles. With the introduction of this new and innovative series, Toyota was able to top its U.S. sales record with 2 million vehicles per year by 2004 (Toyota Motor Company, n.d).

1.2 - Global Vision- Purpose and Values of Toyota

In early 2011, Toyota released its new "Toyota Global Vision," an outline of the company's standards and big-picture policies geared toward employees, customers and the public. This outline is a successor to the company's previous "14 Principles of the Toyota Way," which were updated following the global financial crisis and a series of product recalls in the years leading up to 2011 (Toyota Motor Corporation, 2011).

The newest framework uses a tree metaphor, which focuses on the "roots," "trunk" and "fruit" in expressing the Toyota Global Vision. Toyota chose the image of the tree because it is a symbol of natural strength; it is useful, long-lasting and something that continues to grow and flourish year after year. The roots of this metaphorical tree represent the principles of the company, with the belief that the actions of the company must grow from the foundation of Toyota's vision. The roots also support the trunk of the tree, signifying strength and stability of operations. The branches of the tree lead to the twelve tenets-the 'fruits' of the tree that also make up the Toyota vision. When joined together, the tenets state:

"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 our challenging goals by engaging the talent and passion of people, who believe there is always a better way" (Toyota Motor Company, n.d).

1.3 - Toyota's Successes and Awards

When Toyota first began sales in the United States in 1958, the company sold a mere 288 vehicles. Since then, the American branch worked its way up to gaining recognition as 1967's third best-selling import brand in the United States (Toyota Motor Company, n,d). In 1972, Toyota sold its one-millionth vehicle in the United States, allowing the company to surpass Volkswagen as the nation's number-one import brand in the U.S. Three years later, Toyota continued to lead the pack with top imports in sales of cars, trucks and total vehicles. As if setting one record wasn't enough, Toyota went on in 1986 to become the first company to exceed one million annual car sales in the U.S (Popely, 2007).

Aside from setting multiple records, Toyota has also been recognized with several awards. In 2007 The U.S Environmental Protection Agency awarded Toyota with an ENERGY STAR Sustained Excellence Award for its continued leadership in protecting the environment through energy efficiency (Toyota Motor Company, 2007). The EPA recognized Toyota for environmental efforts three more times between 2007 and 2009 (Toyota Motor Company, n.d). During spring 2008, Toyota was recognized as one of Diversity Inc's annual Top 50 Companies for Diversity for the second time (Toyota Motor Company, 2008). In 2010 the company was recognized by Polk Automotive with an Automotive Loyalty Award (Toyota Motor Company, 2010). Among these were a multitude of individual vehicle awards, including awards for environmental manufacturing, engineering, dependability, production ethics, safety, cost-value ratio and overall vehicle quality (Toyota Motor Company, n.d).

1.4 - Dings in Toyota's Reputation

While Toyota has been consistently recognized for its achievements and contributions to society, it by no means maintains a perfect record. Yale Gieszl, a retired Toyota Motor Sales executive who worked for the company over 30 years, made a statement regarding blemishes on Toyota's reputation: "Nothing is perfect for us. There is no best, only better...Just because you're on top today doesn't mean you will remain there" (Popely, 2007). Toyota was issued its first ever recall by the National Highway Safety Administration in 1986 for "speed control" problems. From then until 2004, the NHSA was seemingly satisfied with the safety of the vehicles Toyota was producing. Then, in March of 2004, the NHSA began investigating problems similar to those faced in 1986. Thus began a checkered timeline of Toyota vehicle recalls, ranging from minor to devastating, often dealing with speed, acceleration and breaking defects (Emison, 2010).

2 - Hold on and Pray: Accelerating into Crisis

"We're going 120 (mph)! Mission Gorge! We're in trouble — we can't — there's no brakes, Mission Gorge... end freeway half mile...hold on and pray...pray." These were the last words of Chris Lastrella, a passenger in a Lexus ES 350 that crashed in San Diego, CA on August 28, 2009. Lastrella and three other occupants were all killed when the vehicle sped at 100 mph before it hit an embankment, rolled several times and finally burst into flames. Thus began the Toyota accelerator/break saga of 2009-2010. Following the devastating crash, investigations took place noting that the floor mats in the Lexus sedan might have been improperly installed, causing the accelerator pedal to become trapped (Mail Foreign Service, 2010).

2.1 - Acceleration Further into Crisis

On December 26, 2009, four passengers riding in a Toyota Avalon were killed, as the vehicle smashed through a pipe fence and plunged into a frigid 6-foot-deep pond north of state Highway 114 (Fischer, 2009). After failing to stop at a T-intersection, the Avalon continued at an estimated 47 mph before flying over the embankment. The wife of driver told reporters that the car had previously displayed acceleration problems. Two months later, the family members of one of the passengers filed a lawsuit against Toyota, claiming that the wreck was due to a defect in the acceleration. At this point in time, this was the third lawsuit filed against Toyota in Texas regarding fatal crashes. All suits claimed that the vehicles sped out of control, similar to the incident in San Diego, as well as others all over the country (Cox, 2010).

2.2 - A Media Fiasco

A media explosion followed the California and Texas accidents, including a recording of the desperate 911 emergency call made by Lastrella prior to his demise in San Diego, as well as graphic photos from each wreck scene. This exposure instigated a public relations catastrophe for the company, who boasted the highest quality and dependability of all car manufacturers at the time. In the months following the accidents, Toyota experienced more negative publicity than ever before. A study conducted on the Wall Street Journal found that 106 of 108 observed media mentions of Toyota at the beginning of 2010 exhibited negative attitudes toward the company (Fischer, 2009).

The San Diego crash led to media exposure of over 100 complaints Toyota and the NHSA had recently received regarding similar accelerator and brake problems in the Hybrid Prius model. Fifteen of these complaints involved crashes with injuries (Mail Foreign Service, 2010). In the wake of both accidents, Department of Transportation reports were uncovered

claiming that "complaints of unintended acceleration in Toyota and Lexus vehicles are linked with more than 50 U.S. crash deaths under investigation over the past decade" (Cox, 2010).

The Los Angeles Times was a key player in the initial media outbreak of Toyota safetyrelated concerns, drawing attention to the abundance of safety concerns and the lack of immediate response. The Times was later recognized as a Pulitzer Prize national reporting finalist in 2010 for the coverage on Toyota's missteps in the whole recall process. This recognition brought even more public attention to the company's faults (Mittal, 2010).

3 – 2009 Floor Mat Recall

The fatal San Diego crash not only killed four innocent passengers, but instigated what Toyota would later learn to be its largest vehicle recall to date. For Toyota, it was only the beginning of an inescapable public relations nightmare, tugging at its reputation as the most reliable and highest-quality automaker.

While Toyota was the supreme auto manufacturer at the time, doubling size since the beginning of the decade, the recalls demonstrated that compromising quality for quantity was a recipe for disaster (Tabuchi, 2009). "The evidence that Toyota was expanding too much and too quickly started surfacing a couple of years ago. Not on the company's bottom line, but on its carquality ratings," said Paul Ingrassia, a former Detroit Bureau Chief for The Wall Street Journal (Connor, 2010).

3.1 – Consumer Safety Advisory

On September 29, 2009, one month following the San Diego crash, Toyota issued a consumer safety advisory, giving more light into the unintended acceleration issues. The floor mats, which could potentially jam gas pedals wide open, were held responsible for 13 crashes, five fatalities and 17 injuries (the Santee incident was the most prominent) (Woodyear, 2009).

The advisory, which was Toyota's first public acknowledgement of the floor mat issue subsequent to the August collision, provided instructions should a vehicle begin to accelerate rapidly. While over four million vehicles were recalled, the following models were of primary concern (Toyota Motor Company, 2009):

- 2007 2010 Camry
- 2005 2010 Avalon
- 2004 2009 Prius
- 2005 2010 Tacoma
- 2007 2010 Tundra
- 2007 2010 ES350
- 2006 2010 IS250 and IS350

3.2 – A Series of Delayed Responses

Amidst releases and informational YouTube videos, Toyota broke its silence with a public apology from president, Akio Toyoda. On October 2nd, 2009, Toyoda expressed grief in regard to the August 2009 crash and deep regrets about a second annual consecutive loss and the decision the close the company's first American company in California (Tabuchi, 2009).

Further, Toyoda acknowledged the company's lack of preparedness for the global economic crisis, adding the company was "grasping for salvation," as it anticipated a record loss of 450 billion yen (\$5 billion) for the 2009 fiscal year (Tabuchi, 2009).

It wasn't until October 30th, when Toyota began issuing formal letters, were owners notified of the official recall to fix the unintended acceleration issue. According to Bensinger & Vartabedian (2009), Toyota "confirmed that no defect exists in vehicles in which the driver's floor mat is compatible with the vehicle and properly secured" in the letter.

3.3 – Toyota Slammed Over Misleading Information

Shortly following the release of the formal letters, Toyota suffered repeated blows by federal safety regulators and *The Los Angeles Times*, both asserting that the motor company

issued inaccurate and misleading statements. As the National Highway Traffic Safety Administration refuted Toyota's slandering attempts with a statement claiming that the recalled Toyota and Lexus vehicles did have an "underlying defect" that involved the design of the accelerator pedal and the driver's foot well, the auto giant fumbled to get its story straight (Bensinger & Vartabedian, 2009).

While the NHTSA informed Toyota that having owners remove their floor mats was the best way to tackle the accelerator issue head on, it was merely a temporary fix. In their statement, the NHSTA (2009) added that "this remedy does not correct the underlying defect in the vehicles involving the potential for entrapment of the accelerator by floor mats, which is related to accelerator and floor pan design."

Toyota issued an additional statement and a video, refuting assertions that the unintended acceleration was related to other potential electronic factors. In response to the NHTSA, Toyota stated that "vehicle-based" remedies to prevent acceleration issues were still in the works. According to Bensinger and Vartabedian (2009), Toyota emphasized the fact that "it was never their intention to mislead or provide inaccurate information."

3.4 - Floor Mats Ruled Out

The fate of the four passengers driving through Highway 114 near Southlake, TX led to a second look at the August 2009 San Diego collision. While Southlake police investigated whether or not a stuck gas pedal was the root cause of the incident, floor mats were ruled out, as they were located in the trunk of the car (Fischer, 2009).

Transitioning into the new year with a glimmer of hope, Toyota announced on January 11th, 2010 that an override software fix would be made global by 2011 (Bowen, 2011). Little did the auto giant know that additional issues would arise shortly after.

4 – 2010 Sticky Pedal Recall

Just as things could only go from bad to worse, Toyota juggled its largest recall reaching beyond 4.2 million vehicles with yet another sticky situation—sticky pedals, to be exact. Only five days after announcing a global override software fix, Toyota informed the NHTSA that accelerator pedals developed by supplier, CTS, may have a dangerous "sticking" effect (Bowen, 2011). The total of vehicles recalled in 2009 raised to over 9 million by 2010 (Hammond, pg. 1.)

"Our investigation indicates that there is a possibility that certain accelerator pedal mechanisms may, in rare instances, mechanically stick in a partially depressed position or return slowly to the idle position," said Irv Miller, Toyota USA Group Vice President of Environmental and Public Affairs (Bowen, 2011). According to CNN, the following automobiles were amongst the 2.3 million recalled (Valdes-Depena, 2010):

- 2009-2010 Rav4
- 2007-2010 Camry
- 2005-2010 Avalon
- 2010 Highlander
- 2007-2010 Tundra
- 2008-2010 Sequoia

Corolla

Matrix

4.1 – Establishing a Public Relations Presence

Taking action following the previous floor mat recall, Toyota made a point to establish a public presence very early on. Jim Lentz, president of Toyota Motor Sales, solemnly apologized to customers via video a week later, which was later posted on the Toyota website. Lentz added that select Toyota dealerships would be open around the clock to accommodate to owners and fix the recalled vehicles (Valdes-Dependa, 2010).

Toyota suspended production of the eight models included in the recall shortly after.

Repair parts were shipped across the country, as dealers were trained on how to fix the issue. The actual repair, which was estimated to be 30 minutes, was offered to customers at no cost at all (Jackson & Gremiel, 2010).

4.2 – Pointing Fingers

Keeping with a pattern of insufficient allegations, such as putting blame on ill-fitting floor mats for sudden acceleration during a previous recall, Toyota put Indiana-based supplier, CTS, in the spotlight for additional acceleration issues. According to the automaker, the issue was due in part to excessive wear of an interior part, caused by a condensation build up, making the pedal slowly return to an idle state (Jackson & Gremiel, 2010).

Feeling the heat, CTS did not hesitate to react in defense. Stating that the automaker was far from ending the issue of runaway cars with such allegations, CTS drew upon the fact that Toyota never mentioned any serious accidents or deaths linked to the "sticky" gas pedals. "They acknowledged that they did not cause any accidents or injuries related to that condition of the pedal," said Mitch Walorski, director of investor relations for CTS (Ross, 2010).

4.3 – Government Involvement

Despite Toyota's proactive attempts to address the sticky pedal issue, the automaker was still accused of slowly reacting to safety concerns, making design changes without notifying customers about the underlying problems. For example, complaints from customers in Europe about sticking accelerator pedals were received as early as December 2009, which prompted Toyota to install redesigned pedals overseas (Ross, 2010).

Failing to consider vehicles in the U.S., Toyota was quick to blame floor mats when faced with the 2009 recall. In a filing with the NHTSA, Toyota indicated that it did not realize that pedals in cars made in the United States were crafted with the same material as those in Europe, despite the fact that they are supplied by the same company, CTS (Kanter, 2010).

Toyota's misleading accusations did very little to appease leading Democrats on the House Energy and Commerce Committee. Due to Toyota's decision to completely rule out

computer issues and a slew of misleading statements about automobile repairs, an 11-page letter to Lentz was drafted by Henry A. Waxman, committee chairman, and Bart Stupak, a subcommittee chairman (Kanter, 2010).

According to Maynard (2010), Waxman and Stupak criticized Toyota for failing to properly investigate the idea, stating that "the six vehicles involved in Exponent's study, none of which were shown to have problems with their electronic systems, made up too small a sample from which to draw a conclusion." Toyota did not have any immediate comments, as it prepared for three scheduled committee hearings.

Further, speculations about NHTSA and the federal safety agency's ability to investigate Toyota's problems arose. "It appears that NHTSA lacks the expertise needed to evaluate defects in vehicle electronic controls, and its response to complaints of sudden unintended acceleration in Toyota vehicles appears to have been seriously deficient," wrote Waxman and Stupak in a separate letter to Transportation Secretary, Ray LaHood (Maynard, 2010).

As if the House Panel criticisms weren't enough for the Japanese auto giant, LaHood, expressed further disappointment and concern for Toyota during an interview. "Maybe they were a little 'safety deaf' in their North American office," said LaHood (Maynard, 2010).

4.4 – Fighting To Get Out

Struggling to keep his company afloat, Toyoda appeared before the House Oversight and Government Reform Committee on February 26th, 2010 (Kanter, 2010). Although Toyoda was solemn in appearance, his humble words did very little to shield him from scalding lawmakers. While lawmakers were adamant on future hearings to further scrutinize the Japanese auto giant and the federal agency that oversees it, new laws to keep regulators up-to-date with rapid

advances in automotive technology (i.e. computer-controlled engine systems) were on the horizon.

As of April 2010, Toyota faced a hefty \$16.4 million fine sought by the NHTSA (Valdes-Depena, 2010). Although the auto manufacturer notified the NHTSA of the sticky pedal issue early in the year, it failed to come clean four months prior, as the defect initially surfaced in September 2009.

"We now have proof that Toyota failed to live up to its legal obligations," said LaHood. "Worse yet, they knowingly hid a dangerous defect for months from U.S. officials and did not take action to protect millions of drivers and their families. For those reasons, we are seeking the maximum penalty possible under current laws." (Valdes-Dependa, 2010).

4.5 – Unyielding Support: Loyal Customers

For a company regarded with such respect and credibility, it was difficult to escape the biting criticism from discontent customers. In response to a Toyota advertisement claiming that more than 172,000 employees were working to fix the safety problem, owner Jonathan Braun became skeptical. "They didn't show anything they had actually done to fix the problems," Braun said. "That's what made it seem more like a fluffy PR ad" (Bernstein, 2010).

However, in spite of the legal, economic and ethical woes, Toyota still received support from unwavering patrons. "I will be as loyal and supportive to them as they have been to me," said proud Toyota owner, Gilbert Villanueva, of Northridge, CA. "They never let me down before and I am confident of their solution" (Gomstyn, 2010).

Further, some Toyota supporters called out the media and U.S. government for mercilessly blowing the recall issue out of proportion. "I believe the media has been unfairly critical. Machines sometimes don't work the way they were intended," said Paul Lozzi, of

Charlotte, N.C. "It is not like this has never happened to General Motors, Ford etc." (Gomstyn, 2010).

5 – Brand New Marketing Strategy

The halt to sales forced Toyota to suspend production at five plants, bringing 20,000 workers to a standstill and left 250,000 unsold vehicles, worth nearly \$50 billion, sitting idly at 1,200 dealerships across the nation (Szczesny, 2010). Faced with the reality that customers could begin to consider other American automobile brands, such as Ford and Chevrolet, Toyota had to rework its marketing strategy to stay at the top.

Among the array of marketing tactics up its sleeve, Toyota purchased banner ads on approximately 400 websites and had public service announcements running on the radio to direct customers seeking recall information to its website (Bernstein, 2010). Aside from hiring additional lobbyists and public relations specialists in its Washington offices, Toyota rounded off a week of television appearances by top executives with a nostalgic commercial that opened with a 1960s-era photograph of what is now Toyota of Hollywood (Bernstein, 2010). The commercial aired frequently on network and cable television stations, alongside YouTube and the Toyota website.

Aiming to focus on the reliability and durability of its vehicles, Toyota's new marketing advertising notes that 80% of the Toyotas sold in the past few decades are still on the road (Szczesny, 2010).

"They first need the compelling story, which is that they've got the fix, they have the means to maintain or rebuild that bond of trust," said Chris Gidez, U.S. Director of Risk Management and Crisis Communications for Hill & Knowlton. "It's not enough to do the best advertising and the most creative marketing and really smart social-media engagement." (Szczesny, 2010).

5.1 – Buyer Incentives

In addition to a new and improved marketing strategy, the automobile mogul went back to the drawing board to brainstorm ideas on how to attract new customers to go the Toyota way while simultaneously reassuring current owners. Tending to a bruised reputation and functioning with certain models off the market, Toyota offered various incentives to potential buyers.

Examples of the incentives implemented to rebuild customer loyalty included (Bunkley, 2010):

- •No-interest financing for five years on eight models
- •Up to two years of free scheduled maintenance for past customers to buy a new Toyota
- •\$1,000 incentive to buy a new Prius (Bernstein, 2010)
- •0% financing and low-priced leases to customers who buy or lease several of the recalled vehicles, including Corollas, Camrys and Avalons ("Luring Buyers with Incentives," 2010)

"These are the best incentives we've seen in a long time," said Earl Stewart, owner of a dealership in North Palm Beach, Fla. "We are basically telling customers that Toyota sales will be coming back and they're going to pull these incentives... so people see a sense of urgency" ("Luring Buyers with Incentives," 2010).

Public Relations Response

Due to Toyota's lack of effective communication and failure to address the safety of its customers, three prominent public relations issues emerged from this case study. Much to the company's dismay, it was shocking to see Toyota's premature national and international communications plan unfold, which failed to reflect its high status and reputation as a leading automobile manufacturer. Making matters worse, Toyota was unable to maintain a consistent explanation of the 2009/2010 recalls, shifting the blame on CTS Corp and releasing misleading information to the public. Lastly, the lack of focus on Toyota's consumers inhibited the company to rebuild trust and promote proactive consumer relations.

In relation to the 2010 sticky pedal recall, Toyota could have spared the embarrassment and the innocent lives that were lost had the company taken action after hearing about malfunctioning cars in Europe. Failing to check and notify consumers about vehicles in the U.S., it became apparent that Toyota did not have a functional and cohesive communication system. In order to address this, we highly recommend the implementation of a unified communications and alert system in which various regions closely monitor issues. If an issue becomes prominent across the board, Toyota officials would be notified right away and would be able to take immediate action.

Toyota put its credibility and reputation on the line as formal letters, which incorrectly claimed that "no defects existed in its vehicles," were issued to customers. Further, the motor giant attempted to shift the blame on auto part manufacturer, CTS Corp. It became apparent that Toyota did not conduct thorough research and investigation regarding the recall issues, and quickly jumped to faulty conclusions. While this made the company look unprepared and guilty, it showed that no progress was being made to address the situation.

In order to address these types of issues in the future, we suggest that Toyota conduct thorough background research and devise a comprehensive explanation to ensure that all ends of the story connect. Toyota could have partnered with and utilized the National Highway Transportation Safety Administration to its advantage by conducting thorough testing and releasing verifiable (qualitative and quantitative) figures to back up its claims.

Finally, Toyota mistakenly lost sight of its loyal customers throughout the recall process, which made the company look apathetic. Rather than ensuring the safety of its customers, Toyota was too concerned with trying to save its deteriorating image and reputation. Although Toyota retained a handful of devoted customers, many became skeptical of the company, which clearly had no interest in rebuilding trust. As one of the chief aspects of public relations, attempting to regain trust from the public should have been one of Toyota's top priorities.

In order to employ proactive consumer relations, it is suggested that Toyota revise its marketing strategy and incorporate local, face-to-face tactics. By holding "open houses" and workshops at local Toyota dealerships, customers would be able to interact with Toyota affiliates, learn about car safety and finally get answers. Further, car shows and events featuring Toyota vehicles from various time periods could help showcase how the brand has evolved throughout the years, emphasizing the rise in quality, durability and efficiency.

Questions for Discussion

- 1. Evaluate Toyota's response after finding out about defected auto parts in Europe.
- 2. What role does risk communication play in this situation? What might have prevented this crisis from developing and progressing in the first place?
- 3. As a PR manager, which publics would you address first?
- 4. Which values (advocacy, honesty, loyalty, independence, fairness, expertise) did Toyota address?
- 5. Which values (advocacy, honesty, loyalty, independence, fairness, expertise) could have Toyota addressed more thoroughly?
- 6. Which response strategies pertain to this case?
- 7. How does cultural communication play a role in this situation? In what ways might the Japanese culture have affected Toyota's response strategies?
- 8. If you were Toyota's PR manager, what would you have done similarly to what was actually done in this case? What strategies would you have employed that were not used by Toyota?
- 9. How might other vehicle manufacturers learn from Toyota's series of recalls and its reactions? Do you think it would be beneficial or detrimental for them to emphasize company differences in regard to crisis response? Explain.
- 10. How can Toyota learn from its own mistakes in this series of events? Do you think that situations like these are preventable for large-scale companies? Why or why not?

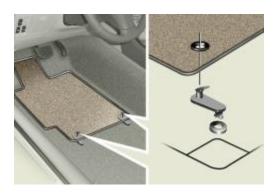


Appendix A – Toyota Consumer Safety Advisory

Categories: ES 350 IS 250 IS 350 Tundra Tacoma Prius Camry Avalon Corporate Toyota Lexus

September 29, 2009

Toyota/Lexus Consumer Safety Advisory: Potential Floor Mat Interference with **Accelerator Pedal**



Toyota Motor Sales, USA, Inc. takes public safety very seriously. It believes its vehicles to be among the safest on the road today.

Recent events have prompted Toyota to take a closer look at the potential for an accelerator pedal to get stuck in the full open position due to an unsecured or incompatible driver's floor mat. A stuck open accelerator pedal may result in very high vehicle speeds and make it difficult to stop the vehicle, which could cause a crash, serious injury or death.

Toyota considers this a critical matter and will soon launch a safety campaign on specific Toyota and Lexus vehicles. Throughout the process of developing the details of the action plan, it will advise the National Highway Traffic Safety Administration (NHTSA).

Until Toyota develops a remedy, it is asking owners of specific Toyota and Lexus models to take out any removable driver's floor mat and NOT replace it with any other floor mat. The following models are affected:

- 2007 2010 Camry
- 2005 2010 Avalon
- 2004 2009 Prius
- 2005 2010 Tacoma
- 2007 2010 Tundra
- 2007 2010 ES350
- 2006 2010 IS250 and IS350

Should the vehicle continue to accelerate rapidly after releasing the accelerator pedal, this could be an indication of floor mat interference. If this occurs, Toyota recommends the driver take the following actions:



First, if it is possible and safe to do so, pull back the floor mat and dislodge it from the accelerator pedal; then pull over and stop the vehicle.

If the floor mat cannot be dislodged, then firmly and steadily step on the brake pedal with both feet. Do NOT pump the brake pedal repeatedly as this will increase the effort required to slow the vehicle.

Shift the transmission gear selector to the Neutral (N) position and use the brakes to make a controlled stop at the side of the road and turn off the engine.

If unable to put the vehicle in Neutral, turn the engine OFF, or to ACC. This will not cause loss of steering or braking control, but the power assist to these systems will be lost.

-If the vehicle is equipped with an Engine Start/Stop button, firmly and steadily push the button for at least three seconds to turn off the engine. Do NOT tap the Engine Start/Stop button.

-If the vehicle is equipped with a conventional key-ignition, turn the ignition key to the ACC position to turn off the engine. Do NOT remove the key from the ignition as this will lock the steering wheel.

In the event owners choose not to remove their floor mat, Toyota strongly recommends that they ensure that the correct floor mat is being used, that it is properly installed and secured, that it is not flipped over with bottom-side up, and that one floor mat is not stacked over another. Information on proper floor mat installation can be found on http://www.toyota.com andhttp://www.lexus.com.

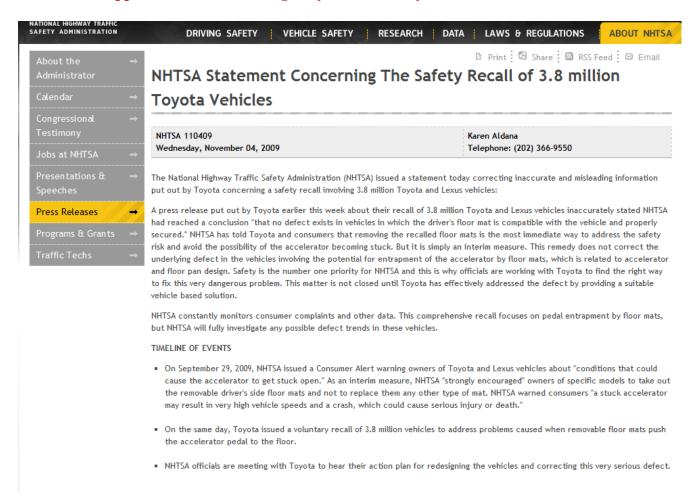
Owners with questions or concerns, are asked to please contact the Toyota Customer Experience Center (1 800 331-4331) or Lexus Customer Assistance Center (1 800 255-3987), or consult the information posted at http://www.toyota.com andhttp://www.lexus.com.

September 29, 2009

Source: http://pressroom.toyota.com/article_display.cfm?article_id=1761



Appendix B – National Highway Traffic Safety Administration Release



Source:

http://www.nhtsa.gov/About+NHTSA/Press+Releases/2009/NHTSA+Statement+Concerning+The+Safety+Recall+of+3.8+million+Toyota+Vehicles



Appendix C – Timeline of Events

- August 28, 2009: An off-duty California Highway Patrol officer is driving on a highway northeast of San Diego with three family members when the 2009 Lexus ES350 suddenly accelerates out of control, hits another car, tumbles down an embankment and catches fire. As the Lexus reaches speeds estimated to exceed 100 mph, one of the occupants calls 911 and reports that the car has "no brakes." All four are killed in the ensuing crash.
- September 14, 2009: Preliminary reports from Toyota and local authorities indicate that the Lexus, which had been on loan from Bob Baker Lexus of San Diego, where Saylor's personal Lexus vehicle was being serviced, may have had the wrong floor mats installed, interfering with the gas pedal.
- September 29, 2009: Toyota announces floor-mat "customer safety advisory," saying the floor mats can become entangled with the accelerator and cause it to stick. The company advises people to remove the floor mats from their cars and says it will provide "safe" replacements.
- October 2, 2009: Newly installed Toyota CEO Akio Toyoda publically apologizes to the Saylor family members killed in the accident and to every customer affected by the recall.
- October 18, 2009: The Los Angeles Times publishes the first of several stories concerning claims of unintended acceleration in Toyota vehicles. The Times article reveals there have been nine separate NHTSA investigations into claims of unintended acceleration by Toyota vehicles in the past decade. Two involved floor mats, and one a trim piece on the Toyota Sienna minivan. Six were dismissed due to lack of evidence. The Times story also claims at least five unintended acceleration cases involving Toyota products in the past two years had resulted in fatalities and that "hundreds" of complaints had been filed with the federal government.
- October 25, 2009: The results of an investigation by local authorities and the National Highway Traffic Safety Administration (NHTSA) reveal a set of rubber floor mats designed for the Lexus RX 400 SUV had been placed over the top of the ES 350's stock carpeted floor mats and that the accelerator pedal had become jammed against them, causing the car to accelerate out of control.
- NHTSA notes brakes were nearly destroyed on the car and that the accelerator pedal was "bonded" to the floor mat. NHTSA also points out the gas pedal on the car was solidly mounted to its stalk, whereas other vehicles use hinged pedals.
- October 30, 2009: Toyota begins sending letters to owners notifying them of an unspecified upcoming recall to fix the unintended acceleration issue. In the letters Toyota states "no defect exists."
- November 2, 2009: NHTSA takes the highly unusual step of publicly rebuking Toyota, calling a company press release re-iterating the statements made in the 30 October letter to owners "inaccurate" and "misleading," noting that the floor mat recall was an "interim" measure and that it "does not correct the underlying defect." Toyota publicly apologizes.
- November 4, 2009: Toyota issues another press release denying media reports a problem exists with its drive-bywire electronic throttle system. However, to support the claim, Toyota simply cites a NHTSA report released two days earlier showing the agency has refused a petition by a Toyota owner to open a new investigation into Toyota's drive-by-wire system. In that report NHTSA had also revealed it had begun an investigation into Toyota's all-weather rubber floor mats in March 2007 after reports of unintended acceleration in 2007 Lexus ES 350s. The investigation would later include 2008 models, and cover a total of 26 claimed unintended acceleration cases, including seven accidents, NHTSA claimed the investigation was closed in October 2007 after Toyota recalled the accessory floor mats and redesigned them. Accounting for Toyota's Recalls
- November 8, 2009: The Los Angeles Times claims Toyota had ignored over 1,200 complaints of unintended acceleration over the past eight years because NHTSA had thrown out those reports that claimed the brakes were not capable of stopping the car under an unintended acceleration scenario. In the story a Toyota spokesman confirms the brakes are not capable of stopping a vehicle accelerating at wide open throttle.
- November 16, 2009: Japanese media reports claim Toyota has made a deal with NHTSA over a recall. Toyota denies any agreement had been reached, but the company admits it had already set aside \$5.6 billion to deal with the issue.
- November, 2009: Toyota recalls approximately 4 million vehicles in the United States to address the risk that floormats can come loose and trap the accelerator pedal. The company also announces that it will redesign its floor mats and install brake-override systems in its new cars. This functionality, standard across some automakers' lines, cuts the throttle when the brake pedal is pressed.



- November 29, 2009: A new Los Angeles Times story claims a number of Toyota drivers say their vehicles had still accelerated out of control with the floor mats removed. The Times also reports complaints of unintended acceleration increased after Toyota began using its drive-by-wire system in 2002, starting with the ES 300. According to the Times, unintended acceleration complaints on Lexus ES 300s jumped from an average of 26 per year in 2001 to 132 per year in 2002, and there had been 19 deaths since 2002 related to unintended acceleration in Toyotas, compared with 11 deaths connected to all other automakers combined. The story also notes Toyota has been investigated for unintended acceleration more times than any other automaker, and that 74 of 132 complaints lodged against the 2007 Lexus ES 350 were for cases of unintended acceleration. Toyota has no explanation, but says its drive-by-wire system is not to blame, again citing the November 2 NHTSA report. However, the Times notes that the agency has only investigated the drive-by-wire system twice in its nine investigations and Toyota had issued three separate service bulletins for 2002 and 2003 Camrys concerning unintended acceleration issues with the drive-by-wire system. The Times says NHTSA had asked Toyota to look into an issue with the electronic throttle body on the 2006 Camry, which Toyota immediately delegated to the parts supplier. When the supplier reported there was no problem, NHTSA accepted the finding and quietly closed the report, keeping most of its 74 pages confidential.
- December 5, 2009: Following an op-ed piece in the Los Angeles Times, Toyota writes a letter to the paper reiterating its stance that the floor mats were the root cause of most unintended acceleration claims. The company defends NHTSA and its methodology.
- December 15, 2009: NHTSA officials meet Toyota executives in Japan seeking prompt action on safety issues. Toyota commits to improving its responsiveness.
- December 23, 2009: Another story in the Los Angeles Times, this time accusing Toyota of hiding defects from customers and regulators over the past decade. The story notes the company has been fined and rebuked by judges several times for failing to turn over evidence in lawsuits, and that many suits brought against the company have been settled out of court for undisclosed sums of money. It also reveals Toyota has only one machine in the U.S. capable of reading onboard data recorders and has often refused to share the information with claimants and law enforcement. Toyota claims it has been unfairly attacked by the paper, but confirms it only has a single data-reading machine and that the software on it is proprietary. Even though California and other states have laws specifying the data on the recorder belongs to the vehicle's owner, Toyota says it shares information in select cases either as a "community service" or when required to do so by a judge. Toyota says it is company policy not to use the software to investigate defect claims. Ten lawsuits over unintended acceleration are pending against the company.
- December 26, 2009: A Toyota Avalon crashes into a lake in Texas after accelerating out of control. All four occupants die. Floor mats are ruled out as a cause because they are found in the trunk of the car.
- January 11, 2010: Toyota announced its brake override software fix will be made global by 2011.
- January 16, 2010: Toyota informs NHTSA that accelerator pedals made by supplier CTS Corp may have a dangerous "sticking" defect.
- January 19: At meeting in Washington including Inaba and U.S. sales chief Jim Lentz, NHTSA asks Toyota to take prompt action. Hours later Toyota tells NHTSA it will issue a recall.
- January 21: Toyota announces recall for about 2.3 million Toyota models to fix sticky pedals. The company says the new recall is unrelated to the floor mat recall, but also announces 1.7 million Toyota vehicles would be affected by both recalls.
- January 25: NHTSA informs Toyota it is legally obliged to stop selling vehicles even if it does not have a remedy.
- January 26: Toyota announces it is immediately halting the sale of all models affected by the January 21 pedal recall, including its best-selling Camry and Corolla sedans, and that it will shut down assembly lines for those models at five North American plants for one week beginning February 1.
- January 27: U.S. Transportation Secretary Ray LaHood tells Chicago radio station WGN the government asked Toyota to stop selling the recalled vehicles. Toyota confirms LaHood's statement. Other media reports claim Toyota has quietly informed its dealers and factories the problem lies with pedals made by supplier CTS Corporation of Elkhart, Indiana. Lexus and Scion models, it turns out, use pedals made by Japanese supplier Denso, hence their exemption from the recall. The problem is said to occur after 38,000 miles, though the cause is still under investigation.
- January 27: Allegedly at the urging of NHTSA, Toyota expands its November 25 announcement by recalling an additional 1.1 million vehicles due to the risk that a loose floormat could trap the accelerator in an open position.
- January 28: Toyota meets with NHTSA to review its pedal fix. NHTSA says it has no objections to the fix.

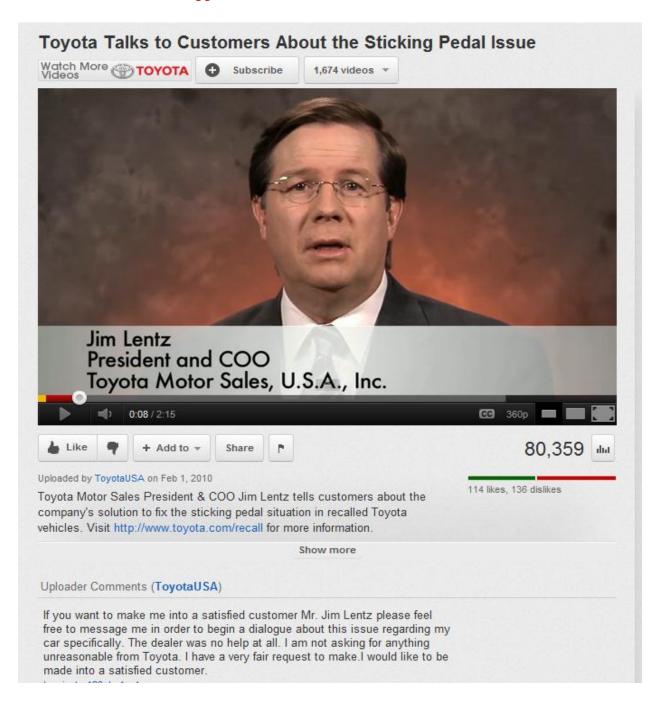


- January 29: NHTSA opens investigation into CTS pedals. NHTSA asks CTS if it sold pedal to other carmakers and when it discovered reports of problems.
- February 1, 2010 Toyota announces accelerator-pedal fix, which involves a shim inserted into the pedal assembly to prevent the throttle from becoming stuck open.
- February 2: Toyota reports a 16 percent drop in January U.S. sales, Monthly U.S. sales drop below 100,000 for the first time in more than a decade and Toyota's U.S. market share falls to its lowest level since January 2006.
- February 2: NHTSA renews investigation into Toyota's electronic throttle control system. U.S.
- Transportation Secretary Ray LaHood says, "While Toyota is taking responsible action now, it unfortunately took an enormous effort to get to this point." Toyota says it will fully cooperate with NHTSA probe.
- February 3: LaHood warns recalled Toyota owners to stop driving, then withdraws his remarks, saying it was a misstatement. Toyota says it is examining braking complaints about its 2010 model Prius hybrid.
- February 4: NHTSA opens investigation into at least 124 consumer complaints about brakes on Toyota Prius
- February 5: After keeping a low profile for nearly two weeks, President Akio Toyoda appears at a news conference to apologize for safety problems. He announces plans to bring in a task force, including outside analysts to review quality. Toyota considers a recall for Prius braking issue.
- February 8, 2010 Recalls for braking issues are extended to 2010 Prius and 2010 Lexus HS250h because of "inconsistent pedal feel" under braking on slick or uneven surfaces. More than 437,000 vehicles are involved, bringing the total to more than 8.5 million Toyotas recalled.
- February 22, 2010 A professor from a Podunk university looking to make a name for himself teams up with ABC News to dupe the populace into believing their Toyota has a ghost in the machine, a.k.a.an electronics glitch that can cause acceleration independent of pedal involvement. The process by which he rigged the car to accelerate is shown later by Toyota and a team of researchers from a real college—Stanford—to work on vehicles from virtually any maker.
- February 24, 2010 Toyota president Akio Toyoda testifies in Congress, apologizes again, and gets scolded.
- April 5, 2010 NHTSA plans to seek a \$16.4 million civil fine from Toyota for the automaker's failure to acknowledge accelerator pedal defects. This is the maximum amount possible under the government agency's authority. NHTSA says Toyota knew about sticking pedals in September 2009 but didn't acknowledge the problem for another four months.

Sources: Reuters, MSNBC, Motor Trend, Car and Drive

Source: http://faculty.washington.edu/rbowen/cases/Toyota Recall case April 2011.pdf

Appendix D – YouTube Video – Jim Lentz



Source: http://www.youtube.com/watch?v=ZCb2dEFBq7I&feature=relmfu

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