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15.912 Technology Strategy
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Launching the Toyota Prius

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The Prius Launch Strategy (the facts)

Retail Price = \$25,000

- Fixed costs: assume dev. costs of \$2B and 12K units/yr for 8 yrs = \$20,833/unit
- Var costs: assume \$3500/unit; tot cost/unit = \$24,333
- Avg Vehicle Price in 1994 = (net sales/ #units) = \$20,650
- Survey Customer WTP: 20% premium, (\$20,650 + 20%) = \$24,780
- Fuel Savings/ year : U.S.= \$248 German/Japan= \$360
- BEV for 20% premium w/ fuel savings: U.S.= 16yrs G/J= 11yrs

Launch Strategy

- Must be reliable and safe to gain traction in the mkt
- Launched too early could “spoil” customer perception of new technology = better to wait a year than launch with uncertainty (although the 1st mover will determine customers perception)
- Assume competition’s development timeline is equal to yours, but you can beat them with costs and quality (TPS) in the long run

Price Strategy

- Sell at cost initially and “create” margin through TPS cost reductions in future years/ possible cost reduction in key parts (batteries)
- Each car sold is a moving billboard (free advertising for new tech and Toyota)
- Marketing to only 12,000 purchasers per year = very pinpointed market segment where key message is “pro-environment”

Launch of Prius

Japan

- Timing: late 1997
 - Beat Honda Civic hybrid
- Quantity: 2K/month
- Price: 2.15m Yen (\$21.5K)
 - Avg Toyota car price 1995 \$24.9K

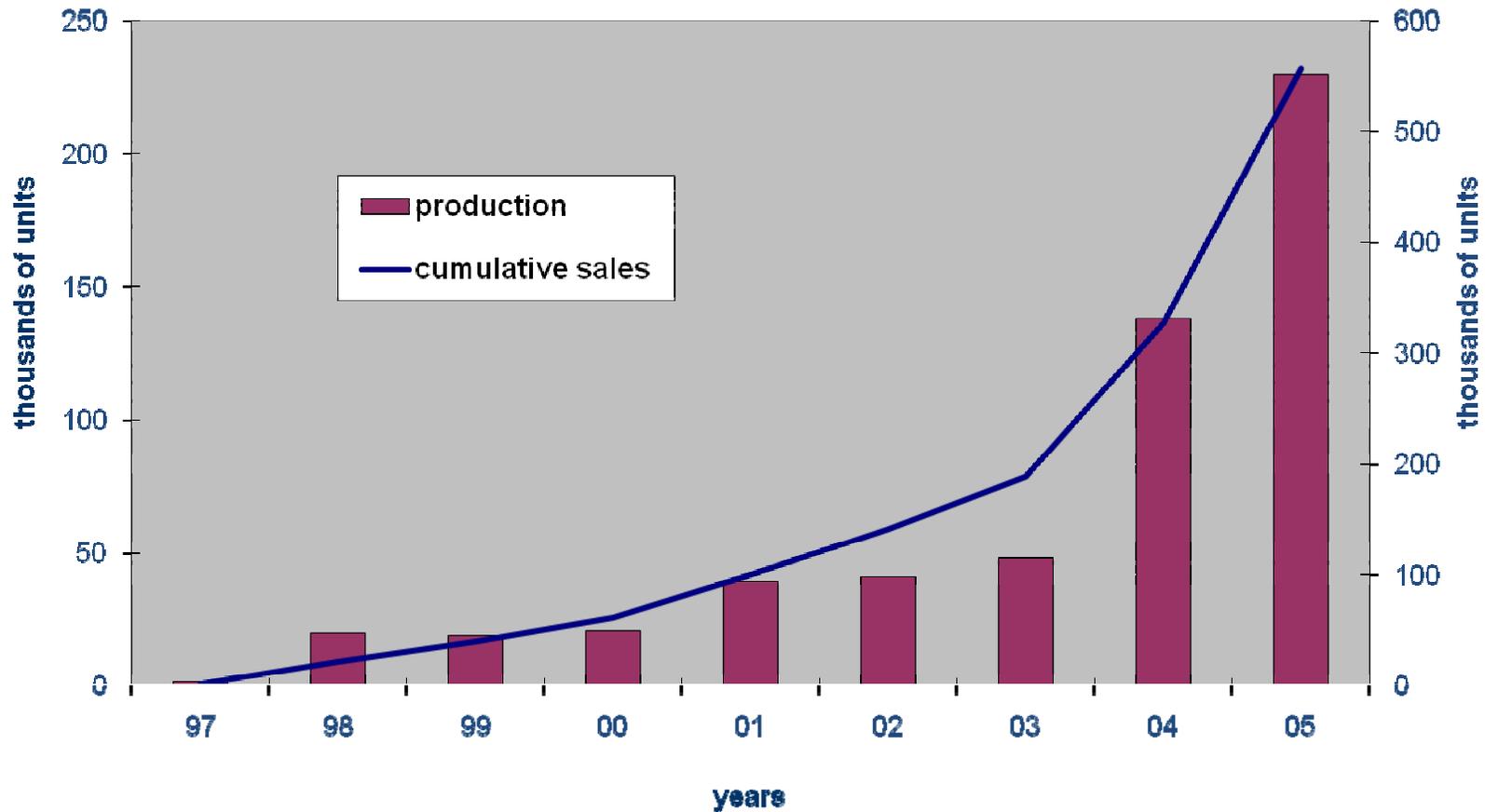
US

- Timing: 2000
- Quantity: <6K/yr
- Price: \$20K
 - Avg domestic car price \$18.9K

All hybrids = 1.2% cars sold in US,
2005

Toyota has 52% of hybrid market

Toyota hybrid vehicle production



Looking forward

- **Next session: Organizational Dynamics**
 - **More on Overload, Real-Time Decision Making, Simple Rules, Rhythm, Pacing**