

Solar Power 2006: A Hybrid Marketing Story



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October 17, 2006



The Evolution of Hybrid Marketing

Marketing strategy - greatly evolved, in a short period of time (in auto industry terms)

Required learning - who our last customer was, but who *the next customer* will be

What worked last year doesn't necessarily apply today

Constant evaluation and change is required

We don't create demand, we facilitate it



Phases to the Evolution

Phase 0 - Alpha Testing

Phase I – Launch and Learn

Phase II – Aligning Business Practices

Phase III – Springboard to the Mainstream

Phase IV – Mainstreaming Hybrids



US Market Conditions in 2000

Industry on track to set new record

Market dominated by trucks and SUV's

- Gasoline prices down to record low...\$0.99/gallon!
- Hummer H2 Concept debuts - Detroit Auto Show



Jeep Grand Cherokee



Chevy Trailblazer



Economy strong; full effect of dot com implosion to be determined



Ford Explorer

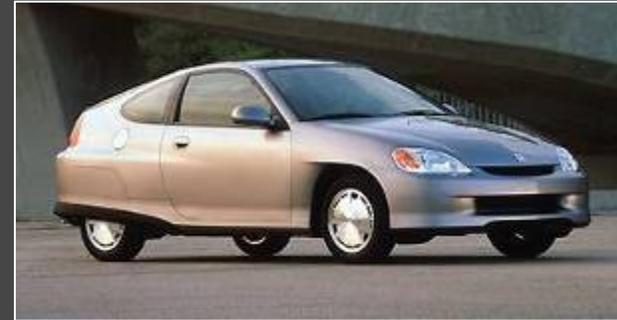


Hybrids an Unknown Quantity

Honda Insight

Honda Insight launched in late 1999

- Small two-seater proof-of-concept with low sales targets



Focus of public discussion was on Electric Vehicles – with all the associated consumer concerns

Toyota RAV4 EV



Toyota a strong performer, but still known primarily for high quality cars and trucks

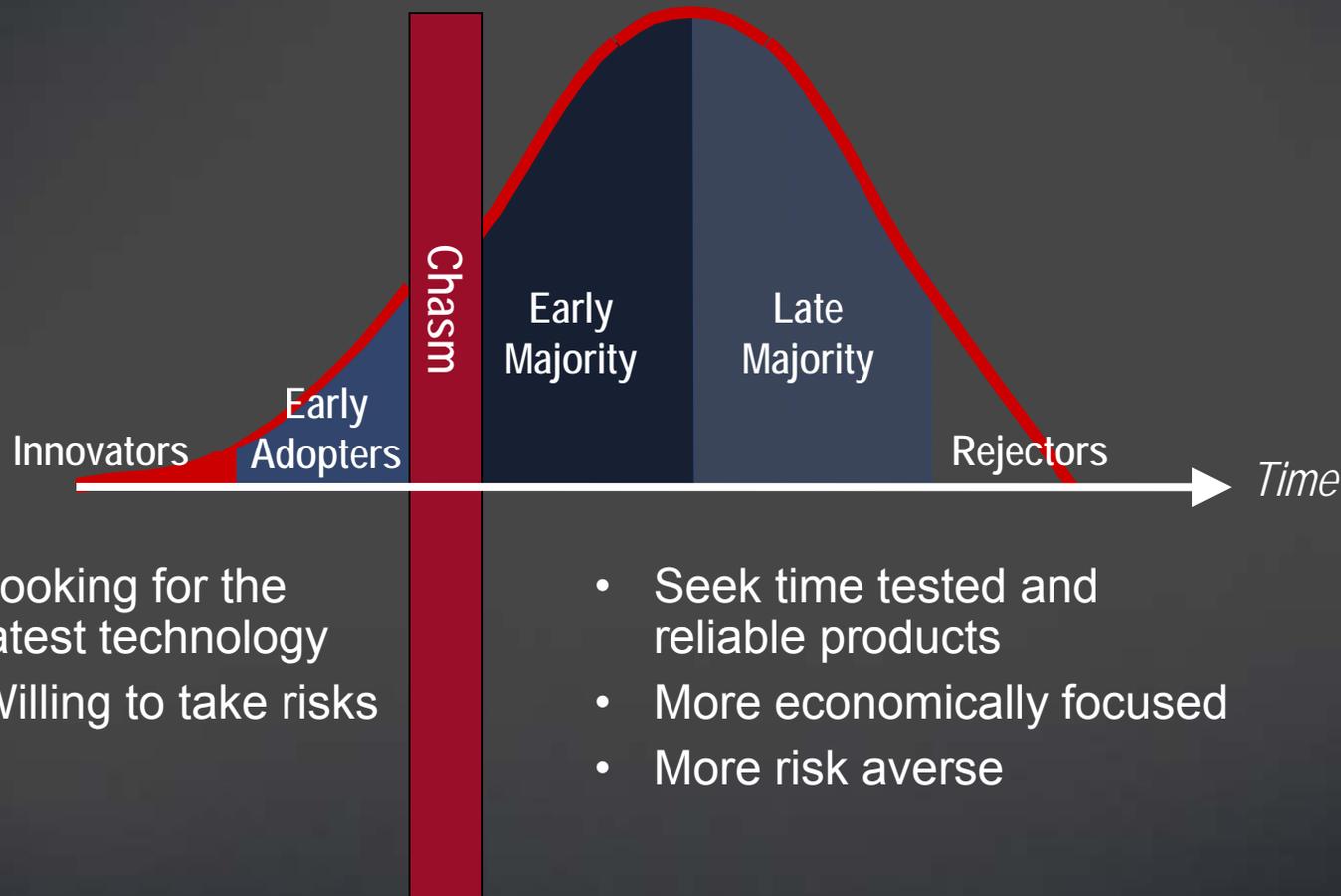
- *Not considered a technology leader!*



GM EV1



Model for Technology Adoption



Source: "Crossing the Chasm" by G. Moore



Phase 0 – Alpha Testing (Demo Program)

Demo Cities
April 1999-January 2000



Vehicles placed with
consumer households
for four-week duration

Publicized thru Internet;
over 8,000 applicants



Toyota Prius (Gen 1)

Objectives:

- Obtain consumer feedback; real world testing
- Increase awareness in key markets
- Define Toyota Hybrid System as the green standard
- Influence policy makers regarding the benefits



Phase I – Launch and Learn (2000-2002)

1st Gen Prius launches July 2000

Goals

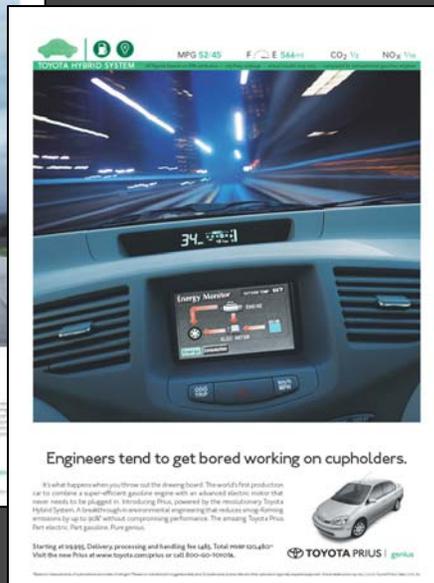
- Create a halo for Toyota brand and show Toyota's commitment to changing the world
- Generate awareness of hybrids
- Obtain widespread support of dealers' sales and service personnel
- Influence regulatory requirements
- Modest sales goal: 12k units per year

Strategy

- Unique distribution methodology – the Internet!
- Extremely focused message to Innovators and Early Adopters with environment and technology message



Phase I – Marketing Efforts



Tightly focused “specialty” media channels

- Print in technology-oriented outlets
- Outdoor in key markets (LA, SF, NY)
- Select TV spots

Message was technology and benefits focused

Formation of critical partnerships to drive awareness

- Environmental Media Awards
- American Lung Association



Phase I – Lessons Learned

Prius struck an emotional chord, not a rational one

“Environmentalists” don’t buy environmentally friendly cars – prefer bicycles

- Conscientious, wealthier, technology-savvy consumers key buyers

Internet distribution model worked well

- Right product to right place
- Dealers didn’t need to learn to sell the car

Education was everything, and experience is essential

Our customers were our best marketing tool – “Prius Pioneers”

Purchase Reasons	Rejection Reasons
<ul style="list-style-type: none">• Making a “statement”<ul style="list-style-type: none">- Environment- Oil Use- Innovation• Personal benefits were secondary• Toyota QDR very helpful	<ul style="list-style-type: none">• Safety• Durability• “Plugging in”• Aesthetics• Power• Residual value (hybrids a fad?)



Phase II – Aligning Business Practices (2002-2003)



Honda Civic Hybrid

Real competition comes to market: Honda Civic Hybrid

- 1st hybrid model not a dedicated design
- Conventional wisdom “this is what consumers wanted”

Next strategies developed based on new realities

- A counter to competition was necessary: Move to a normal distribution model
- Demand was outpacing supply → manage customer expectations
- Change of marketing focus
 - Still target Innovators & Early Adopters
 - Message evolved based on lessons learned



Phase II – Marketing Efforts



Focus on sales force needs

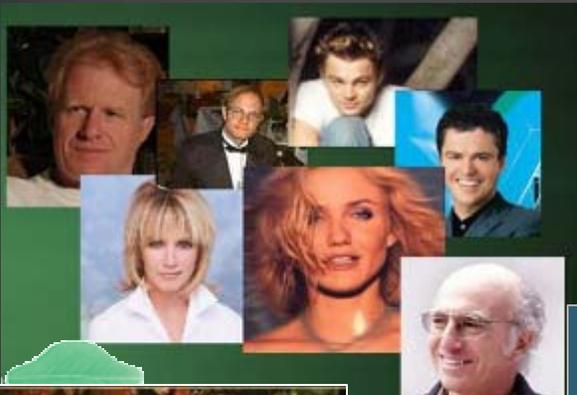
- How to sell a hybrid
- Point-by-point versus competition

New message for consumers

- Make a statement – with personal benefits too (still no compromises & under \$20k)
- Cost/benefits analysis NOT a message

Tactics

- Embrace enthusiasm from opinion leaders and acclaim from 3rd parties
- Product placement to enhance familiarity
- Support Prius Pioneers efforts to educate others
 - Reference cards
 - Newsletter



Phase II – Lessons Learned

Conventional platforms did not guarantee success

- Purpose-built style still had “statement” cache that could be leveraged with opinion leaders

Training the sales force hard work

- Continual support and emphasis required

Celebrities potentially polarizing – help awareness but can politicize your message

Prius Pioneers still best salespeople

- Enthusiasts go out of their way to convert others
- Supporting clubs and forums is free marketing dollars



Phase III – Springboard to the Mainstream (2003-2005)

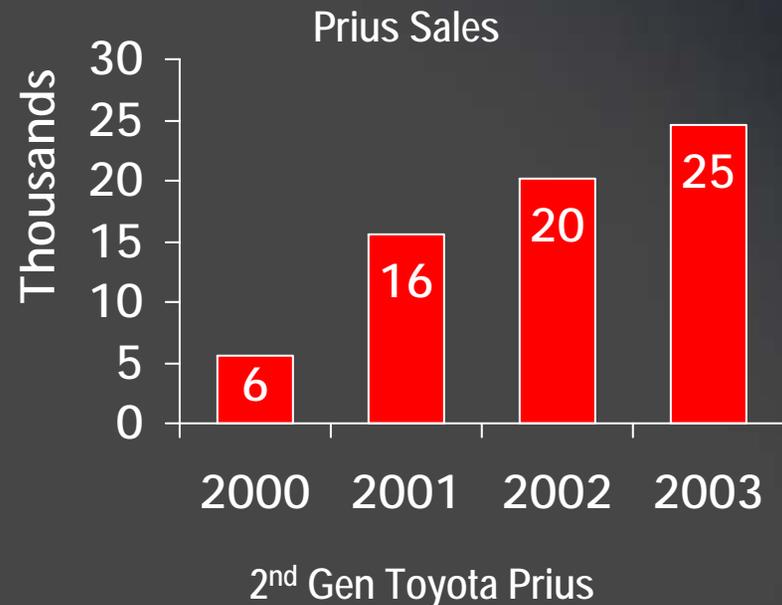
By 2003, Prius selling twice original volume goal (24k/yr)

2nd Generation Prius launch planned for Oct 2003

- Better product in all ways
- 50% higher sales target (36k/yr)

Beyond the Early Adopters to the Mainstream

- Question - current pool of buyers big enough?
- New product overcame many Mainstream rejection reasons



Phase III – Marketing Efforts

Significant pre-launch activities leveraged current owner base

- Viral marketing generated buzz...slowly let information out about the new car that they could share with friends
- Allowed Prius Pioneers to sign up for first units to arrive in the US



Meanwhile, a large global multi-media launch planned for new Prius

- TV, spot, print, outdoors focused on new benefits and advanced creature comforts
- New brand developed for Toyota's technology: Hybrid Synergy Drive

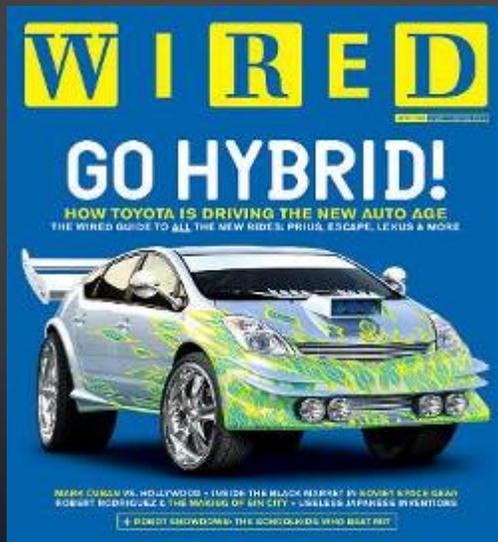


Phase III – Lessons Learned

Pre-launch activities so successful - traditional launch campaign was never used in the US

- Over 65,000 handraisers and 10,000 pre-orders for the car
- Prius Pioneers bought into the new model and played a large role in marketing to the Mainstream

Critical acclaim from media and 3rd parties very effective converting leading edge Mainstream



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CARS

Toyota's Prius: No Plug Required

By SHOLAN FREEMAN

Gaining Some Traction
U.S. sales for Toyota's Prius hybrid and Honda's Civic hybrid

Year	Civic hybrid	Prius hybrid
2000	~1,000	~1,000
01	~2,000	~2,000
02	~3,000	~3,000
03	~4,000	~4,000
Through August	~15,000	~18,000

Toyota will begin selling its redesigned 2004 Prius hybrid to U.S. consumers in October and will launch a broad marketing campaign to fuel sales.

The new commercials will show during prime time during "ER," "Alias," "CSI Miami" and on cable channels such as



Phase IV – Mainstreaming Hybrids (2005-)

Prius was now riding multiple supporting waves

- Increasing gas prices
- Enhanced environmental and energy sensitivity
- Proven durability (now on road for 5 years)
- Government incentives have grown substantially – tax credits, HOV lane access, and free parking

Challenges ahead

- Significant increase in Prius sales plan (100k+/yr)
- Launch of new hybrid models with conventional style

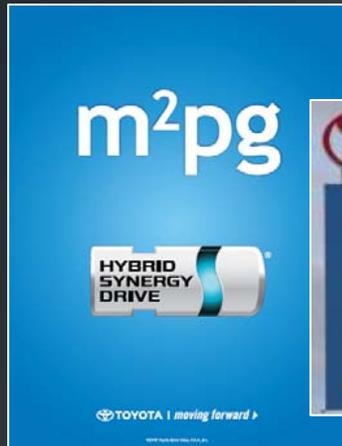
*Highlander
Hybrid*



*Camry
Hybrid*



Phase IV – Marketing Efforts



Focus - Hybrid Synergy Drive Brand umbrella

- Maintain technology, environmental leadership as the term “hybrid” becomes generic
- Message re-centered on personal benefits again

Reach much broader audience using traditional/non-traditional tactics

- National integrated advertising campaigns
- Enhanced event marketing – taking the experience to the audience

**Don't forget loyalty programs for
our Pioneers...**



Looking into the Future (2007+)

Number hybrid models expected to double next two years

- Can the sales force “sell” hybrids?

Other technologies gaining traction in the public consciousness

- Ethanol, diesel, hydrogen... it confuses consumers!

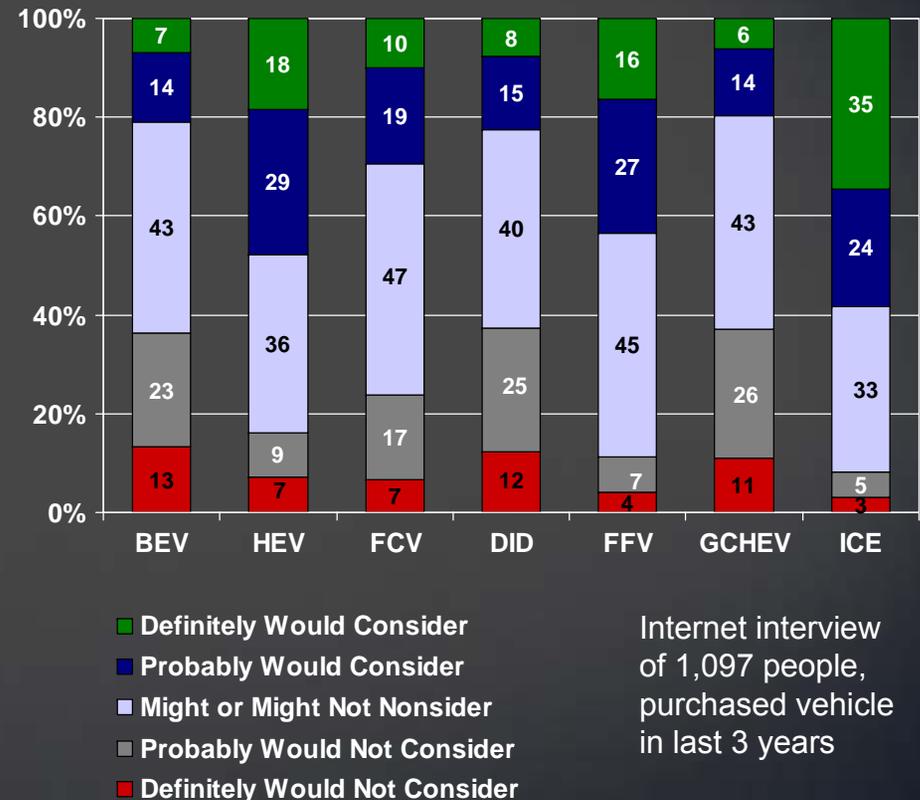
New data about consumers and advanced vehicles

- Awareness, opinion, consideration... it confuses marketers!

Toyota satisfies many consumer vehicle needs – new full sized trucks coming soon

- How to maintain environmental leadership in light of this?

Purchase Consideration of Vehicle Technologies (Unaided, no explanation)



Synovate Motoresearch's Advanced Propulsion & Alternative Fuels Syndicated Study – May 2006



The Key Takeaways

Customers are your best salespeople – help them create a passionate community

Hard to make something cool, much easier to let enthusiasts do it for you

Driving is believing – no substitute for actual experience with the product

Third-party endorsement essential to appeal to rational needs of Mainstream consumers

Expect to adjust marketing - if it isn't resonating, change the message... or the target!

Use a full range of tactics for every part of the purchase funnel: awareness, consideration, selection, **loyalty**



Translating to the Solar Industry

Pros	Cons
<p>Solar has fewer safety concerns to overcome</p> <p>Lower replacement and maintenance cost worries</p> <p>Style <i>less</i> of an issue</p> <p>Education is easier because operation is simpler</p> <p>Regulatory compliance less formidable</p>	<p>Electricity is not as sexy as cars</p> <p>Solar benefits are:</p> <ul style="list-style-type: none">• Limited to environment and energy usage• Not as obvious on a daily basis• Difficult to experience and share with others <p>Higher upfront costs means longer payback</p>



Thank you!