Solar Power 2006: A Hybrid Marketing Story
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

Economy strong; full effect of dot com implosion to be determined
Hybrids an Unknown Quantity

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 a strong performer, but still known primarily for high quality cars and trucks
• Not considered a technology leader!
Model for Technology Adoption

- **Innovators**
  - Looking for the latest technology
  - Willing to take risks

- **Early Adopters**

- **Early Majority**
  - Seek time tested and reliable products
  - More economically focused
  - More risk averse

- **Late Majority**

- **Rejectors**

Source: “Crossing the Chasm” by G. Moore
Phase 0 – Alpha Testing (Demo Program)

Vehicles placed with consumer households for four-week duration
Publicized thru Internet; over 8,000 applicants

Demo Cities
April 1999-January 2000

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

Toyota Prius (Gen 1)

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”

<table>
<thead>
<tr>
<th>Purchase Reasons</th>
<th>Rejection Reasons</th>
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<tbody>
<tr>
<td>• Making a “statement”</td>
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<tr>
<td>- Environment</td>
<td></td>
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<td>- Oil Use</td>
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<tr>
<td>- Innovation</td>
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<tr>
<td>• Personal benefits were secondary</td>
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<tr>
<td>• Toyota QDR very helpful</td>
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<tr>
<td>• Safety</td>
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<tr>
<td>• Durability</td>
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<tr>
<td>• “Plugging in”</td>
<td></td>
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<tr>
<td>• Aesthetics</td>
<td></td>
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<tr>
<td>• Power</td>
<td></td>
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<tr>
<td>• Residual value (hybrids a fad?)</td>
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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 multimedia 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
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
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?

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![Purchase Consideration of Vehicle Technologies](chart)

Synovate Motoreserch'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

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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<tr>
<td>Solar has fewer safety concerns to overcome</td>
<td>Electricity is not as sexy as cars</td>
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<tr>
<td>Lower replacement and maintenance cost worries</td>
<td>Solar benefits are:</td>
</tr>
<tr>
<td>Style less of an issue</td>
<td>• Limited to environment and energy usage</td>
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<tr>
<td>Education is easier because operation is simpler</td>
<td>• Not as obvious on a daily basis</td>
</tr>
<tr>
<td>Regulatory compliance less formidable</td>
<td>• Difficult to experience and share with others</td>
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### Solar benefits are:
- Limited to environment and energy usage
- Not as obvious on a daily basis
- Difficult to experience and share with others

### Higher upfront costs means longer payback
Thank you!