

THE GOVERNORS' ETHANOL COALITION

MARKET COMMUNICATIONS PLAN

December 15, 1997

Des Moines, Iowa

The Marketing Approach

This marketing communications plan is designed to move drivers through the product buying process for gasoline so they seek out and are product loyal to ethanol as a component of their gasoline.¹

Secondly, this plan is designed to educate constituents on the advantages of ethanol for the general economic and environmental welfare of the country, and thereby enhance a favorable legislative and administrative policy toward ethanol. While this plan is specifically designed for consumer acceptance of E10 (a blend of 10 percent ethanol with 90 percent gasoline), it can be modified easily to address market share for E85 (85 percent ethanol with 15 percent gasoline).

Some of the strategy used in this market planning document has been adapted from the experience of ethanol advocates in the State of Minnesota, often referred to as the "Minnesota Model". The result of the oxygenate requirement in Minnesota, along with consumer acceptance of the product, has developed a 200 million gallon annual

¹ This plan is designed as a marketing effort to increase driver acceptance of gasoline that is blended with ethanol. It is not designed to address public policy issues or to communicate with the legislatures of any state or the federal government.

market for ethanol within Minnesota in 7 years. Minnesota moved from a market penetration of ethanol from 18 percent in 1991 to nearly 100 percent in 1997.

It is important--indeed it is essential--that market planning and public policy planning be integral to each other. Either approach alone will fail. The market planning approach must include both consumer and public policy segments.

Ethanol will not succeed in the legislative arena without the support of the consumer/driver public, and it will not succeed in the consumer market place without legislative support to open the closed gasoline distribution system so drivers can exercise their choice. Public policy initiatives and programs are important on a state and federal level because state and federal legislation and regulation applies to the energy industry, and to ethanol in particular.

The petroleum industry has a virtual lock on the distribution system for gasoline in the United States, and will block ethanol distribution without the legal compulsion to provide it to drivers. There will be no legislative support to force distribution unless the legislators have the support of consumers, their constituents, to do so.

On the other hand, consumers repeatedly in market research studies have indicated they will buy ethanol when educated about its benefits if it is available and they know where to get it.

The Ethanol Product-Buying Process

Fortunately for a unified national marketing plan effort, most drivers in the Midwest are at a similar and an early stage of the product-buying process. Drivers are aware of ethanol, however they do not know of its principal product features of improving air quality and increasing the octane of gasoline. Moreover, many have not tried ethanol or believe they have not tried it.

In fact, a majority of drivers do not know its basic environmental and engine performance benefits. While they know ethanol is a fuel additive made primarily from corn, most do not know it is environmentally benign, safe for all engines, or that it reduces harmful automobile emissions by 25 percent².

Further, a study completed by the Center for Transportation Research (Argonne National Laboratory) provides additional information on the positive environmental impact of ethanol production compared with fossil fuels³. This study provides a second important environmental message to drivers and constituents for ethanol in addition to information on reduction in tailpipe emissions.

² This consumer message communicates tailpipe emissions of carbon monoxide are reduced by 25 percent. This is generally-accepted science by a number of government and private entities who have undertaken the research on tailpipe emissions resulting from a use of a 10 percent blend of ethanol.

³ A copy of the this report is available through the Governors' Ethanol Coalition.

The national driver portion of the marketing plan is primarily a driver information campaign to move drivers who are now aware of ethanol ultimately to trial by providing them information. (See graphic "product buying process for ethanol.")

Secondly, increased market share of ethanol requires a legislative effort to force cooperation from the petroleum companies to provide blending and distribution of ethanol as a regular part of their energy mix. While this plan addresses the need for sustained public policy initiatives, it does not provide the organization or implementation for this effort, other than to recommend the key messages and issues management should be similar to the consumer marketing effort.

The National Marketing Mix

A marketing mix consists of paid-advertising, non-paid advertising (public relations), promotions and personal selling. This plan anticipates a marketing mix with all four elements: advertising, public relations, promotions and personal selling.

Each of these marketing mix elements deliver gross impressions (ethanol messages) to the target audience, some deliver with more credibility but more cost, and others

with more efficiency but less credibility.⁴ An optimal marketing plan selects a mix that is both the most effective, and the least expensive.

Paid advertising is the cheapest on a per gross impression basis (\$0.02 per message) and personal selling the most expensive (\$25+ per message). While paid advertising generally has lower credibility, only paid advertising has the technology to deliver the reach and frequency⁵ to a large number of the target audience at low costs, such as is required by a national marketing campaign for ethanol.

The mix relies heavily on broad media designed to reach drivers at the lowest cost per gross impression. This includes a heavy schedule of broadcast television and radio, supported by print advertising. Each of the other elements of the mix will integrate with the other. Promotions are developed and timed to support periods of peak broadcast media (i.e. around driving holidays such as Memorial Day, the 4th of July and Labor Day.)

⁴ A gross impression is one message on ethanol to one driver or voter. Ten to 20 gross impressions mean each driver or constituent hears an ethanol message on the "environment" or "engine safety" one to two times monthly.

⁵ "Reach" is the percentage of the total population who hears at least one message on ethanol, and "frequency" is the number of times the average member of the target audience hears a message. Media professionals who plan and purchase the media for this program will seek a reach of 65 percent or greater, and a frequency of 10 to 20 on an annual basis.

GEC research indicates the average driver or voter may need 10 to 20 messages about ethanol to move them from the aware stage of the buying process to the trial and the regular use and loyalist stage⁶.

Total Potential Market

The total potential market for ethanol well exceeds the industry's current ability to produce the product. For example, in Minnesota the annual product demand is approximately 200 million gallons annually, while the state production capacity is less than one-half of this demand. A similar situation can be created on the national level with effective marketing. While total potential demand is difficult to estimate, it is estimated at 5 billion gallons annually for purposes of this marketing plan.

The Target Audience Guide Nationally

The general (principal) target audience is drivers and constituents age 18 to 64. However, the research indicated drivers with the most negative attitudes toward ethanol tend to be (1) more educated, (2) with higher than average household incomes, and (3) lighter than average users of gasoline⁷. Consequently, if the budget is constrained to prevent marketing communications to a general target audience, then

⁶ "Regular Use" is defined as drivers who regularly purchase automobile regularly blended with ethanol. "Loyalists" are drivers who not only regularly purchase gasoline blended with ethanol, they seek ethanol out as a preferred fuel choice.

those with the most negative attitudes (listed above) can be targeted as sub-sets of the general target audience. Additionally, this population tends to be significant opinion leaders, and will be helpful in influencing public policy on ethanol.

A second cohort of the general target audience is male drivers 25 to 54 who are in the semi-professional or technical professions. This group consumes a disproportionately large percentage of the total gasoline sold in the United States.

Consequently, with partial funding it will be necessary to allocate marketing dollars for the effort based on priorities by geographical area and target group. The easiest approach is to limit the geographical areas addressed if inadequate budget exists for communicating with the complete target audience.

Secondary target audiences include mechanics, public health, consumer and environmental advocacy groups. Selection of the target audience selection depends upon the specific state goals, and level of funding provided for the marketing effort.

The Key Messages For Ethanol

The principal message for ethanol must be the environment. Drivers report it is the most compelling reason to use ethanol, one is most likely to capture their interest and

⁷ Generally, this group of lighter users of gasoline report they drive less than 15,000 miles annually.

move them to seek information. The environment for a number of years has registered in national studies as a principal concern for Americans (drivers and constituents), and there has been a general recognition that automobile emissions carry much of the responsibility for air quality deterioration.

Because two-thirds of drivers are in the early stages of product adoption for ethanol, they are less concerned about price, or in fact, availability of ethanol. The United States has not had an oil crisis in 15 years and research indicates they are not overly troubled about increasing dependence of the United States on foreign oil. Messages on the price of ethanol, its availability, or our dependence upon foreign oil will not be persuasive to move drivers (or constituents) from the awareness stage to the information seeking stage of the product buying process.

There is driver concern ethanol has a negative effect on engine performance, and the marketing communication effort will need to assure drivers of the engine performance characteristics of ethanol, in addition to the environmental message.

Therefore, the market communication positioning and platform should be built upon the key messages that:

"Ethanol is good for the environment, and is safe for all engines."

Geographic Segmentation

If the program funding is insufficient to undertake a program in all areas of availability of ethanol (below \$10 million annually), the upper Midwest states of North Dakota, South Dakota, Iowa, Minnesota and Wisconsin are likely to provide the most success in moving gasoline users along the buying process.

As a group these drivers and constituents are the most aware and the most informed about ethanol. Therefore efforts in this region are likely to produce the most response to a marketing communications campaign.

The Minnesota Corn Growers Association has invested approximately \$6 million in ethanol marketing since 1991. A number of the communications programs have extended into metropolitan areas of the Dakotas and to Wisconsin. Iowa and South Dakota have made a major investment in consumer education, as well. Consequently any program that is undertaken in the upper Midwest area will benefit from their investment in the education of drivers and constituents and will have a head start over ethanol communications programs in states where this effort was not undertaken.

The Marketing Mix Components

Advertising

The mix contemplates heavy use of television, radio and print advertising. A preliminary schedule region is attached with suggested minimum reach of 65 percent of the principal target audience at a 10 to 20 frequency level over one year.

Below is a sample media plan that would meet reach and frequency levels:

Television : \$4,380,000 - The majority of this would run in a combination of sports programming, early morning, weekend daytime, and news.

Radio: \$1,500,000 - Placement would be targeted towards specific formats such as news/talk and sports. Radio placement would fall into the large markets only.

Print: \$1,900,000 - Placement would be highly targeted. Select regional, state-wide and city editions of publications such as: Sports Illustrated, Time, Newsweek, U.S. News, Automobile, Car & Driver, Outside, Forbes, Men's Health, Motor Trend, Outdoor Life, and Sports Afield.

Recommended Annual Advertising Media: \$7,780,000

Overall estimated reach and frequency: 70/15 (Men 25-54, HHI 70K+)⁸

⁸ This plan will reach 70 percent of men between the ages of 25 and 54 in the Midwest area of the United States where the research was undertaken. These men will live in households with total household income greater than \$70,000 annually from all wage earners. Over the course of one year, they will year an ethanol message approximately 15 times, or 1.25 times monthly.

Public Relations

Public relations should play an important role in the overall marketing mix for ethanol. It has high credibility among constituents and drivers, and should be used extensively to communicate the key messages on ethanol. Among the most important methods accomplishing a successful public relations program is Media Relations.

Media Relations

The ethanol effort has benefited nationally from media relations undertaken by national and state organizations, although the effort has not always been coordinated to an optimum degree. The effort should provide a pro-active, consistent effort to reach national media to communicate key messages on the ethanol advantages.

Over the past several years, negative national news stories on ethanol have rippled throughout the country as regional and local reporters have relied upon national news sources for backgrounds for their stories. The media relations team should schedule regular reporter briefings, editorial board meetings, ethanol plant visits, as well as be provided with easily accessible reference guides on the benefits of ethanol to the environment, and to the economy.

Ethanol Issues Management Guide

To assist in the development of a unified approach to ethanol the marketing team should assemble and distribute an issues management guide to provide key messages in context for ethanol spokespeople.

The spokespeople should include a wide array of leaders from the ethanol industry, as well as recognized authorities from the scientific, public health, environmental and consumer sectors who are opinion leaders within their professional and social communities.

Media Training For Spokespeople

To assist spokespeople with media interviews, the marketing team should undertake half-day training sessions with a skilled media trainer. These sessions should include on-camera interview practice with key messages in the issues management guide.

Expert Source Program

The ethanol spokespeople should be promoted to news sources as experts on ethanol available to provide commentary as background, and as knowledgeable on the ethanol issue and available for on-camera breaking stories.

Crisis Communications Program

In addition to the Issues Management Guide, there should be a marketing plan in place for unfavorable and unexpected news, from whatever source. This could involve the interruption of foreign oil to the United States based upon a Mideast crisis or it could be another tanker disaster, like the Exxon Valdez.

A crisis management plan encourages and provides guidance for the ethanol industry to speak with a unified voice. A crisis management team should be assembled in advance, a calling tree to spokespeople throughout the country established, and a pre-determined list of news contacts organized to provide a rapid response to breaking news.

Editorial Board Meetings

As an integral part of managing the editorial content of major newspapers, spokespeople should be scheduled regularly to meet with the editorial boards of all major newspapers within the marketing area. These meetings provide an opportunity to speak with news opinion leaders in-depth about the ethanol industry and its important role in providing a healthy environment.

Reporter Meetings

Reporters assigned to energy and agricultural beats should be targeted for information kits, and personal meetings as warranted to communicate the key messages on ethanol in advance of stories. These meetings can also be a catalyst for placing spokespeople on the reporter's "expert source" list.

Special Event Planning

The marketing team should explore opportunities for special events that have a natural and favorable news opportunity for ethanol. It is especially important the promo-

tions and public relations activities work closely to assure that the promotion be amplified to a larger audience when the opportunity exists.

Promotions

Generally promotions serve two objectives in the overall marketing mix: (1) they increase the response to an existing positioning offer, and accelerate the potential customers response time to the offer. Promotion must be used selectively since the cost of each gross impression is high and the length of the promotions tend to be of short duration.

Given research indicators that consumer, health and environmental groups are the most credible sources of information for ethanol environmental claims, the market plan recommends the GEC and various ethanol proponents develop working partnerships with groups like the American Lung Association, American Cancer Association, and other environmental/consumer groups.

Additionally, both the focus groups and the quantitative research indicate mechanics are a credible source of information for drivers on engine performance characteristics of ethanol. The plan recommends that an education campaign and promotions be undertaken with the state service station associations, as well as a promotional (and personal selling) campaign to approach mechanics individually.

The GEC should design a number of promotions with both groups to advance the key messages of the environment and safety among a principal target audience⁹. Among the promotions ethanol can undertake are:

Snowmobile, motorcycle, and car race sponsorships

The Super-mileage Challenge Contest

Fishing and hunting openers

Outdoor enthusiasts awards

Cross promotion tie-ins with gasoline retailers

Clean air festivals with biking, rowing, and triathlons

Personal Selling Opportunities

Target of personal selling should be primarily mechanics, and activists in the consumer, environmental and health fields. Activists have credibility and can convey the environmental message very effectively. Mechanics are effective in conveying the engine safety message. Both should be used extensively in partnerships to convey the key ethanol messages to drivers and constituents.

⁹ Male drivers, age 25 to 54, in semi-professional and technical occupations.

Consumer/Public Health/Environmental

While the American Lung Association is a natural advocate for ethanol, there are a large number of environmental, consumer, and public health organizations that can provide significant assistance for ethanol. In addition to the personal selling opportunities, not for profit cross promotions can provide opportunities for these organizations to receive financial support at the same time they support ethanol.

Mechanics

The marketing team should develop a mechanic's education program, under the auspices of the American Service Station training program and other related trade associations serving the automobile/truck repair industry. A collateral program (The Mechanic's Kit) can be developed for individual mechanics, which includes a hot line for questions, and free fuel testing service for stations.

Legislative Education Effort

Favorable public policy support for ethanol has been aggressively opposed by petroleum interests on both the state and federal level. The marketing plan contemplates a continued education effort to educate public policy makers about the important role ethanol should play in our national energy policy.

Currently, there are a number of entities (the Renewable Fuels Association, The American Coalition for Ethanol, The National Corn Growers Association, as well as the Governors' Ethanol Coalition) who provide public policy support for ethanol on national and various state levels. Their efforts should be coordinated, and it should be seamless to integrate the marketing communications plan with these efforts.

Marketing Plan Implementation Costs

The marketing program is estimated to require an average five to ten cents for each gross impression (message). The total number of drivers and constituents in the area of ethanol availability is approximately 20 million, depending upon the states included in the marketing territory.

The market communications plan suggests investing 10 to 20 cents monthly per driver/constituent. If each driver receives 10 and 20 messages on ethanol over the

course of one year, the communications budget should be set between \$20 million and \$40 million annually, collectively by the agriculture industry, in cash and non-cash investments in the future of ethanol.

Undertaken as a group these funding goals are achievable. Ethanol advocates have yet to harness the collective power of the agriculture industry in its behalf. They have yet to unify, as the oil industry has, in a single position for public policy and consumer consensus.

Further, the proposed funding level represents approximately the amount devoted currently to ethanol by various national, state, and corporate entities. This plan suggests those efforts be coordinated to provide a common approach for both public policy and consumer acceptance of ethanol at the pump.

Obviously, this level of expenditure requires detailed objectives, strategies and tactics with assigned costs. Among the early activities of the national marketing effort is a strategic market planning session to determine the specific elements of the mix, the geographic area of the planning, tactics, timeline. Secondly, an effort to bring all stakeholders together.

Guideline/Action Plan For Next Steps

The following is a suggested guideline for activities leading to the implementation of a national marketing communications effort for ethanol.

1. Strategic market planning session with all stakeholders.
2. Develop objectives, strategies, tactics & budgets for the marketing communications plan.
3. Market the marketing plan to all funders of the program.
4. Assemble the working team to oversee and implement the plan.
5. Engage/coordinate a communications agency to implement the plan.
6. Engage/coordinate a public policy team.
7. Require accountability within one year.