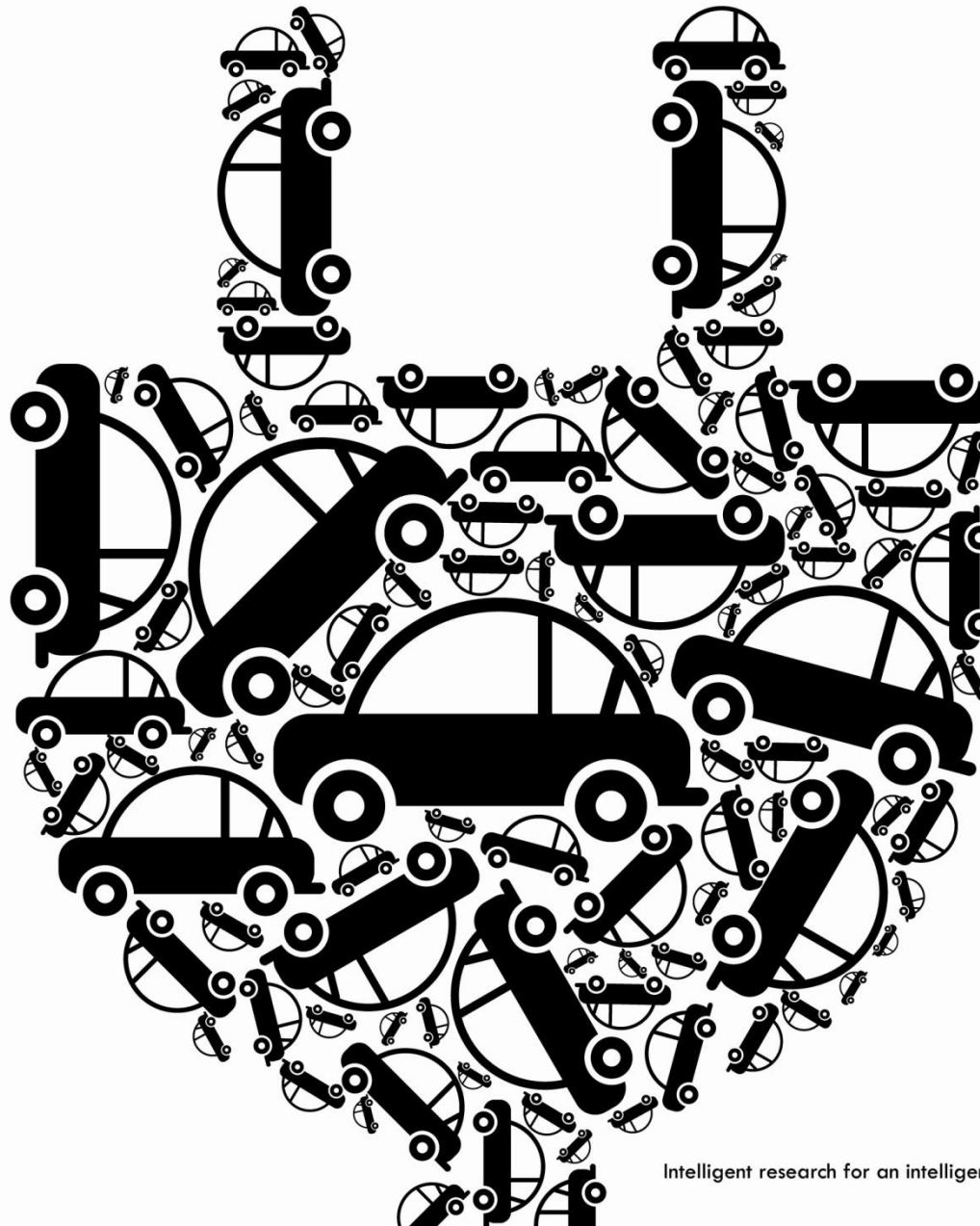


Electric Vehicle Branding

A follow-up to *The Electric Vehicle Study*

powered by Zpryme Smart Grid Insights

March 2011




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EV: Branding

"We are now almost over the initial hype [referring to EVs] before business really gets started."¹

- Matthias Mueller
CEO of Porsche AG

After much heady promotion and breathless anticipation, the Chevrolet Volt and the Nissan Leaf have finally begun appearing in garages and driveways across the U.S. As indicated by Zpryme's recently released consumer survey, the Chevrolet Volt emerged as the early fan favorite for EVs. In January 2011, General Motors (GM) sold 321 Volts while Nissan sold 87 Leafs in the U.S. This followed sales in December 2010 of 326 Volts and 19 Leafs.² While these initial sales figures are low, it certainly does not signal a lack of interest among buyers for electric vehicles (EVs). Despite originally planning to offer the Volt in select metropolitan areas, GM recently announced that it would offer the Volt in all 50 states by the end of 2011. Nissan has claimed that 20,000 buyers have now paid \$99 deposits to be put on a waiting list for the Leaf (this is hot off the heels of an announcement that Nissan and Renault have earmarked \$5 billion by 2013 to build 12 factories capable of producing 500,000 EVs a year globally). Clearly, demand for EVs among early adopters (i.e. EV advocates) and the 'green' tech-savvy is strong.

GM and Nissan form only the first wave of car companies intending to commercialize EVs over the coming decade. A slew of established companies (e.g. Toyota, Honda, Audi) and EV start-ups (e.g. CODA, Fisker) will soon release their first entries into the EV market which will test not only the appetite of consumers for EVs but also the marketing prowess and salesmanship of each company. Without a doubt, competition will be fierce. Differentiation and branding will play a key role in determining which companies succeed in profiting from EVs, a fact that is no secret to industry leaders and outside analysts. "Brand is more than mere design nowadays," as Mariana Gerzanych, CEO of 350Green described to Zpryme, "it's a set of expectations times the emotional value consumers attach to a product. In the case of Electric

Vehicles the emotional value, if not present already, builds up fast. The brand that will exceed expectations will become 'THE' choice."³

Cognizant of the importance of branding, EV manufacturers have launched widespread, ambitious advertising campaigns to connect with buyers considering EVs. Both GM and Nissan have aggressively marketed the releases of the Volt and Leaf through television commercials, print advertisements, and online/new media campaigns. For both established car brands and EV start-ups, the newness of EV technology provides a unique opportunity to win market share, define consumer perceptions, and establish a foothold in a newly developing class of vehicles. To gain insight into the role that car brands will play in the EV market, Zpryme revisited the consumer survey component of the *The Electric Vehicle Study* conducted in December 2010.⁴

EV: Consumer Survey, Brand Loyalty

Zpryme asked U.S. drivers two questions to gauge how brand loyalty transferred from conventional vehicles to EVs. The first question asked drivers whether they would prefer the same brand of EV as their current vehicles or a different brand. [refer to figure 1 on page 2]

Toyota & Honda

Despite recent recalls and questions regarding the safety of its vehicles, Toyota demonstrated the highest level of brand loyalty, with **57 percent** of Toyota owners indicating that they would prefer a Toyota EV than that of another brand.⁵



³ 350Green has recently been awarded by the state of Illinois and Chicago to install 280 EV charging stations in the region, in a city-wide effort.

⁴ In *The Electric Vehicle Study* that was sponsored by Airbiquity with analysis from Zpryme in December 2010, a survey of 1,046 U.S. drivers age 18 – 65 was conducted to assess the overall interest in EVs, EV brand awareness, key reasons to purchase and EV, charging preferences, and to discover key traits of potential EV buyers. Download complete *The Electric Vehicle Study* at: www.zpryme.com or www.smartgridresearch.org

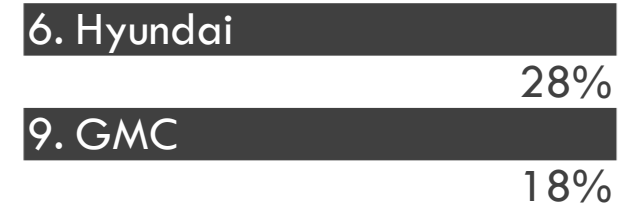
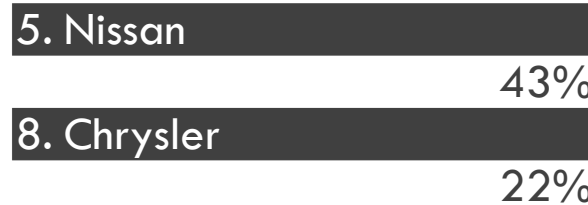
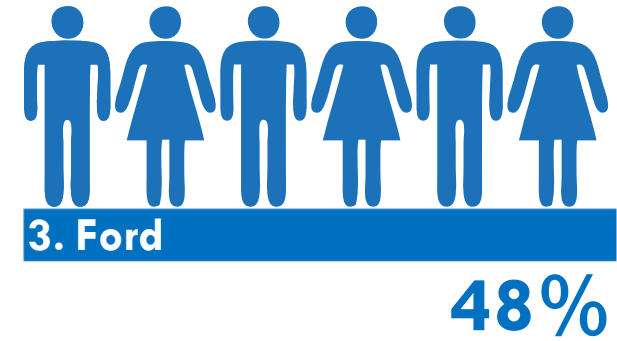
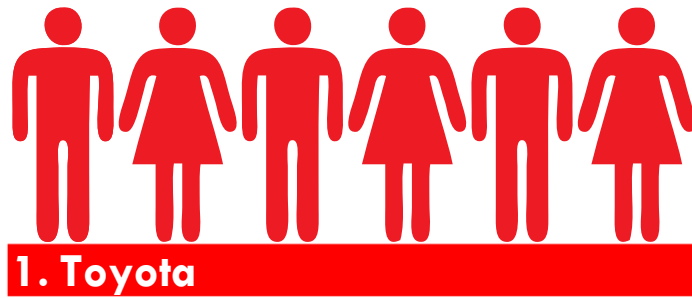
⁵ The U.S. federal government recently addressed that only the original mechanical problems in Toyota vehicles were responsible for the worst of 2010 recalls – and that there is no reason to suspect any more dangerous problem related to in-vehicle electronics, telematics and software.

¹ Porsche AG CEO Matthias Mueller's statement in an interview with an interview with Harald Hamprecht, Editor-in-Chief of *Automotive News Europe* on February 19, 2011.

² www.money.cnn.com

Figure 1: EV BRAND PREFERENCE BY BRAND OF CURRENT VEHICLE

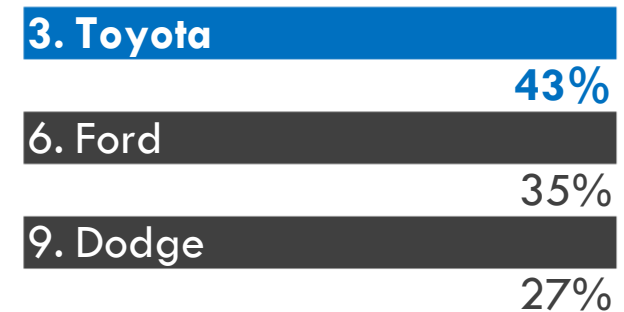
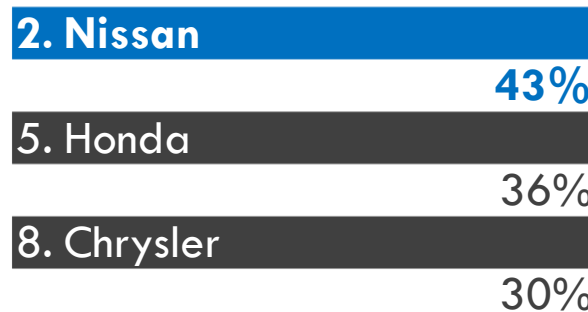
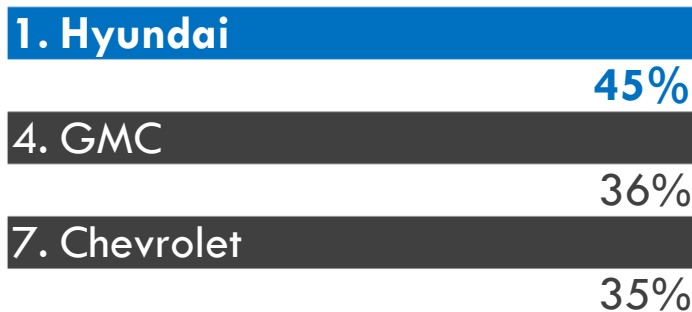
Finding: U.S. Toyota drivers were the most loyal when it comes to EV brand preference as 57% would prefer to purchase a Toyota EV.



Source: Airbiquity & Zpryme, *The Electric Vehicle Study*, December 2010

Figure 2: LIKELY TO PURCHASE AN EV IN THE NEXT TWO YEARS BY BRAND OF CURRENT VEHICLE

Finding: Hyundai drivers were most likely to purchase an EV in the next two years as 45% indicated they are likely to buy an EV in the next two years.



Source: Airbiquity & Zpryme, *The Electric Vehicle Study*, December 2010

"For three consecutive years, people have purchased more Toyota vehicles than any other brand... we look forward to maintaining this momentum in 2011 as we continue to focus on fuel efficiency, value, quality and safety."⁶

- Bob Carter, Group Vice President & General Manager
Toyota Division for Toyota Motor Sales, U.S.

Honda placed a close second with 54 percent. The popularity of both Toyota and Honda and their reputations for producing quality automobiles made this a predictable outcome. Owners of Toyotas and Hondas typically drive sedans that offer a balance of practicality, affordability, and trust. These drivers view the brand of a car as a stamp of quality that would assuage fears regarding the reliability and value of an EV. Furthermore, both Toyota and Honda undoubtedly have benefitted from building hybrid cars (e.g. Toyota Prius, Honda Insight) that have successfully penetrated the US market and proved to be reliable and economical. The success of these hybrid models, along with the wide range of popular vehicles they offer, demonstrates that Toyota and Honda build quality, innovative vehicles in all vehicle classes. The strength of Toyota and Honda's brands and loyal customer base add tremendous value for any push they make into the EV market.

Chevrolet, Ford, Nissan & Others

Ford, Chevrolet, and Nissan formed a distinct second tier in transferring brand loyalty from conventional vehicles to EVs. Ford and Chevrolet, the two leading American brands, respectively had 48 and 43 percent of owners indicate a preference for their current brand in an EV. Even though both are firmly established, neither Ford nor Chevrolet showed as much strength as Toyota and Honda in transferring loyalty from conventional cars to EVs. This could be due to the fact that owners of Ford and Chevrolet are more likely to drive trucks and SUVs, associating their current cars with flexibility and towing capacity rather than innovation and practicality. Furthermore, despite being the first companies to release EVs and subsequently initiating aggressive marketing campaigns, Chevrolet and Nissan have yet to establish themselves as the leading brands in the EV market. While a sustained marketing push and favorable reviews from early adopters may help Chevrolet and Nissan refocus their brands around EVs, neither company has yet to overtake Toyota and Honda in EV brand awareness. The

⁶ Group Vice President & General Manager of Toyota Division for Toyota Motor Sales, U.S. Bob Carter's statement in a press release on February 18, 2011.

bottom tier of brands, which includes Hyundai, Chrysler, Dodge, and GMC, each had less than 28 percent of their owners preferring the same brand of EV as their current vehicle. This result suggests that these brands are less inclined to be associated with new technology and will struggle should they decide to enter the EV market without a branding effort to redefine themselves as manufacturers of compelling EVs.

EV: Consumer Survey, Likelihood to Purchase

The second question in Zpryme's survey ranked each brand by the likelihood that U.S. vehicle owners would purchase an EV within the next two years. [\[refer to figure 2 on page 2\]](#)

Hyundai, Toyota & Nissan

Hyundai owners emerged as the most likely candidates, with 45 percent of each its owners expressing interest in EVs. While this finding initially may be surprising, reasons for this result can be found in the market segment that Hyundai targets. Hyundai attracts drivers that place more weight on affordability and value. The lower cost of maintaining an EV, particularly with rising gas prices, is a factor that appeals to their drivers. Hyundai owners are also less likely to be influenced by the history of a brand and willing to buy vehicles without an established pedigree. Much of the same can be said of owners of Nissans, which tied with Toyota to have 43 percent of its owners indicating intentions to purchase an EV over the next two years. While more established than Hyundai, Nissan has released a series of forward-looking automobiles that target progressive drivers seeking next-generation vehicles.

The Others

The next tier of owners that intend to purchase an EV within the next two years includes GMC, Honda, Chevrolet, and Ford, well-established brands with a less progressive group of drivers. This tier of the survey's results yielded two puzzling questions. The first question involves the gap between the number of Toyota and Honda owners intending to purchase an EV over the next two years. Both brands offer a fleet of practical, well-built cars targeting mainstream car buyers. Even though Toyota has attracted a greater number of progressive, environmentally conscious drivers with the Prius, it is doubtful that this is the sole reason for this large gap. The second puzzling result from the survey is the high number of GMC drivers intending to buy an EV over the next two years.

Considering that GMC exclusively sells trucks, SUVs, crossovers, the fact that 36 percent of its owners intend to buy an EV is surprising, especially when compared to owners of Chrysler and Dodge. It is unlikely that high gas prices are the only factor in this result. Understanding both of these questions requires a closer look at the demographics and opinions of the survey respondents.

EV: Brands in 2011

The coming wave of EVs presents the biggest opportunity for car companies to refocus their brands around a new class of vehicles. While the result of Zpryme's survey revealed that established brands hold tremendous value for EV buyers, perceptions and preferences in the nascent EV market remain fluid.

Neither Toyota or Honda will release a commercialized EV in 2011. Although their popular hybrid models such as the Prius and Insight are attractive to environmentally conscious drivers, Toyota and Honda will lag in market share should the market for EVs rapidly expand. Ford's recent renaissance has led perfectly into the 2011 release of an electric version of the Focus. Unlike Chevrolet and Nissan, which each started a new line of cars to launch their EVs, the Blue Oval is leveraging the popularity of the gasoline-powered Focus to provide potential buyers assurances on the reliability and quality of its battery-powered version. EV start-ups, such as Tesla, CODA, Fisker, and REV, represent a polished dimension of EVs that may not have established brand awareness among consumers yet, but certainly have the opportunity to completely define consumer perceptions through strategic marketing campaigns and positive reviews. Furthermore, luxury car brands, such as Audi and BMW, have announced initiatives to build premium EVs with aggressive styling that are targeted towards environmentally conscious, affluent drivers.⁷ The introduction of luxury EVs beyond 2011 will bring enormous insight into the landscape of the EV market, particularly in whether EV buyers are diverse enough of a market segment to warrant differentiated types of brands within it.

Many factors within the EV market have yet to crystallize, and the way in which brands affect the EV market remains to be seen. Above all, it will be years more before it's possible to tell whether mainstream car buyers, not just people interested in having the latest technology, will

purchase EVs. While media campaigns on the benefits of EVs and reviews from early adopters will play a crucial role in this process, developing meaningful brands that connect with consumers is one of the most important factors in the widespread adoption of EVs. As Jay Giraud, CEO of Rapid Electric Vehicles (REV), poignantly explained to Zpryme, "branding is the conduit that articulates the company's promise to fulfilling its mission. Delivering on that promise is critical to building consumer confidence in a new market, especially one where so much hope is laid and real change is possible."⁸

For the next several years U.S. drivers will expect from the auto industry a hardier degree of 'do-you-care-about-me'. 2009 and 2010 experienced too many companies losing focus on their primary brand strategy and more importantly brand values. Automotive brands, more specifically their EV monikers will have to be consistent about not only instilling trust with future drivers, but maintaining it.

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⁷ A minimum of 30,000 units of i3 EV is aimed to be sold by BMW AG beginning in 2014.

⁸ Recently as part of the United States Army Tank Automotive Research Development Engineering Center (TARDEC) Micro-Grid contract production started at the headquarters of Rapid Electric Vehicles (REV) on 100 percent electric bi-directional charging Ancillary Power Vehicles (APVs).

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