

Governor's Council on Biofuels
May 8, 2020 Meeting

10 am to Noon
Webex Video Conference

Agenda

10:00 a.m.

Welcome and introductions

Commissioner Thom Petersen, Minnesota Department of Agriculture (MDA)

10:05 a.m.

Overview of agenda and introduction of presenters

Bob Patton, Energy and Environment Supervisor, MDA

10:10 a.m.

Presentation: Understanding Public Attitudes & Creating Consumer Preference for Biofuels

Phillip Morris, Locust Street Group

10:55 a.m.

Presentation: Consumers and E15

Mike O'Brien, Growth Energy

11:40 a.m.

Upcoming council schedule

Bob Patton

11:45 a.m.

Public comment and questions

12:00 p.m.

Adjourn



Understanding Public Attitudes & Creating Consumer Preference for Biofuels

A qualitative study of what consumers *really* think about ethanol and its value

The Methodology



Consumer Focus Groups:

- 54 registered voters and fuel consumers in Alexandria, VA and St. Louis, MO
- Balanced by gender, age, race, income, and political ideology
- 2-hour sessions with participant questionnaires and discussion
- Conducted by Locust Street Group in January 2019

Insights

80% of voters are **NOT** aware their gasoline
contains at least 10% ethanol

Ethanol In Their Own Words...



The more they learn, the more they **VALUE** biofuels

- Nearly **TWO-THIRDS** of voters on average had a more **POSITIVE** view of ethanol by the end of our focus group discussions.
- The vast majority believe the benefits of ethanol **OUTWEIGH** any negative arguments made by industry opponents.
- **EDUCATION** about the benefits of ethanol in fuel is key.



Frame ethanol as a “renewable fuel” – not a “biofuel” or “alcohol fuel”

When you say...

“Renewable fuel”

“Biofuel”

“Alcohol fuel”

They hear...

Clean, natural, and useful for the long-term

Scientific and artificially made

Toxic for my body and my vehicle

The **TOP** benefits: **Affordable, Efficient, Environmentally-friendly**

- **Affordability**: The top local challenge is **COST** of living, and the top factor consumers consider when fueling their vehicle is **PRICE**.
- **Efficiency**: Ties directly to **COST** with more miles per dollar and protecting the **ENVIRONMENT** by lowering emissions.
- **Environmental friendliness**: Affects **EVERYONE** – even those who don't drive or use cars. Compelling to Democratic AND Republican voters.



Affordability In Their Own Words...



Benefits that do **NOT** resonate: **Choice, Domestic, Higher Octane**

- **Choice**: Three-fourths of voters across markets view more choice at the pump as a **NEGATIVE** because they fear it will be **OVERWHELMING**, but Midwest voters have **MORE** confidence in themselves to determine the right fuel for their car.
- **Domestic**: Voters are **UNABLE** to tell what fuel is made in America versus imported, and while they believe domestic fuel is “nice to have,” it’s **NOT** something they’re willing to pay more for.
- **Higher Octane**: Most voters do **NOT** understand what “octane” is and feel a higher octane product always means a more **EXPENSIVE** product.

Choice In Their Own Words...



“Competition” and “options” appeal more than “choice”

When you say...

They hear...

“Competition”

The best and most affordable products win out

“Options”

The burden is off me to make a choice

“Choice”

The burden is on me to choose the right one

It's about “America's energy independence” – not being domestic

- Being “made in America” is not impactful because it's the industry **PROCESS**. Achieving “energy independence” resonates much stronger because it's a shared **BENEFIT**.
- “Independence” trumps “security” because “independence” is **POSITIVE** and **PROACTIVELY** communicates stabilizing **PRICES**.
- “Security” is **FEARFUL** and **REACTIVELY** addresses a looming crisis or shortcoming.

Domestic In Their Own Words...



It's about higher **“quality”** – not “octane” or “performance”

When you say...

They hear...

“Quality”

Cleaner and better for ALL vehicles

“Performance”

Intended ONLY for sports cars

“Octane”

More expensive and intended for sports cars

Octane In Their Own Words...



The top pain point: **ENVIRONMENTAL** concerns

- More than opponents' arguments about subsidies, safety, or engine damage, environmental concerns are the **TOP** argument the biofuels industry must address.
- This attack is so effective because it **UNDERMINES** one of biofuel's biggest selling points with consumers: environmental friendliness.
- Losing the environmental debate means losing a critical **BENEFIT** biofuels hold over fossil fuels.
- Your most effective rebuttal: Focus on how biofuels reduce harmful **EMISSIONS** and are responsible for removing the carbon equivalent of **20 MILLION CARS** from the road.

Biofuels' **PAST** is more impactful than their future

- Due to low awareness and widely held misinformation about biofuels, you have to **EDUCATE** consumers on the basic **USES** and **BENEFITS** of biofuels before advocating for reforms.
- That means talking about their *“forty-year track record of making fuel more affordable and vehicles more efficient for millions of Americans.”*
- Your best ethanol proof points: **ALL** cars run on E10 and **9 of 10 cars** on the road today already meet and exceed standards for using E15.
- Once you've earned their trust by communicating your past success, then you're positioned to talk about the future.

The most trusted messengers: **car manufacturers and mechanics**

- If the **MANUFACTURER** or a **MECHANIC** required or recommended a certain type of fuel, consumers would be **MOST** likely to consider choosing it for their vehicle.
- Consumers don't trust anyone with a **PROFIT** or **SALES** motive toward biofuels – farmers, car dealers, or gas station owners.
- They're making their strongest decision on what type of fuel they'll use when they **PURCHASE or SERVICE their vehicle** – NOT at the gas station– so education must begin **BEFORE** they get to the pump.

Understanding biofuels **POLICY** perceptions

Year-round E15 Availability:

- Consumers have two primary concerns about E15 that must be addressed: 1) Is it safe? 2) Can my car run on it?
- Educate that 9 of 10 vehicles on the road today are approved by their **MANUFACTURER** to run on E15.
- Highlight how E15 puts **CONSUMERS** in the driver's seat to access more affordable fuel already available at the pump.

Small Refinery Waivers:

- A majority of consumers **OPPOSE** small refinery waivers because: 1) Everyone should have to follow the rules 2) Waivers undermine the importance of renewable fuel.
- Highlight why the RFS was first created: to protect our **ENVIRONMENT** and promote America's energy **INDEPENDENCE**.
- Communicate that some oil and gas companies are exploiting this as a **LOOPHOLE**.

Waivers In Their Own Words...



A decorative graphic element consisting of a vertical blue bar on the left and a horizontal red bar extending to the right from the bottom of the blue bar. The blue bar has a small dark blue triangle at its bottom-left corner.

Thank You

Questions?

Phillip Morris: phillip@locuststreet.com



Consumers & E15

May, 2020



Overview

- Consumer Research, field trials & implementation
- Consumer Demand Elasticity – Mastercard Study
- Best practices based on Consumer Research



**KWIK
TRIP™**



Minnoco



THORNTONS

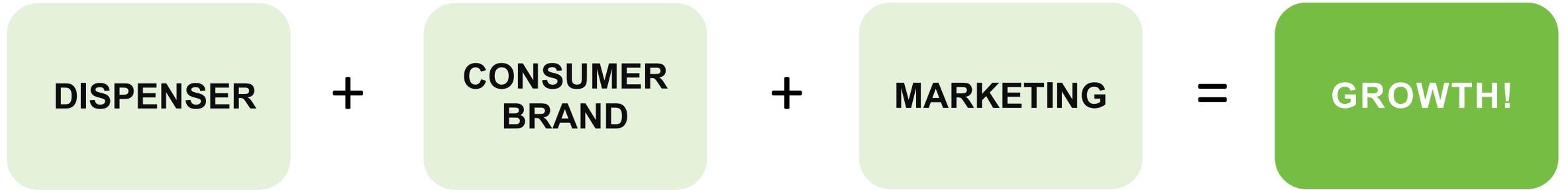


**protec
fuel**

Who was involved?

- Top 20 Retail Chains
- State Corn Growers Associations
- 3rd party research firms

Five years of data evaluation



- Retailers
- Configuration (dedicated vs. shared hose)

- Name
- Logo
- Visual style
- Messaging

- At-the-pump
- Brand ambassadors
- Loyalty program marketing
- Direct email
- Online (web & social)
- GasBuddy

GROWTH!

- More than 7,000 Qualitative & Quantitative Surveys Completed
 - Nationwide survey, with statistical representation of consumers
- Consumer Intercepts at the dispenser
- Field Trials to validate
- More than 900,000 Transactions



The Consumer Research Process

Field Trials & Five Years of Sales Data



April, 2020

2,149

E15 Sites

More than

4,600

E85 Sites

Challenges

- Consumers are inherently fearful of ALL new products.
 - When given new choices they default to previous product.
- Consumers don't want to think about gasoline purchases.
 - We buy gasoline grades, not “ethanol” grades
- Gasoline sold based on price.
 - But, a lower price on a new grade signals poor quality to the consumer.



- **Consumers want to purchase gasoline and don't care much about components including ethanol**
They want:
 - **A product that works in their vehicle**
 - **Lower price**
 - **Cleaner burning**



**American Drivers
Have Logged More
Than 14 Billion
Miles on E15**

Precise Language Matters

**Enhanced
Performance
=
E15 is Good for
All Cars**



*High Octane/
Performance
=
is for Fancy Cars*



The More We Talk About E15 as a Cleaner- Burning Fuel, the Better

Clean is powerful – it
conveys engine safety
and societal benefits.

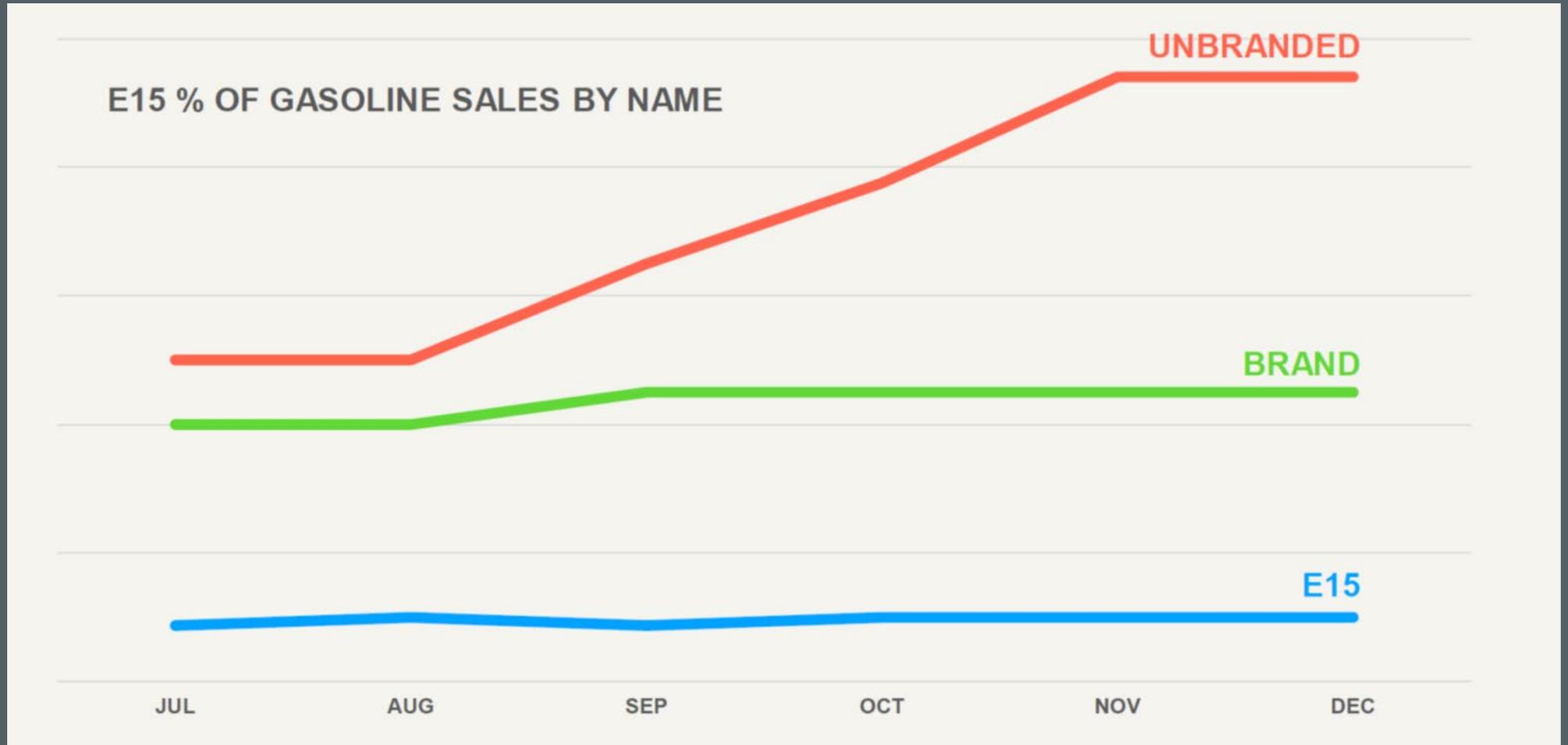


Does “15” or “E” need to be in the name?

More than 6,000 completed surveys on this question alone.

- Consumers don't believe “15” in the name is a high priority.
- Causes more confusion, especially with E85 than it helps clarify what the fuel actually is.
- E15 is an industry name, not a consumer name. EPA label communicates ethanol content.
- Consumers recommended using a “gasoline” name for E15.
- Confirmed with field trials

In-Market Field Trial Results



650 locations



Who is purchasing E15?

CONSERVATIVE MEN

- 55+ in age
- Upper middle income
- Car enthusiast
- Messages like *works in your car*, or *a little better for your car* appeal to them



Who is most likely to purchase E15?

ENVIRONMENTALLY CONSCIOUS

- Male
- 35-54 years old
- Upper income
- Politically lean left, listen to NPR, outdoors and healthy food
- Clean and environmentally friendly messages likely work



Who is most likely to purchase E15?

DIVERSE MILLENNIALS

- Male
- 18-35 years old
- Lower middle income
- More likely Hispanic or African American
- Politically lean left, environmentally conscious, read major publications
- Lower price, works in your engine, environmental messages



Who could eventually purchase E15?

SOCCER MOMS

- Female
- 35-64
- Middle upper income
- Coupon clipper, minivans, college educated
- The messenger is as important at the message. They want economical fuel that won't harm their children



Conclusions

1. Consumers purchase gasoline and they recommend E15 be sold as “gasoline” not anything special or different.
2. We must communicate engine compatibility (EPA label).
3. Then, we can differentiate with the societal benefits.

Consumer Demand Elasticity Study

Price Spreads

Measure the incremental impact of price spreads between UNL88 and 87 E10

Gasoline Sales

Understand changes in over-all gasoline volume impact

Cannibalizing sales?

Understand changes in sales of other fuel grades

Price Sign Impact

Understand what if any impact placing E15 on the street sign has on sales

Test Design



- Tests were broken into multiple price spread cells, sized and distributed using Mastercard test design
- 500+ E15 retail site sales analyzed over 12 months followed by 3 month study

Price Sign Impact

- Sites with E15 on the price sign sell 49% more volume of the product



What other factors affect consumer trial & adoption?

Marketing impacts consumer adoption



DEDICATED HOSE

3% to 12% of sales



SHARED HOSE

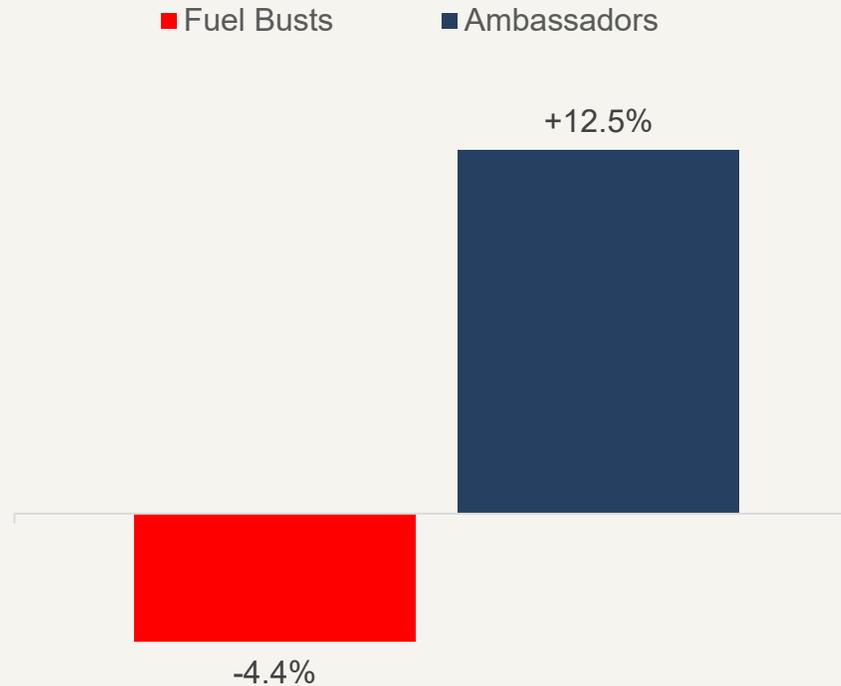
E15 is 22% to 51% of sales

Basics

- Offer E15 at the majority of dispensers.
 - If you treat E15 like a niche, it will behave like a niche.
- Street price sign
 - Include E15 price on the street sign when possible.
- Position E15 similar to existing gasoline products.
 - Unleaded = Unleaded88
 - Regular = Regular88

Discount vs. brand ambassador

- Special events with \$1.15 price for E15
- Ambassadors with no discount
- Conducted in Chicago and other major metro locations



Brand ambassadors provided a three week increase in sales.





Thank You

