

## Teaching Case

HOZON: TECNOLOGÍA EMOCIONAL (Original Case Title)

Translates as: HOZON: EMOTIONAL TECHNOLOGY

- Universidad ORT Uruguay and the Carolan Research Institute invited faculty members from undergraduate and postgraduate programs affiliated with Universidad ORT Uruguay to participate in a case writing initiative. The objective of this initiative was to develop cases in Marketing and related areas that would directly or indirectly contribute to incorporating and/or disseminating the thinking of Dr. Geraldine Fennell.
- For more information on the thinking of Dr. Fennell visit <http://FennellStory.com>

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Note: This case was written in Spanish. This English-language version was created by Fennell Story Insights (<http://fennellstory.com>)

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## Hozon: Emotional Technology

"Across the globe, the trend in the automotive market is toward growth in the supply and demand of electric and hybrid vehicles. Uruguay is no exception to this trend, and for several quarters now, we have seen a steady increase in the market share of these cars," said Jonathan Szwarcman, Vehicle Marketplace Manager at Mercado Libre. This trend includes well-known players such as Toyota, Hyundai, Nissan, Mercedes, Mitsubishi, and BYD (Sadar), as well as new brands like Trike, eMin, Farizon, FAW, JAC (Grupo Fiancar), Keyton, and Hozon (Grupo Novelli), offering vehicles ranging from USD \$5,000 to \$80,000.

In Uruguay, 215 electric vehicles were sold in 2020, 660 in 2021, and the figure was expected to reach 1,000 by the end of 2022, according to Autodata figures provided by Guillermo Novelli. Meanwhile, the government is promoting the purchase of these vehicles through various policies—for example, since January 1, 2022, 100% electric vehicles have been exempt from IMESI (a domestic tax), and a national network of charging stations is being developed across the country.

Internationally, growth rates are in the double digits in Europe, and similar patterns are expected in the U.S. over the medium to long term. The entry of Chinese players into this sector is also driving down prices and helping to increase electric vehicle adoption in regions like Latin America.

### **Guillermo: CEO of the Company**

Guillermo Novelli is part of a family business founded in 1992 that began by offering various automotive solutions. When he joined the family business in 2002, Guillermo became deeply involved in the company's operations. Over the years, he has shown an innovative and disruptive attitude, always seeking new business ideas.

In 2010, he created the brand Mobility (B2B) with the following vision: "We feel it's time for change, and we've come to drive a new era in mobility that will revolutionize how we move around our cities. The change responds to the need to be more efficient and to preserve our resources so we can enjoy them when and how we want." The success of this business unit led Guillermo to identify an opportunity to sell high-end electric vehicles to the local consumer market (B2C). In 2020, he traveled to China to evaluate possible brands and models. He also received a report from an electric vehicle consultancy and decided to represent the recommended brand, Hozon.

### **What Do We Know About Consumers?**

To understand the different potential markets for electric vehicles, the advertising agency decided to base its segmentation strategy on the framework proposed by Dr. Geraldine Fennell (visit for more insights)—segmenting based on interests and motivations:

- What problem are they trying to solve?
  - Moving economically.
  - Not polluting the environment.
  - Feeling innovative while driving.
  - Getting around without burning gasoline.
- What problem are they trying to prevent?
  - Not having their own transportation when needed.
  - Depending on others to get around.
  - Environmental pollution.
  - Stagnant technological advancement.

- Routine: (impact of their daily routine on their needs)
  - Managing one's own schedule, since mobility depends on him/her.
  - Independence for transportation.
- Exploration: (Discovery, New Experiences)
  - Discovering new driving sensations.
  - Discovering a new way of getting around.
  - Exploring charging stations.
- Sensory pleasure:
  - The excitement of knowing I'm saving on fuel.
  - Driving a vehicle that makes no noise is a unique pleasure.
- Conflicts:
  - I don't like having to wait in line to refuel.
  - I find it really boring to have to wait at a station for someone else to refuel the car.
  - Spending money on fuel stresses me out.
- Frustrations:
  - The pollution generated by combustion engine vehicles.
  - It stresses me out not being able to take long trips.

These consumer motivations, or appetites for vehicles, are not determined by demographic characteristics and lead to two potential appetite segments: those motivated by new technology and those driven by cost savings.

Now, let's understand the context of electric vehicles in Uruguay in order to grasp these consumer categories and how to capture their attention.

Electric cars are growing rapidly in Uruguay, indicating that this form of transportation will shape the future of mobility. But first, what is an electric car? "An electric car is a vehicle powered by one or more electric motors that uses electrical energy stored in rechargeable batteries and converts it into kinetic energy."<sup>1</sup>

It is important to remember that in Uruguay, 215 electric vehicles were sold in 2020, 660 in 2021, and it is estimated that by the end of 2022, the number will reach 1,000 vehicles, according to Autodata figures provided by Guillermo Novelli.

To understand the context of electric mobility, it's important to highlight the benefits of owning an electric car in Uruguay:

- Lower operating costs, as energy is substantially cheaper in Uruguay.
- Zero CO<sub>2</sub> emissions.
- No noise pollution, since driving is completely silent.
- Tax benefits for purchasing a vehicle (exemption from IMESI for 100% electric vehicles).

In addition, there is a network of chargers provided by UTE (the national utility company) and private operators, which reduces the main barrier to entry for this product. UTE also offers an app—available in the Play Store and Apple Store—showing all available UTE charging stations in Uruguay. Furthermore, by the first quarter of 2023, a new app called EVE was expected to launch. It will display all available charging stations, allow payments via Mercado Pago, and let users reserve a charging spot in advance. This app is designed 100% with the end consumer in mind.

As mentioned earlier, not all consumers are motivated by the same reasons when purchasing an electric car. Broadly speaking, we can classify them into two major categories:

1. Early adopters: people who love technology and innovation
2. Savers: people who focus on the vehicle's long-term cost savings

However, one factor that motivates both groups is their contribution to environmental protection and the sense of well-being that comes with it.

Let's start by analyzing the main issues faced by early adopters, who are primarily driven by a personal desire to feel part of an innovative, trend-setting group and always want to be on the cutting edge. For them, owning an electric car is an ideal.

One consumer commented:

“I like that it's a new technology, that it's environmentally friendly and uncommon.”

Given this, meeting their expectations is a challenge for companies, since technology is key.

Now, in order to decide how to communicate and capture this audience's attention, we must gather the necessary information. To this end, the consulting agency conducted several in-depth interviews, which yielded the following verbatim quotes:

- “I like that it's new technology, environmentally friendly.”
- “I wouldn't switch back to a non-electric because the driving experience is a one-way trip.”
- “It excites me to know I'm not polluting the environment—I feel like I'm contributing something.”
- “I was very hesitant to switch to an electric vehicle, but it turned out to be great—super comfortable to drive.”
- “Combustion cars feel outdated—like loud chopper bikes that go papapa.”
- “The technology is more user-friendly, there's nothing to envy.”
- “Hey big guy, don't you feel bad throwing out all that smoke in such a fancy Audi 8?”
- “I feel different.”
- “I wanted to buy an electric car because that's where the world is heading.”

We can conclude that the key themes in this consumer category (early adopters) are repeated and revolve around driving comfort, technology, and environmental impact.

From this entire analysis, the agency arrived at three major insights:

- **Early adopters need innovative products.**
- **Early adopters want to be trendy.**
- **Early adopters rely on technology in their lives.**

These insights led to a substantial rethinking of the Key Brand Benefit and the brand's value proposition, aiming to align the brand with technology and connect it to the emotions that drive these consumers.

This required undertaking the following activities associated with brand strategy development—Product, Price, Place, and Promotion—leading to a new brand strategy.

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And what about the savers? What motivates them to buy an electric car?

Their main issue is that, because they move around the city frequently, they consume a lot of fuel, making a combustion vehicle expensive. Many of them recognize that the initial investment for an EV is higher, but are willing to make it because they expect greater long-term savings.

It's important to fully understand this type of consumer, as they represent an interesting segment when making the final marketing decisions. In this regard, the following verbatim quotes were obtained from the interviews:

- “I save \$4,000 USD a year.”
- “I only spend 1,000 pesos a month.”
- “No fumes, easy maintenance, and negligible cost.”
- “What I spend on electricity is ridiculous—insignificant.”
- “If I drive on the highway, I have to keep an eye on the tolls—that’s the most expensive part.”
- “I care about the birds and the environment, but that wasn’t the main reason—it was the savings.”
- “Cost-to-benefit ratio was the deciding factor.”
- “Fuel is super expensive in Uruguay.”

From this analysis, the agency drew two key insights:

- **Savers are constantly looking to organize their finances.**
- **Order and control are what motivate savers.**

This brings about a rethinking of the Key Brand Benefit and the value proposition of the brand, since the motivations and interests of this segment are different from those of early adopters.

It also implies undertaking the full range of brand strategy activities—Product, Price, Place, and Promotion—resulting in a new advertising campaign.

The advertising agency presented these two PIICA models to Guillermo and the board of directors, as they would need to make a decision about which direction the brand strategy should take. Faced with this proposal and with vehicles already en route for import, Guillermo and his team ask themselves:

**Now, who are we going to sell to?**

Should Guillermo position Hozon for the early adopters—who are emotionally drawn to innovation—or for the savers—who focus on economic logic? With vehicles already on the way, which audience should they prioritize?