

## **CASE D–10**

### **Enviro-Hub’s Plan for Plastic-to-Fuel Mill Back on Track**

These teaching notes were prepared by Marcelian Arlany and Lau Geok Theng.

#### **Case Objectives**

- To understand the concept of value proposition.
- To understand the concepts of different organizational buyer, also their buying process and buying motives.
- To understand the concepts of marketing communication tools and processes.

#### **Case Synopsis**

- Environ-Hub Holdings Ltd introduced a new technology that uses new chemical catalyst to turn plastic into high-quality fuel oil in a more flexible and efficient way than what is currently available. The end of products of this plant – oil, gas and coke can all be made into good use. A pilot plant, sponsored by its Indian partner, was set up in Singapore in the second quarter of year 2008.
- Said to be the only type of plant on the planet, Environ-Hub offers three main unique selling points such as the plant’s ability to breakdown any kind of plastic products, produce any grade of fuel oil and lastly to operate continuously round the clock.
- In the third quarter of 2007, Environ-Hub’s revenue was reported to shoot up by 82%, making total revenue of \$44 million and profit increased by 20% to \$1 million. However, the company shares dropped by 21.7% to around 47cents, giving the company a current market value of \$289 million. With the new opened plant in Singapore and exclusive global rights obtained, the company aims to market its new technology to recycling plants and other potential customers both in local and global markets.

#### **Case Questions and Answers**

##### *Question 1*

*What value propositions are provided by Enviro-Hub’s plastic-to-fuel facility? What needs are served by the new process?*

- Value proposition is defined as a statement that summarizes the reasons why a consumer should purchase a product or use a service. It sums up the total benefits that

a company or vendor promises to its consumer in return for consumer's associated payment. Associated payment can include time, money and effort consumer gives up in exchange for the product or service.

- Two value propositions provided by Enviro-Hub are superior technology and value of environment concern that the process brings about.
- Enviro-Hub superior technology refers to its innovation to use a new chemical catalyst that can convert any kind of plastic products, even with some contamination, into any grade of fuel oil. The outputs of this process include 85% of high-grade usable fuel oil, 10% liquefied petroleum gas and 5% carbon residue that can be used as coke. The gas produced can be used to power the plant, while coke can be sold to steel mills for use in the carbonizing process.
- The next value proposition provided by Enviro-Hub is the value and benefits enjoyed by customers as an environmental friendly company. Instead of disposing plastic wastes into the landfills, Enviro-Hub's future customers can put those plastics into good use by converting them into gases and oil using the new technology. Thus, the process does not only save the environment but also promote social responsibility of the company. Furthermore, gas produced from the process can be used to power the plant thus promoting cost savings for the company.
- The needs served by this new technology can be considered as environmental and social needs. The new technology will fulfill the environmental need by providing a new solution in solving the plastics component problems in electronic wastes and also other plastic related products used by the general public. Ultimately, this will help to reduce the problem of piling up landfills as a result of the non-biodegradable plastics being disposed every single day.
- The new technology will also help companies to fulfill its social responsibility, as it allows plastics to be converted into useful and valuable fuels, liquefied petroleum gas (LPG) and coke. Contributing back to the society, companies are now able to conserve the use of other natural resources that are of great importance for future generation.

### *Question 2*

*Who are the likely target customers for Enviro-Hub's plastic-to-fuel process? How many groups are there and how will they differ in terms of buying process and buying motives?*

- The likely customers of Enviro-Hub are government bodies concerned with environmental matters such as the authorities in Europe, major recycling companies or companies with heavy plastic usage, and also academic institutions who are interested in the new technology itself.

- Generally, the above customers can be classified into three groups of business buyers such as government, commercial enterprises and institutions.
- Buying process is a decision-making process that both individuals and companies go through before acquiring products or services. All three groups of customers mentioned above share similar organizational buying-decision process. Five stages included in the process are as follow:
  1. Need recognition and information search
  2. Product search, evaluation and selection
  3. Supplier search, evaluation and selection
  4. Purchase commitment and contract issuance
  5. Repeat purchase routine and performance review
- Buying motives are needs that direct the purchase behavior of business users. These needs are influenced by both organizational and personal goals. For instance, organizational goals may refer to cost-savings or quality improvements, while personal goals may refer to protecting or furthering one's position. Hence, even when they share common organizational goals, individuals in buying center have conflicting personal goals that may affect the ultimate purchase decisions.
- While all the three customers are classified as organizational buyers, there are a few factors that differentiate their buying process and motives from one another. The below table will summarize them:

<i>Differences</i>	<i>Government</i>	<i>Commercial Enterprises</i>	<i>Institutions</i>
<b>1. Buying objectives</b>	Serve the needs of the public in general in the most efficient and effective way.	Increase profits by reducing costs or increasing revenue.	Support the need for research or other academic purposes.
<b>Effects on Stage 1</b>	Government body feels the need to find a new solution to the piling up landfills of plastic wastes.	Recycling company feels the need to find new technology that can help them convert plastic wastes into useful end products more effectively.	Academia feels the need to learn or adopt new technology to further improve its research and provide better education for students.
<b>2. Compliance reviews</b>	More complex purchase procedures and tighter specifications for products or services acquired.	Less complex and rigid purchase procedures or policies.	Pretty complex and rigid purchase procedure and polices. Social image of the academia is taken

			into consideration too.
<b>Effects on Stage 2-4</b>	<p>Criteria for the selection of potential vendors are demanding.</p> <p>Negotiations and contract issuance process are time consuming and usually involved a lot of paperwork.</p>	<p>Vendor selection criteria are less demanding than in government sectors.</p> <p>Negotiations are less time consuming, but still longer than consumer buyers. Less paperwork and procedural details involved too.</p>	<p>Vendor selection criteria are pretty demanding and they also focus more on vendors who can provide better after-sales service.</p> <p>Negotiations and contract issuance process are time consuming and usually involved a lot of paperwork.</p>
<b>3. Buying centre</b>	<p>Many buying agencies are involved in decision making. They are more rigid and also responsibilities are harder to isolate.</p> <p>They have quite strong buying expertise – a specialized purchasing department. .</p>	<p>Less bureaucratic than in government sectors. Agencies involved are usually an expert in their own area.</p> <p>Commercial enterprises usually have strong buying expertise with their own specialized purchasing department.</p>	<p>Less bureaucratic than in government sectors. Agencies involved are usually an expert in their own area.</p> <p>They usually do not have strong buying expertise – no purchasing department.</p>
<b>Effects on Stage 4</b>	<p>Selection of vendors may be more tedious and thus taking longer time.</p>	<p>Selection of vendor and contract issuance are done more effectively.</p>	<p>The end users or those who have the technical expertise possess higher level of power in decision making.</p>
<b>4. Budget</b>	<p>High accountability for budget used, as transactions involved public money from tax payments.</p>	<p>High accountability but less than government bodies.</p>	<p>High accountability for budget used, as their purchase decisions may affect their social image as an education</p>

			institution.
<b>Effects on Stage 3</b>	All bidding and negotiations are done formally and reviewed publically, unless otherwise stated.	Bidding process can be done in a close or open bidding.	Negotiation information is usually published for public.

*Question 3*

*What marketing communications tools should Enviro-Hub use to develop awareness and demand for the plastic-to-fuel process? Develop a brief marketing communications plan for the plastic-to-fuel process.*

- Enviro-Hub can depend on three marketing communication tools to develop awareness and demand for its new technology or process. These three tools include selective advertising, publicity and direct marketing.
- Advertising is particularly important as a means of reaching as many people as possible to build up awareness and interest. In Enviro-Hub case, the company should adopt selective advertising because target market is more focused than the general public. For instance, since Enviro-Hub new plant is targeting at public waste and major players in the recycling industries, it should advertise its new technology in magazines or forums addressing environmental factors.
- Publicity is a non-personal, indirectly paid presentation of a company, good or service. Examples of publicity are news story, editorial, or product announcement. An additional point that wins publicity over advertising will be the higher credibility of its publications as they are usually done by third party. For instance, the news story published about the new technology launched by Enviro-Hub may carry higher credibility than similar advertisement posted on a forum. Therefore publicity helps companies to develop interest or demand for purchase much easier.
- Direct marketing is a form of communication that includes face-to-face selling, direct mail, catalogs, telephone solicitations and direct response advertising. To develop demand in customers, Enviro-Hub has to ensure that it first provides sufficient product's technical information before selling to customers. This is particularly important as the purchase of new technology involves high complexity and financial risk. Therefore, direct marketing will be one viable tool that can be used by the company to ensure enough information and interactions are being shared between customers and Enviro-Hub marketing personnel.

- Marketing Communication plan for Enviro-Hub is as follow.

	<b><i>Planning steps</i></b>	<b><i>Descriptions</i></b>
1.	Identify target audience	Messages being communicated are directed to ultimate customers such as recycling companies and academia, also Enviro-Hub stakeholders.
2.	Specify communication objectives	Enviro-Hub aims to develop awareness and demand for the new plastic-to-fuel process
3.	Set communication budget	Enviro-Hub can choose to use a percentage of its predicted sales to be allocated for its marketing communication budget, follow competitors in the market, or set budget according to its objectives and tasks.
4.	Design communication mix	Since the company focuses on credibility and persuasiveness to arouse interest for the new technology, a more customized communication such as direct selling is required. Furthermore to increase awareness and credibility, the company can tap on selective advertising and publicity.
5.	Design detailed program	For instance, the company shall decide what type of appeal to be used for its advertising message and which media to use.  For the case of publicity, Enviro-Hub shall prepare the news story or product announcement write up to be published to the public.
6.	Scheduling the communication programs	Enviro-Hub shall decide which communication tools to use first, and when is the most effective timing of their use.
7.	Evaluation of communication program	Evaluation can be done by reviewing and comparing the actual performance of Enviro-Hub and what was set earlier on. For instance, comparisons can be made for factors such as frequency or reach of its advertising message, or the sales performance of the company. Market research and survey can also be used to evaluate the effectiveness of its marketing communication efforts.