

Program Planning & Design

One Approach: A California Utility Program Model for Consumer and Business Electronics

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*ACEEE Market Transformation Meeting
March 30, 2009*

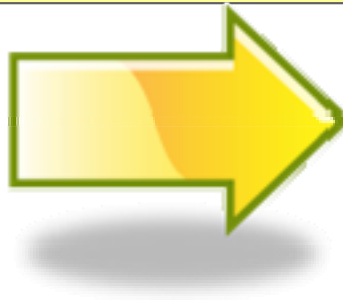


*Pacific Gas and
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Electronics Market is Growing Rapidly

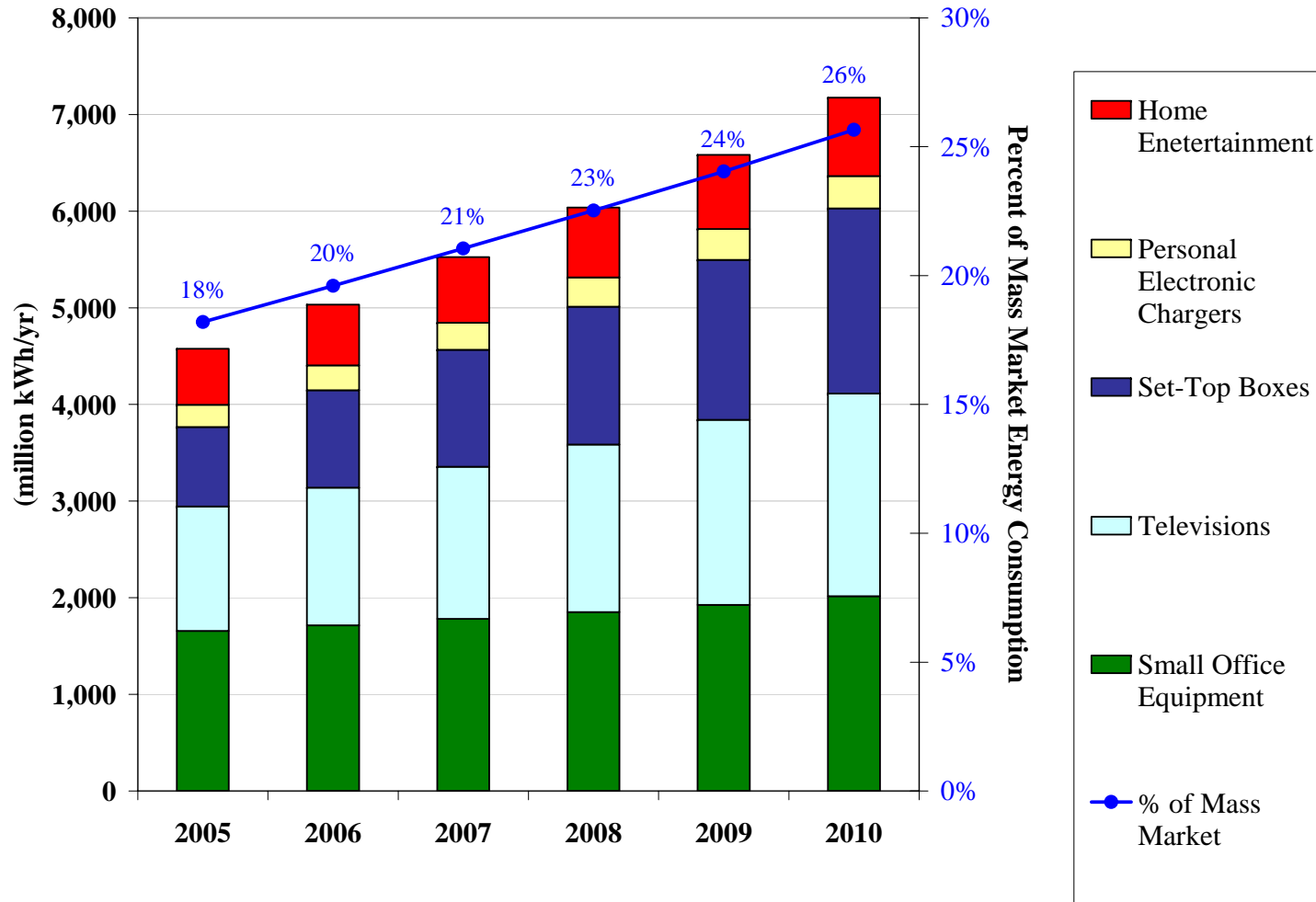
Electronics has become a major part of the global economy in our lifetime.

- Average US household now owns **25** consumer electronics products
 - Installed base of billions of electronic devices in the home and the office
- Technological advances lead to rapidly changing features and low prices



Electronics Growth Reflected in Growth in Electricity Use

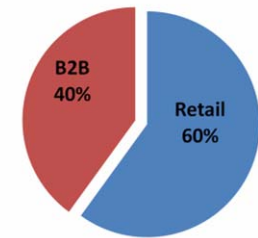
PG&E Mass Market Customers



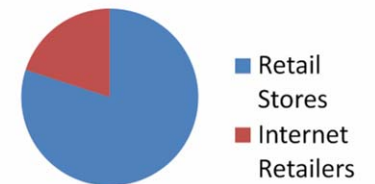
Sales Channels for Electronics

- Program targets consumers and business customers through midstream and upstream channels; consumers are 60% of the opportunity and businesses 40%
- Consumers purchase from midstream channels, such as retail stores and internet retailers, with retail stores holding about 80% of the business, but internet retailers growing
- Business customers purchase from midstream channels such as internet retailers and value added resellers and upstream channels such as manufacturer sales forces.

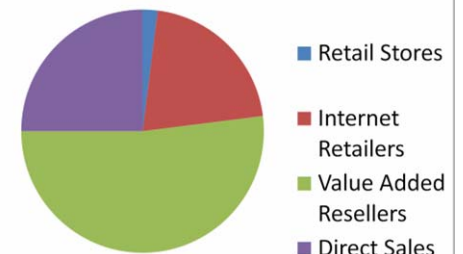
Market Opportunity



Retail Channels



B2B Channels



Early Programs in California Addressed Small Segments of Market with More Traditional Models

- **80 Plus & ENERGY STAR[®] efficient desktop PCs and servers** – manufacturer program by Ecos Consulting
- **ENERGY STAR + 25% efficient LCD monitors** – retail program with Energy Solutions
- **Network PC Power Management Software** – by vendors – up to \$15/PC purchaser rebate



Challenges for Electronics Program Design

- Dynamic nature of the electronics technology
- Wide variety of end-uses
- Relatively low energy consumption of each unit
- High volume sales – millions of TVs and computers in PG&E territory alone

Electronics Programs Require Different Strategies

Understanding the electronics market and its players points to an “upstream / midstream” model

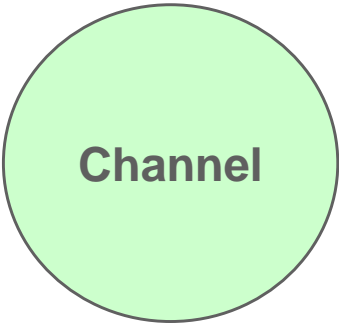
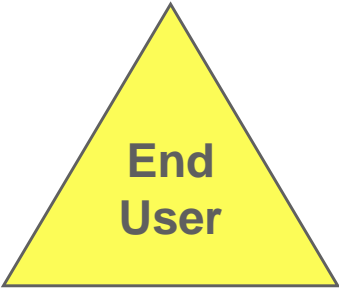
- Unit energy savings potential for electronics is relatively small and unlikely to motivate most buyers’ decisions

- Dollar savings per unit for electronics are small (less than \$10 per year) compared to price of electronics (e.g. \$400 - \$2,000 for a computer)
- Small unit energy savings only justify small end-user rebates, which provide limited incentive and result in significant breakage

- The impact of channel actions on customer buying behavior is more important than consumer rebates

- Manufacturers and the retailers’ buying organizations decide what is stocked and sold
- Financial incentive to channel may have significant impact on product line profitability

Midstream and Upstream Programs Have a High Impact on Market Share and are More Cost Efficient



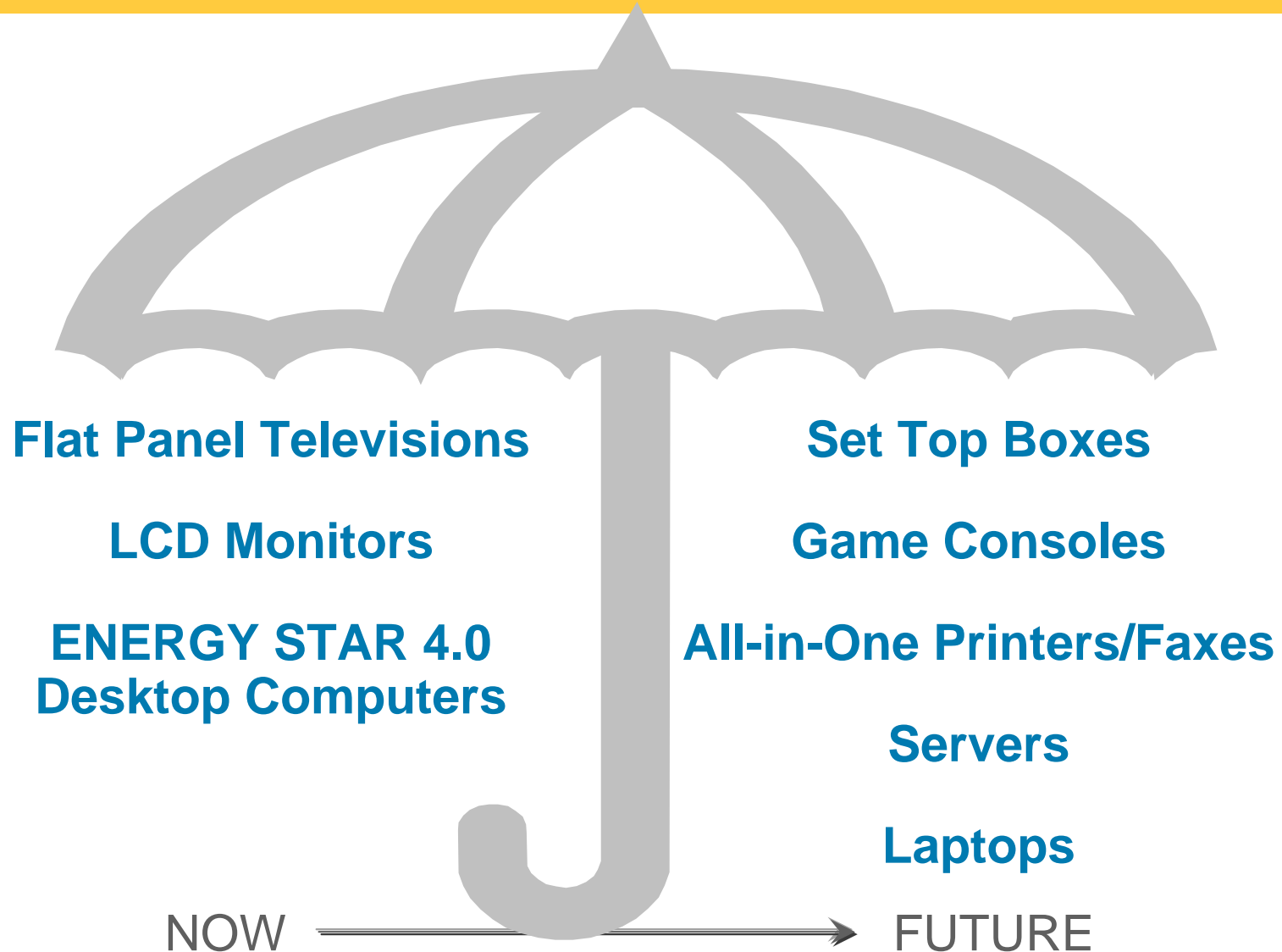
- Downstream incentive programs are **inefficient and ineffective** due to high “breakage” rates on rebates and the minimal impact that \$10 - \$20 rebates have on the purchase of products costing hundreds of dollars
- Midstream incentives **are efficient and effective** because they motivate a higher percentage of channels to sell the EE offering
- Midstream players have high market power and influence on their suppliers, thus have the ability to impact supplier behavior
- Impact the percent of products in a category that are EE
- Impact close rate through store level education
- Impact close rate through financial incentives
- Upstream incentives can be efficient and effective because they motivate manufacturers to provide an EE product
- Motivate manufacturers to price EE products more competitively
- Upstream incentives can be effective when dealing with a limited number of manufacturers

Low Impact

High Impact

Medium Impact

Program Includes a Portfolio of Electronic Products for Consumer and Business Markets



Program Basics

- Contracting directly with major manufacturers and retailers to deliver upstream/midstream incentives for energy-efficient consumer electronics

| Product | Incentive |
|--|-----------------|
| Flat screen televisions exceeding ENERGY STAR specifications by 15 percent | \$20 per unit |
| Computer monitors exceeding ENERGY STAR specifications by 25 percent | \$7.50 per unit |
| ENERGY STAR 4.0 desktop computers | \$8.35 per unit |

- Provide education to end-use customers through in-store signage and other marketing vehicles

Key Success Factors for B2B and Consumer Markets

- B2B market requires execution through multiple manufacturer channels
 - Direct sales force
 - Value added resellers / distributors
 - Web channels
- Retail market success requires executing programs through large national retail chains
 - Which make product line and promotional decisions on a national basis
 - With buyers and merchandising managers who manage product lines worth hundreds of millions of dollars – and don't have much time for anything but their core activities

Program Impact!

Efforts to date generating positive response.....

“Good news in support of this program I have picked up our first ENERGY STAR desktop. ...the program is leading to some real changes.”

Computer Buyer - national retailer

“We made a decision to move forward with an engineering change on our LCD TVs for changing to an “eco” panel from a different panel fabricator. A significant factor in making this decision was our desire to ensure this size of television is compliant with the California Utility program.”

VP / GM - national retailer

Channel Partners

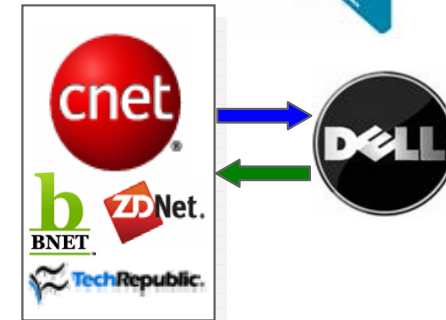
- Developing channel partners requires working with the key decision-makers
 - Buyers in retail; product managers / market segment managers in manufacturing
- Most organizations do not have a person who has utility program coordination as a responsibility
 - This requires that program offerings be easy to execute and take a minimal amount of organization time
- But, this program approach is working....

In Contracts or conversations With...



Marketing and Education

- Program Web Portal with CNET to educate consumers
 - Program messaging, content
 - Search Vendor partners' qualified products
 - (CNET content)
 - Logo placement & cross-link with Vendor and Retailer sites
 - Drive traffic to partners and promote the program
- Media Events
 - Media events to promote the program and participants
- Premium Retail Services (Detailers)
 - Execute merchandising and educate sales support
 - Launch visit (communicate with store employees)
 - Quarterly detail service (up to 1 hour per visit)



25M+ unique visitors/mo. to CNET sites.

EM&V Influences All Elements of Program Design

- Documentation of per unit energy savings for energy-efficient electronics prior to launch of new measure
- Data collection and reporting needs for EM&V in an “upstream” model
 - Channels need to maintain customer confidentiality with sales data
 - Tracking of sales at zip code level amenable to partners and there is regulatory precedence
 - Out-of-territory and/or prior year sales data as benchmarks
 - Most partners have data systems in place to satisfy measurement requirements
- Participation agreements contain data and reporting requirements
- Attribution studies at channels verify program impact; investigating the necessity of end-user attribution

Program Acceptance is Widespread

- Widespread involvement of major manufacturers and retailers
- But success makes evaluation and attribution to specific programs challenging
- If interested—baseline quick; otherwise hard to know what accomplished
- Important to be involved at time of decision-making—ie, Sep- Oct sets Sp/Summer; more critical is Jan-Mar impacts Fall and Dec holiday season where 60% of yrs sales takes. Get into their buying cycles (6-12 mo ahead)
- Can still impact what will move in stores via marketing; stocking more important

Near-term Program Objectives

1. Launched computer OEM and retail channel for computers, monitors and televisions in November of 2008
2. Broaden program channels, products and participating utilities in 2009
 - Add internet retailers, more manufacturers and retailers
 - Add products – in the retail and B2B space
 - The more utilities that join, the more effective and efficient the program – maximizing impact and value for the channel partners
 - NEEA has joined the program and is implementing this spring
 - Others are evaluating the program

Benefits of Utility Collaboration

- Collaborators can optimize their efforts
 - Fewer points of contact
 - More unified programs across utilities
 - Economies of scale
- Utilities can increase benefit to cost ratios
 - Shared learning reduces costs
 - Consistent programs boost participation by partners and increase sales

Lessons Learned

- Entering into this space may take longer than you expect - make sure you have your engineering, measurement and evaluation, marketing, sourcing and law all on board before making external commitments to industry
- Difficult to create contract that requires retailers to utilize incentive dollars for product marketing
- Difficult to plan program before ENERGY STAR specification is released
 - Manufacturers are reluctant to share information before specification is released
- Requires frequent updates in product standards to keep up with manufacturer's frequent product line changes
- Challenge to get everybody on the same page on implementation &/or products. Regulatory, corporate agendas – finding the win-win for all not easy

For More Information

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