

MARKETING THE AUSTIN ENERGY STAR PROGRAM
USING PRIVATE SECTOR TECHNIQUES TO MARKET A PUBLIC SECTOR PROGRAM

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ABSTRACT

The Austin Energy Star Program is a rating system for new homes sponsored by the Resource Management Department of the City of Austin, Texas. The purpose of the program is to encourage the construction of more energy-efficient homes throughout the service territory of Austin's municipal electric utility.

The purpose of this paper is to outline the marketing approach taken to simplify this program to make it easily understandable to potential homebuyers, builders, Realtors and lenders. The paper will be divided into three parts: marketing theory and the role it played in the development of the marketing program, use of building industry techniques and professionals as the direct consumer contact for the program, and discussion of the specific communications pieces and approaches used to reach out to these audiences. Included in the presentation will be a 7 minute slide/tape show which promotes the program to homebuyers while they are in model homes or Realtors' offices.

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OVERVIEW

Technically, the Austin Energy Star Program is very sophisticated. It establishes a method of giving points to most energy-efficient measures and techniques that improve the efficiency of homes above the current building code. Points are given in three general categories--thermal envelope, mechanical systems and water heating. One point is awarded for every 100 Btu/square foot/year that is saved over the building code. A home must achieve a minimum of 100 points to receive the Austin Energy Star label. Homes which achieve 250-399 points get two stars, and homes which receive over 400 points get three stars.

The Austin Energy Star Program is just one of many conservation programs aimed at all end-use sectors in Austin as a way of providing "new" supplies of energy required under their 550 MW Conservation Power Plant Plan.

The program was formally launched with the enrollment of builders into the program in September of 1985. At the time this paper is being written, some 27 builders are enrolled in the program. Presentations have been made to Realtor and lender groups to encourage their participation. Some newspaper ads have been placed, and a major public awareness program will be kicked off with the Parade of Homes that will take place in mid-July, 1986. To date 500 homes have been rated.

GETTING STARTED

In 1984, as the City finalized two-years of technical development of the program, their attention turned to how to get the building industry and potential homebuyers to accept the program. They decided to engage outside assistance in developing the marketing strategy and materials for the program and awarded a contract through a competitive bidding process. The contract called for undertaking some market research as well as providing camera-ready copy for a wide range of marketing materials.

The process of developing the overall strategy and the materials began with a review of the city's goals for the program.

City Goals

The City of Austin had a number of goals to reach in marketing the Austin Energy Star. Among the most important were:

- o Make an impact large enough to contribute a significant and measurable amount of energy savings towards the Conservation Power Plant.

- o Enlist the enthusiastic support of major actors in the building industry--builders, Realtors and lenders--and have them act as the primary sellers of the program.
- o Make it as easy as possible for all participants to understand the program and work with it.
- o Target the people most likely to buy new homes within the first year or two of the program.
- o Improve the overall knowledge of energy efficiency strategies in the building industry and among consumers without getting caught up in promoting any specific strategy such as passive solar, active solar, superinsulation, etc.

To accomplish all these goals (and others), it was important to look at marketing the program on several different levels. For instance (How this was done will be discussed in succeeding sections):

- o It was very important that the City's internal organization of information gathering and paperwork be consistent with making the program easy to understand and participate in. (See discussion of comprehensive implementation plan.)
- o Incentives needed to be built into the program to encourage the major segments of the building industry to participate. (See discussion of comprehensive implementation plan.)
- o Rather than providing all players with all information about the program, a typical public sector information approach, the information needs of each group of players were identified, and special information materials developed for each group. (See discussion of selection and production of materials.)
- o The rating system needed to serve the needs of the utility and builders/lenders for technical detail, but also needed to be easily understood by homebuyers/Realtors. (See discussion of comprehensive implementation plan.)

In order to meet these goals and provide an exciting package of materials to promote the program, a number of activities were undertaken--development of a comprehensive implementation plan from a marketing point of view, market research and penetration projections, conceptualization of a variety of different marketing materials, final selection of materials to be produced. Each of these activities are discussed in more detail below.

Development of Implementation Plan, Penetration Projections and Evaluation Plan

Implementation Plan. One of the first steps in the marketing process was development of an implementation plan that looked at all the things that needed to be in place to support a smooth process for marketing the program. This plan addressed the issues listed below and served as a

decision-guide for determining how to proceed with the development of a marketing approach and marketing materials for the program.

- o Different options for enrolling members of the building industry into the program. It was proposed that builders could be enrolled in several different ways: have all homes rated; have certain models rated; have specific subdivisions rated. The City elected to have builders rate all homes and requires them to display the rating of all homes that receive 100 points or more.
- o Different options for handling paperwork flow of audits and applications so that these are handled quickly and with the least effort on the part of all involved--flowcharts of the recommended paperwork flow for each audience were developed. Recommendations here primarily had to do with who saw what paperwork in what sequence and who ended up with final paperwork. As currently practiced, the City undertakes all the ratings, provides the original and several copies to the builder. Once the home is sold, the builder gives the original and a copy to the homeowner who uses the copy to work with a lender in the loan processing activities.
- o Different approaches that could be used to encourage and educate participants--brochures, handbooks, audio-visual aids, workshops. It was determined to use different strategies for each major audience and these are outlined in the section and selection of materials.
- o Different options for providing incentives/"sticks" for participants. Since there wasn't any money available to reimburse builders and others for participating in the program, the tactic was taken to leverage City advertising for the program to underscore the participation of members of the building community in the program. This is done by listing their names in all program advertising materials; providing them with camera-ready art work that they can use to promote their participation in the program; using "Builder, Realtor and Lender of the _____" awards; and, providing marketing seminars for builder staff and Realtors to improve their ability to market the homes.

Another way this was accomplished was by setting the minimum rating at 100 points. It was felt that this level could be achieved by most builders with less than a \$500 investment/home, and would therefore make it attractive for them to participate. All the materials prepared for the builders focus on how to assist them in making ratings at the least possible cost and with the least change from current building practice.

- o Identification of a number of technical problems with the rating that might also create marketing problems, and suggestions for resolving these. The main problems identified had to do with issues of site orientation and how this was treated in the rating scheme; complexity

of the overhang and shading calculations; treatment of bonus categories for certain items; how to treat multiple fireplaces. Most of these were handled by simplifying the rating sheet.

- o Determination of the minimum points that a home would have to earn in order to receive a star rating, and the ranges of points that would apply to each star level. A number of different levels and cut off points were considered. The final ratings were set at a minimum of 100 points up 249 to receive the Austin Energy Star label. Homes which achieve 250-399 points get two stars, and homes which receive over 400 points get three stars. Most tract builders can easily build homes that achieve 1-star ratings while custom builders can easily achieve 2-star ratings. Only the most dedicated custom builders are likely to achieve 3-star ratings on a consistent basis.
- o Provision of a detailed audit form which would provide all the necessary detail and a final point total for the utility and builders/lenders. Although this form would be shown to prospective homebuyers, it would not be the main information provided to them about the home. This would be done through:
- o Simplification of the audit information into a 3-star rating decal that could be prominently placed on each rated home to serve the needs of homebuyers/Realtors.

This plan served as the decision tool for determining the final shape of the program, and for finalizing the technical aspects of the rating form. It also pointed out the relative importance of each audience to the overall success of the program. It was determined that builders were the most critical audience, homebuyers the second most critical, then lenders, and then Realtors. However, it was important to get lenders and Realtors involved very early in the process, certainly before major public information programs were started so that they would be able to answer homebuyer questions.

After these decisions were made, Resource Management Department staff increased their efforts to reach out to the professional building industry community and begin to gain their support of the program.

Market Study and Evaluation Design. Due to budget limitations, the market studies conducted for this program were brief and non-quantitative. The studies consisted primarily of purposive interviews with builders, lenders and Realtors, and a review of secondary information regarding the types of houses and building industry firms in the market.

This information was used to refine the marketing concepts and materials and served as the basis for outlining a series of activities to evaluate the effectiveness of the program during its early years. The basic evaluation strategy relies on three activities:

- o tracking numbers such as number of professionals enrolled in the program and the number of houses audited;
- o tracking the acceptance of the program by professionals through mail surveys and focus group interviews; and,
- o tracking the acceptance by homebuyers through: questions added to on-going survey work of the electric utility and local research organizations, and interviews at high traffic model homes.

Market Penetration Projections. Penetration projections were made for each audience involved in the program--builders, lenders, Realtors and homebuyers. These projections were based primarily on the experience of other rating programs, diffusion of innovation theory and subjective judgement regarding where each audience fell on 19 key parameters of the program.

A scale ranging from +2 to -2 was used to estimate the importance of each of these factors to each audience. Because each audience fell on different places on the scale, and because there were different levels of incentives available to each audience, it was clear that different levels of penetration would be achieved in each audience. An example of how these parameters were used in understanding the potential for builders involvement appears in Figure 1 at the end of this paper.

Based on diffusion of innovation theory, and our subjective judgements for each audience using the above mentioned scale, we attempted to determine where on the overall adoption scale each audience was at the beginning of the program, and where they would be at 1-year, 3-year and 5-year intervals assuming that enrollment and promotional efforts would be as successful as we all hoped. (See Figures 2-6 at the end of this paper.)

USING MARKETING THEORY AND PRIVATE SECTOR TECHNIQUES TO DEVELOP THE MARKETING PROGRAM

The main marketing theory that guided the development of this program is the theory of the diffusion of innovation. Briefly stated, this theory holds that each idea/product goes through a fairly definable diffusion path (e.g. specific types of audiences--innovator, early adopter, early majority, etc.--will adopt the product/idea in sequence) over time. (See Figure 7 for a copy of the diffusion curve.) Because each of our audiences were at different places on the diffusion curve, and left to their own resources would probably not get to the same place, at the same time, we attempted to devise interventions that would accelerate the movement of each audience along the curve. By seeing the homebuilders and the homebuyers as the key engines in this activity, the majority of effort was concentrated on how to gain quick acceptance within these audiences so that their interest would encourage greater interest among the lenders and Realtors. The major approaches we took to interest builders have been covered in an earlier section. (See implementation plan section.) An aggressive advertising campaign is planned to encourage their participation. (Austin builders spend more on advertising their homes than in most other sectors of the country we are familiar with.)

The campaign is conceived to assist builders in making sales rather than educating people about energy conservation.

Our challenge in addressing consumers was selecting themes that would get them to focus on an issue they normally avoid. It was clear that trying to make consumers "energy experts" would really delay the acceptance of the idea. The approach taken was to focus on two key issues:

- o home buying is an exciting activity for most people and energy-efficiency needed to be added to that excitement. This was done by promoting the great homes being built by Austin builders, the excitement of living in Austin and the ease of buying an energy-efficient home in the area because of the program.
- o the rating system took away the need for consumers to become experts. All they had to do was "Look for the Star" to be sure they were getting an energy efficient home. The other major advantage of this approach is that it helped make an invisible concept (energy-efficiency) visible. We encourage homeowners to look at the overall rating rather than the individual elements that go into making that rating.
- o rely on the generally favorable view of the Resource Management Department, and endorsements of the Builders and Realtors Association to lend credibility to the program.

The majority of public programs (frequently due to budgetary limitations) promote themselves primarily through generic one- or two-color brochures and PSA's. The Energy Star Program uses tactics more in-line with the way Austin builders already promote their homes--this helped the builders take the program as a serious asset to their on-going marketing techniques, and also is more appealing to potential homebuyers. The specific tactics used are:

- o use of audience specific materials with just the type and amount of information useful to each audience
- o use of 4-color printed material
- o use of paid as well as free advertising
- o use of professionals already in the field to promote the program (Realtors/builders sales reps/lenders)
- o focusing on assisting sales primarily with education being a secondary focus

The following section gives more details on how this is being accomplished. The videotape that will be presented with the program is the ultimate synthesis of this approach.

SELECTION AND DEVELOPMENT OF MATERIALS

The RMD staff had developed an initial list of materials that they

thought would be helpful to the program. Based on our assessment of how much each of these audiences currently knew, and what they would need to know, or need to have available to participate in the selling process, this list was added to and recast to form a final list of items that have been produced to promote and educate each audience about the program. The materials developed are listed below, along with the primary audience served and the thrust of each type of material.

<u>Marketing Material</u>	<u>Audience(s)</u>	<u>Thrust/Usage</u>
General Brochure	All	Basic program description. Used at workshops/fairs to engender interest in the program.
Rating Sheet	Auditors/Lenders	Documents energy features of home and provides ratings for each feature and the total points for the home as a whole. Also gives the star rating category for the home. Used by other audiences to a lesser degree. A copy is given to final purchaser of property. Allows lenders to determine qualification for increased loan amounts.
Decal	Homebuyers/ Realtors	Prominently shows number of stars each home rates.
Homebuilders Application Form	Homebuilders	Informs builders of the requirements and incentives of the program and provides a way to enroll staff in the technical workshops.
Homebuilders Workshop	Owners/Construction Managers	Outlines ways in which builders can make ratings and enrolls participation in the program.
Homebuilders Manual	Owners/Construction Managers	Gives a very basic energy-efficiency primer and "recipes" for making ratings. Used in conjunction with workshop.
Technical Slide	Owners/Construction Managers	Illustrates energy-

Show	tion Managers	efficiency techniques for workshops. Shows do's and don'ts.
Marketing Brochure	Realtors/Builders' Marketing Reps Lenders	Covers the marketing advantages of homes that are rated, incentives available to these professionals, and encourages providing increased loan-to-value ratio.
Newsletter	Building Industry Media Other Influencer Groups	Occasional "letter" providing updates and promoting outstanding participants.
Homebuyer Brochure	Homebuyers/ Realtors/Lenders	Explains program in simple terms and emphasizes "Look for the Star."
Slide/Tape/Video Show	Homebuyers/ Realtors/Lenders	Provides upbeat 7-min. introduction to the program to be used in Realtor/Model Home/Lender offices. Emphasizes that energy efficient homes add value to things they are already looking for in a new home and the ease of finding such a home.
Print/Radio/TV ads	Homebuyers	Encourages new homebuyers to "Look for the Star" as the only thing they need to know about energy efficiency.
Print/Radio/TV ads	Building Industry	Promotes those members of the building industry who are participating in the program and gives special recognition to the ones that have done an outstanding job.

SUMMARY

The Austin Energy Star program coordinates the efforts and interests of a large number of members of the Austin building community. It provides incentives for all participants and emphasizes that energy efficiency is an easy thing to add to the list of qualities that homebuyers want in a new home. The marketing aspects of the program have been given the same

attention and commitment as the technical aspects of the program so that the ambitious penetration of the program can be achieved in the timespans projected. This has been done by focusing the program on assisting sales rather than educating audiences; targeting information to each audience as they have a need for that information; using paid advertising; and tying energy into the excitement of buying a new home.

ACKNOWLEDGMENTS

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FIGURES

The following figures show: the parameters used in making projections for the builders; the penetration projections for each audience for 4 points of the program--start-up, end of year 1, end of year 3, and end of year 5; and a diffusion of innovation curve.

Figure 1.

PARAMETERS	IMPACT ON BUILDERS				
	Strongly Positive +2	Somewhat Positive +1	Neutral 0	Somewhat Negative -1	Strongly Negative -2
1. Previously Expressed Interest in Such a Program		x			
2. Availability of Information to Support Adoption (projected)	x				
3. Out-of-Pocket Cost to Adopt				x	
4. Level of Benefits to be Received Under the Program (e.g., increased sales/public awareness)		x			
5. Existence of Non-monetary Incentives (additional advertising for participants)		x			
6. Existence of Monetary Incentives (rebates on appliances will continue to apply).	x				
7. Current Level of Awareness of the Program and Its Benefits/Requirements				x	
8. Current Level of Knowledge Regarding Energy Conservation Practices and Techniques			x		
9. Level of Concern about the Need to Make Changes in Current Practices				x	
10. Amount of Difference from Current Practice					
a. General Conservation Additions				x	
b. Orientation Changes					x
11. Level of Potential Risk from Not Adopting			x		
12. Perceived Credibility of BMD as Source of		x			
13. Effectiveness of Public Information Program in Promoting Homebuyer Awareness (assumed)	x				
14. Visibility of Respected Builders/Community Leaders in Supporting Program (at this moment)			x		
15. Complexity of Internal Decision Structure to Participate:					
a. Large Builders				x	
b. Small Builders		x			
16. Hassle Factor in Adopting--Changing building practices/marketing practices, more interactions with appraisers/government officials				x	
17. Sense of Community Spirit/Pride		x			
18. Existence of Regulations that Require Adoption			x		
19. Extent to Which Austin is a Seller's Market					x
Totals	3x2=6	6x1=6	4x0=0	6x-1=-6	2x-2=-4
Overall + 2					

Figure 2. Penetration projections for builders.

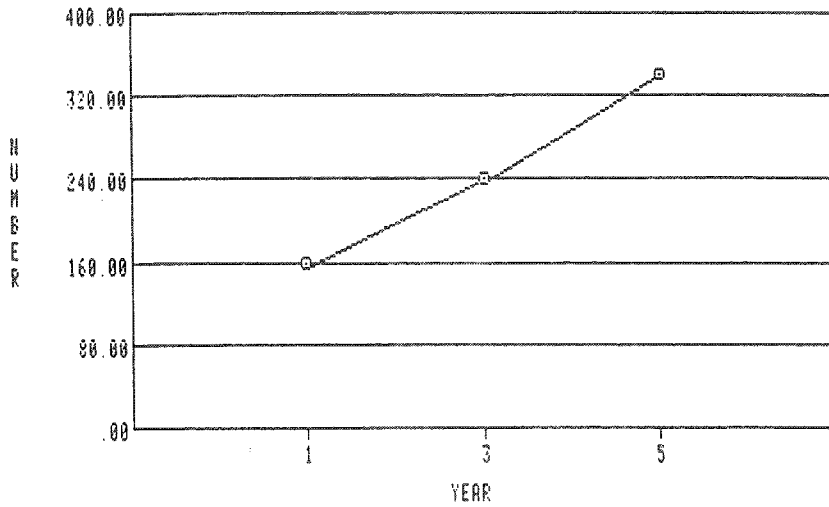


Figure 3. Number of homes rated and number meeting minimum points.

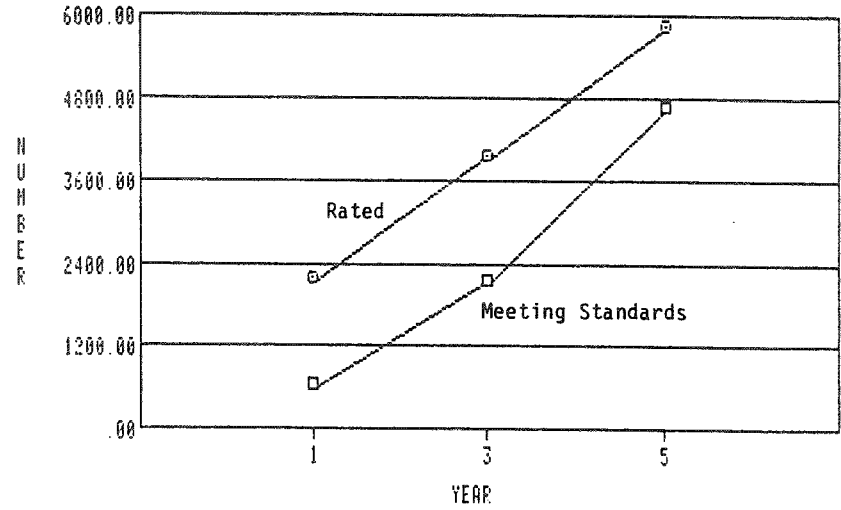


Figure 4. Projections for real estate brokerages and individual representatives.

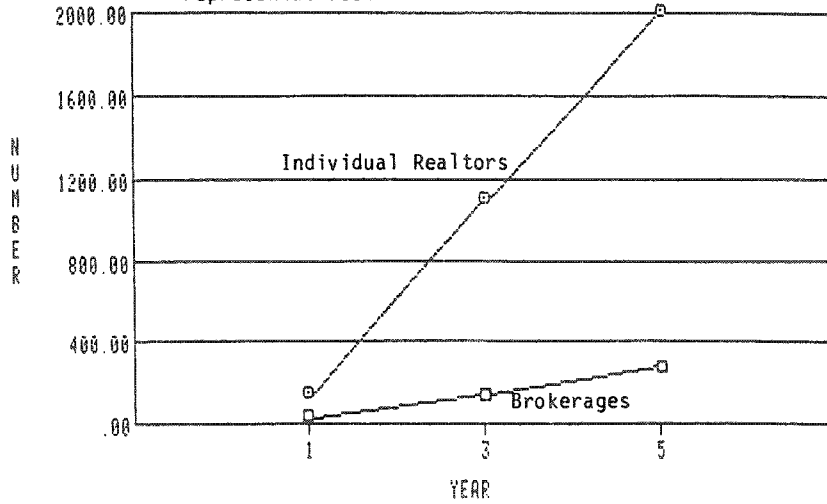


Figure 5. Projections for lending institutions and individual loan officers.

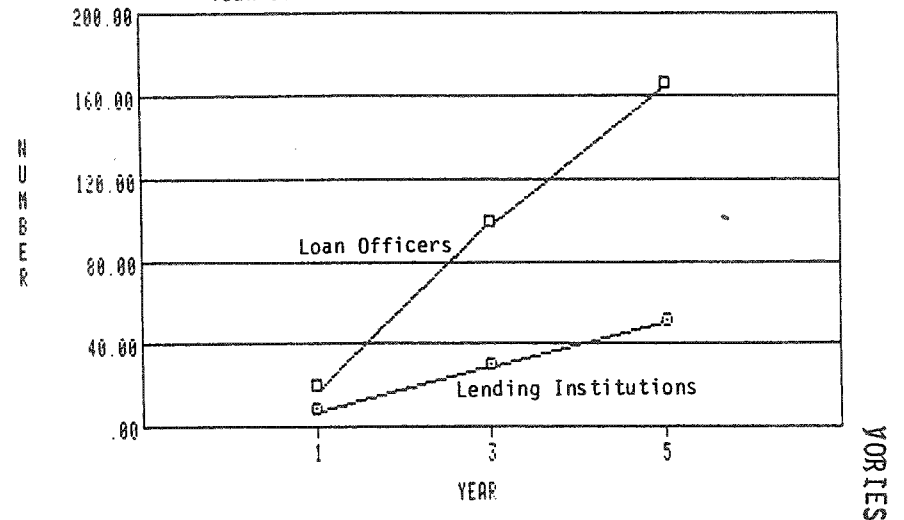


Figure 6. Projections for Homebuyers aware of the program and those actively using it.

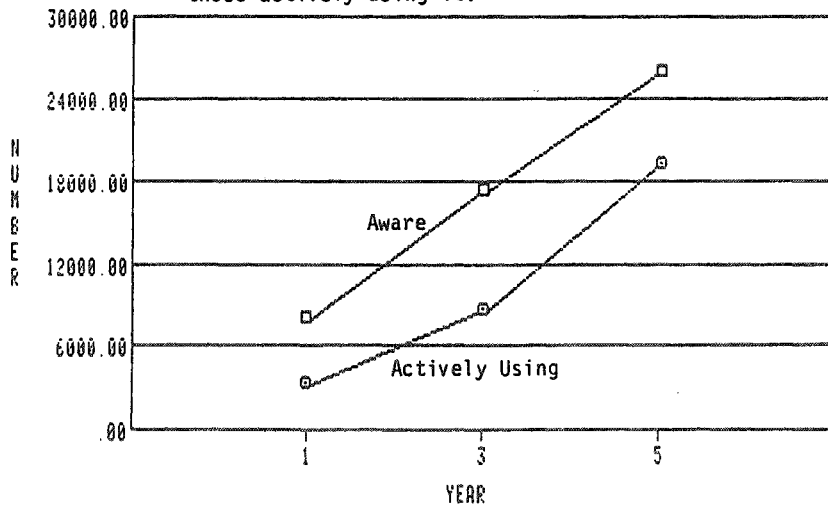
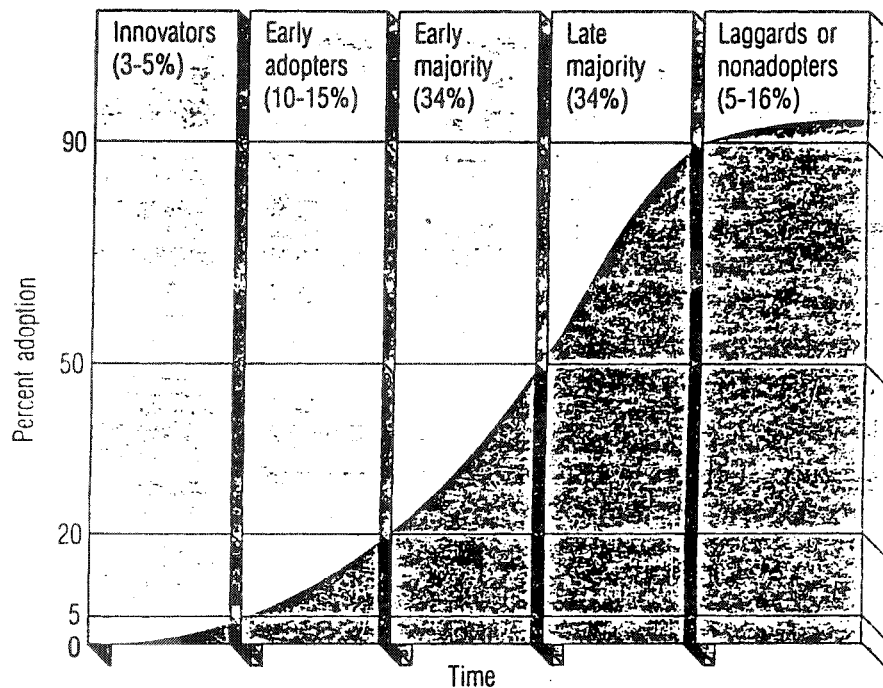


FIGURE 7
The adoption curve



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