

# **The Importance of a Field Component to Program Design: Market Transformation for the "Real World"**

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## **ABSTRACT**

In the highly competitive environment of retail sales, the inclusion of a field service component in any marketing strategy has become essential. Competition for every square inch of retail shelf space is becoming increasingly intense, while at the same time many retailers are seeking greater profitability through a leaner staff. The resulting demands on retail staff have heightened the necessity for retail field service. Manufacturers can no longer take for granted that their product will be merchandised prominently on the sales floor, or that the retailer will be familiar with and knowledgeable about their product. In fact, they can no longer assume that their product will make it to the sales floor at all.

The goals and objectives of "market transformation" programs are even broader than the promotion of the products of any one manufacturer. Not only do these programs attempt to promote the ENERGY STAR<sup>®</sup> qualified products of participating manufacturers, they attempt to introduce new technologies and transform consumer attitudes and buying behaviors. Because the education of the retailer and consumer is essential to this process, the critical role of the field representative becomes one of educator, merchandiser, and promoter.

Building on the experience of the ENERGY STAR<sup>®</sup> Residential Lighting program, this paper examines the importance of the field representative in the larger urban market as well as in the smaller, rural market, where the field component becomes even more critical to program success.

## **Introduction**

In today's highly competitive retail environment, the inclusion of a field service component in any manufacturer's marketing strategy is essential. Today's "field service representative" generally works in retail stores on behalf of a manufacturer/s to ensure excellent representation of the manufacturer's products. The field services that he or she provides usually include merchandising (stocking and straightening product, maintaining and building in-store displays), promoting, and training. The emergence in recent years of hundreds of companies specializing in providing in-store retail services to manufacturers is testimony to the reality that manufacturers can no longer rely on retailers to merchandise, promote, and sell their product. Field services are an important component to any manufacturer's marketing strategy and are critical to the success of market transformation programs. Field representatives provide a vital link between the market transformation program and the market players. Their in-store presence is instrumental in affecting retailer and consumer awareness and product preferences, including preferences for ENERGY STAR<sup>®</sup> products.

To affect change in the retail markets it is necessary to understand how the market players function. By examining the current relationship of retail field service representatives

to manufacturers and retailers, we can better understand how retail field services are essential to the success of market transformation programs. In recent years market transformation programs throughout the country have adopted a field component in order to work more effectively with retailers, and subsequently with consumers.

This paper examines the emergence of retail field services in the retail marketplace, using the California Residential Lighting and Appliance Program and the Northwest Energy Efficiency Alliance ENERGY STAR<sup>®</sup> Residential Lighting Program as models for discussion. These programs demonstrate that in order for field services to be successful they must be flexible and responsive to diverse markets and programs as there can be no "one size fits all" strategy. We explore the differences between the role of the field representative in large and small retail markets. The success stories of the field services component in diverse programs and markets clearly demonstrate the necessity of a field services component in any market transformation program's design.

### **The Emergence of Field Services in the Retail Marketplace**

According to the National Association of Retail Merchandising, which is comprised of over 190 retail merchandising companies world-wide, the need for retail field service is a direct result of major changes in the distribution industry. The changes that they refer to include: the consolidation of distributors and manufacturers who attempt to execute consistent distribution to a rapidly increasing customer base, and the resulting fragmentation of organizations which find themselves newly composed of sub-units with differing corporate histories, cultures, and strategies.

The market has also seen a revolutionary change in consumers. Consumers are more sophisticated than ever before, demanding more product variety, adding to the strain of already crowded shelves. Finally, as the variety and number of products expand, retail staffing does not keep pace. Reduced staffing levels and longer retail sales hours have made it increasingly difficult for retailers to provide on-going training to their retail store employees. In light of high levels of employee turn-over within many retail chains, on-going training from an outside source becomes crucial.

The necessity for manufacturers to provide field staff to accomplish what was once accomplished by retailers and manufacturer sales representatives arises out of this situation. With the introduction of an abundance of new products, retailers are "courted" as never before by manufacturers that hope to have the opportunity to sell products through their retail chain. With so many manufacturers and lines of products to select from, and relatively little shelf and floor space on which to sell it, retailers have the freedom to be selective. It is common for manufacturers to "sell in" their ability to provide retail merchandising service to retailers along with their product. In some cases, not only is it advantageous for manufacturers to offer this service, but essential in order for their products to receive consideration by retailers.

### **Retail Field Services and Market Transformation**

The use of in-store field representation in utility-sponsored market transformation programs is a direct response to the retail marketplace. While the sponsors of market transformation programs are concerned with energy efficiency, it is crucial that program

designers, administrators, and implementers understand that the manufacturers and retailers involved in these programs are concerned with profitability. This basic understanding and an aggressive approach to making the distribution of energy efficient lighting technologies profitable to retailers and manufacturers is key to a program's success.

In-store retail service has become more crucial to accomplish the broad objectives of "market transformation." Market transformation in residential lighting has been defined in the December 1999 NRDC Report *Lighting the Way to Energy Savings* as, "the process of systematically changing consumer purchase preferences, architect and builder practices, retailer stocking preferences, and manufacturer product offerings to consciously favor energy efficient lighting choices over inefficient choices." Field representatives have the ability to affect two of these four key elements: changing consumer purchase preferences and retailer stocking preferences. For the national ENERGY STAR<sup>®</sup> Residential Lighting Program the education of both retailers and consumers on new and unfamiliar technologies is critical to the process of transforming the market. This education and promotion has become the role of the field representative.

### **The Importance of Customizing Field Services for Different Retail Markets**

The role that the field representative working on behalf of market transformation programs plays, and the way that he or she educates and promotes can and should be different depending on the market and retail environment in which he or she works. It is crucial that the field representative remains flexible, and adapts the operative strategy to the retailer and community in which he or she works. The strategy that succeeds in Home Depot in Los Angeles, CA may not necessarily be successful in Ace Hardware in Cut Bank, MT. Understanding the communities in which the program is trying to affect change is essential. While remaining flexible, the goal and function of the field representative across markets remains consistent. Basic functions include: developing strong working relationships with store managers and lighting/electrical associates, generating enthusiasm about ENERGY STAR<sup>®</sup> products, educating retailers, and providing them with the tools for promoting ENERGY STAR<sup>®</sup> products. While remaining flexible on the delivery of these services, field representatives are essential for providing three primary functions across markets: merchandising, training, and in-store promotion.

**Merchandising.** Merchandising activities include: creating new displays for products; working with retail sales associates to ensure that ENERGY STAR<sup>®</sup> products are on the sales floor where they can be sold to customers rather than in the storage or backstock area; securing favorable positioning of products on shelves so that products are prominently placed and packaging in saleable condition; ensuring that the product pricing is correct; and installing point of purchase materials (POP) such as hang tags, banners, brochures, and shelf talkers. All of these merchandising activities are regularly carried out by manufacturer service representatives. These same merchandising techniques are essential to the competitiveness of ENERGY STAR<sup>®</sup> products and market transformation programs.

Manufacturers, including those of ENERGY STAR<sup>®</sup> products, often hire service companies to merchandise their products. Thus market transformation Program field representatives and manufacturer representatives must re-enforce one another's efforts and coordinate activities. The most effective and lasting method for affecting long-term change

and market transformation is by enlisting regular market players in the process. Ccoordination between program representatives and manufacturer representatives will increase effectiveness of any market transformation program. Program field representatives must aggressively pursue relationships with manufacturer representatives to work together to help retailers increase their sales of ENERGY STAR® products.

Unfortunately, some companies that manufacturer ENERGY STAR® products are unable to hire an outside service firm. They may not have enough models in a retail store to justify this expense or they simply may be unable to afford such services. In this case, the Program field representative's role is critical to ensuring product visibility and representation. It is likely, given current retail trends, that we will see fewer and fewer manufacturers that do not provide retail merchandising service to large retail chains.

**Training.** Across markets retailer training is a central component to many types of manufacturers' marketing strategies. Manufacturers want retailers to be informed about their products and to know how to sell their products. This training is necessary for ENERGY STAR® products which are often-times more expensive than their non-efficient counterparts. It is important to help customers see past initial purchase price and understand the value of ENERGY STAR® products. Sales associates are the critical link to helping the customers that are making purchasing decisions understand this value. They are on the front line interacting with consumers on a daily basis. Even if a consumer is educated about ENERGY STAR® lighting products, lack of knowledge on behalf of the retail sales associates to effectively answer questions or to offer sound advice could cause consumers to continue purchasing incandescent fixtures or lamps. Thus program training must not only educate retail sales associates on ENERGY STAR® products, but also educate them on how to sell ENERGY STAR® products to achieve their sales goals. Market transformation program representatives can be instrumental in improving the ability of sales staff to promote ENERGY STAR® products so that that the sale of these products will increase, retailers will view them as a profitable product category, and thus expand their stocking and promotion of these products. Across the NEEA and Illinois DCCA market transformation programs a correlation can be established between retailer training and increased sales of ENERGY STAR® products.

Field representatives have the ability to create retail training opportunities. They have the ability to learn the normal training protocol of the retail chains within which they work, and can then use the normal training forum to educate about ENERGY STAR® products. The field representative must be flexible in their approach. Ideally field representatives work with ENERGY STAR® manufacturer representatives to integrate their training into manufacturer training, again re-enforcing and coordinating with manufacturers so that manufacturers can ultimately take on the prime role of training retailers on ENERGY STAR®.

**Events.** Across markets the field representative must generate excitement about a product at the point of purchase through in-store promotions or demonstrations. Many manufacturers hold demonstrations of their products at retail outlets. It is an opportunity to show off products and engage consumers who may not otherwise stop to shop for a particular product. In addition to providing information on the products and technologies to consumers and ultimately changing buying behaviors, the in-store promotional events are an opportunity to generate retailer and consumer excitement, and to build partnerships with retailers. Ultimately, the retailer is concerned with selling product in their store; any efforts made by manufacturer

representatives or market transformation program representatives toward this goal go a long way in building lasting relationships. For many retailers the event is an eye-opening experience allowing them to see first-hand how easily the products sell themselves when all the facts are presented to consumers.

In the California State-wide Residential Lighting and Appliance Program (CRLAP), the sidewalk sale (a form of in-store promotion) has been an important component of the field strategy. All field representatives regularly arrange and conduct sidewalk sale promotional events at area retail stores.

During the period of September through December 1999, the California Residential Lighting and Appliance Program sponsored 59 sidewalk sales at retail stores across California. These events were very successful in increasing sales of ENERGY STAR<sup>®</sup> light fixtures, with several events achieving sales increased over 200% compared to the previous week.

## **Large Markets**

In larger markets most consumers have access to, and make their lighting purchases at Home Improvement Centers such as Home Depot, or Mass Merchandisers such as Target. Large volumes of ENERGY STAR<sup>®</sup> products move through these retail channels. Program field representatives must take advantage of the ability to provide training, merchandising, and promotional events to retailers that serve a large number of consumers. The opportunity to affect the buying choices and behaviors in these venues is great. The typical Home Depot sees over 30,000 customers come through its doors in one week. While representatives do not have the ability to affect what products individual stores carry since these decisions are made at the corporate level, they can greatly affect how retailers display and sell these products.

The role of the field representative in the large chain retailer as educator, promoter, and merchandiser is effective in exposing many new people to the products and technologies. These roles are accomplished by the field representative, and could only be accomplished at store level.

## **Small Markets**

The role of the field representative in the small market is unique from that in larger markets. Because many small markets do not have Home Improvement Centers or Mass Merchandisers, the focus of the field representative in these markets is usually on small, independent retailers. Not only is it necessary to help train sales people and promote the products and technologies to sales people and consumers, but it is necessary to "sell" the products into the store. Unlike mass merchandisers or home improvement stores that determine at corporate level whether or not the product will be carried, independent retailers have much more freedom in determining at store level which products they will carry. ENERGY STAR<sup>®</sup> representatives must show to each store that carrying ENERGY STAR<sup>®</sup> product will be profitable. Store by store efforts can be painstaking, but extremely effective.

## **Northwest Energy Efficiency Alliance (NEEA) - Small Retail Promotion**

In 1999 the Northwest Energy Efficiency Alliance (NEEA) launched a retail service component to its ENERGY STAR<sup>®</sup> Lighting Program to address small retail in Eastern WA and Oregon, Idaho, and Montana. Most of the rural communities in these states depend on their small independent retailers. In these markets the field representative has had the ability to affect whether ENERGY STAR<sup>®</sup> products are sold in each individual retail store. Beyond providing training and retail support, it has been the job of the field representative to "sell" ENERGY STAR<sup>®</sup> lighting products and concepts into these stores. Field representatives have been central to the introduction of compact fluorescent technology into the small market, and instrumental to the program strategy for overcoming market barriers.

Market barriers identified in these communities include:

1. Unfamiliar products and technologies
2. Retailer and consumer resistance to change and new technology
3. The belief that there is not a demand for these products in their community
4. Existing ENERGY STAR<sup>®</sup> qualified products purchased outside of the program at very high pricepoints.

A critical key to success is building strong relationships with retailers. It was clear that this could not be accomplished without a field representative visiting these stores in person. In addition, representatives needed to work with area utility representatives, many whom also worked with the retailers in their area. The utility endorsement made the difference in many of the smaller communities where retailers looked to their utility as trusted advisors. The importance of the trust element in smaller communities can not be overlooked as many retailers would not move forward with any type of participation without it.

In order to help retailers overcome the barriers identified above, the program armed its field representatives with tools to penetrate the market. The program needed to expose the retailers to new products and technologies, to support the retailers in selling the product through in-store promotions and advertising assistance, and finally to help the retailer price the compact fluorescent bulb product at \$10.00, the price that industry experts have determined to be the top of what consumers are willing to pay for CFLs.. In an effort to address these barriers the "Small Retail Promotion" was launched in the northwest in September 1999.

Fifty retailers were selected to participate in the promotion. Retailers were selected by the program's three field representatives based on their past enthusiasm for the program. Retailers were offered the following through the promotion:

- 1) Dollars to be used toward the mark-down of existing qualified product that had been purchased outside of the program . Compact fluorescent lamps were "bought" down to \$9.99. Previously, many retailers were attempting to sell this product for more than \$20.00 per unit.
- 2) A product "package" from the program's Master Distributor at no cost to the store. The store was able to select from four packages which had an assortment of bulbs and fixtures.
- 3) An in-store promotion or demonstration held by the program's service representative.

- 4) \$200.00 towards co-operative advertising.
- 5) Training of their store associates on the products and technologies, and how to sell them.

These tools were given to the field representatives to implement in the field at store level. The goal was to give the retailer the opportunity to try to sell the products initially without assuming all of the risk. Through this promotion, the program would give access to ENERGY STAR<sup>®</sup> products at reasonable prices, educate the retailers on the value associated with the products, then help drive customers to their stores to help them sell the products.

The promotion proved to be a great success. Retailers were enthusiastic to participate in the promotion and the program. Initially product was shipped to retailers as part of the product packages associated with the promotion. Subsequent to the promotion 20% of participating retailers re-ordered product at regular wholesale prices. Retail pricing in these stores remained low at 12 to 28% less than before the promotion. The majority of these retailers had previously carried few products and had priced them well above \$10.00 when they did carry them. Many were not familiar with the newer products and technologies, and most of them did not think that there was a market for these products in their community. We can consider the promotion successful when these retailers are now carrying product that they did not previously carry and are optimistic that they are helping to create a market for this product in their community.

The success of this promotion would not be possible without the field presence in these stores. Without the representative building the relationship, training the retailer, and holding the in-store demonstrations, we would not be able to affect the independent retailers and give them the confidence that carrying CFLs can be profitable to their store. Due to the success of the 1999 Small Retail Promotion, the program has launched the promotion in an additional 40 stores in 2000, and is continuing to find success.

### **Retailer Feedback**

Retailers have given feedback on the program and Small Retail Promotion in the northwest throughout the months that they have received field visits. By gathering this information, field representatives have helped program administrators understand the markets, understand how the retailer views the program, understand the challenges and how they can be addressed, and understand what it will take to achieve success. To illustrate the type of information that the program representatives have conveyed on a regular basis the following comments have been selected:

- "Darrell was very impressed with the program....He said that he would much rather make a dollar on the CFLs versus practically nothing on the four packs of incandescent bulbs." Ace Hardware, Boise, ID
- "He is excited about the program and would like to expand to include qualified product. He can't keep the bulbs in stock...ever since we had the in-store promotion." Cardinal Home Center, Kalispell, MT
- "He was impressed by how the fixtures sold. He only has one left. He wants to order more...." Ace Hardware, Polson, MT

Retailer feedback is an essential component to creating a successful field services program, whether it is part of a manufacturer's marketing strategy, or that of a utility-sponsored market transformation program. As the retailers are the backbone of ENERGY STAR<sup>®</sup> Residential Lighting Programs, a field services program must provide the appropriate tools to support retail sales associates. Specific feedback on what is effective and what is not on an on-going basis provides much needed insight to program administrators, so that adjustments can be made continuously. The field support program and strategy must remain dynamic throughout the course of the program.

## Conclusion

Helping consumers understand the *value* of ENERGY STAR<sup>®</sup> lighting is central to transforming the market. Retail field services are instrumental in helping consumers understand this value, as well as generating interest and excitement in ENERGY STAR<sup>®</sup>. We have come to understand that we cannot rely on retailers exclusively to accomplish this without outside assistance. Through the services that field representatives provide including the training of retail employees, in-store promotion, and merchandising we can help both retailers and consumers understand the value of these products. Through successful field implementation we are able to engage both retail employees and customers in our program so that they become truly excited about ENERGY STAR<sup>®</sup> and the products available to them.

Field efforts and field representatives supporting market transformation programs must be flexible in their approaches. While basic functions remain the same across markets, the delivery of service must be customized by type of market. Field services alone certainly cannot accomplish market transformation. However, lack of support at store level will consistently leave our goals short. By generating interest in ENERGY STAR<sup>®</sup> at the place that many consumers actually make their purchasing decisions, programs are successfully making strides towards transforming the market.

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