

# **Breaking Barriers by Design: Collaborative Approach Delivers Significant Results**

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## **ABSTRACT**

In spring of 2003, a national collaboration of utilities, retailers, manufacturers and energy efficiency organizations launched an ENERGY STAR promotion simultaneously across the country. This national partnership of 13 regions offered more than 18 million households a uniform promotion on ENERGY STAR qualified clothes washers. This bold, innovative approach resulted in a new model for program design that brought unlikely partners into a productive relationship. In effect, the effort drove partnerships among natural competitors in the market.

This paper shares the experiences from three regions implementing this unique promotion, the Northwest, Northeast and Midwest, as well as the DOE contractor who facilitated the process. While the promotion was designed collaboratively, each region adapted the message to address their specific market needs. The large-scale national scope of the promotion allowed for mass adoption of the coordinated ENERGY STAR clothes washer campaign at the retail level. The inclusion of multiple manufacturers not only enabled retailers to advertise multiple brands under one message – ENERGY STAR – but also made it easier for the utilities to drive the energy efficiency message. This was a cohesive endeavor for the common goal of energy savings, brand awareness and market transformation.

## **Introduction**

Within their territories, regional energy efficiency groups have achieved considerable success influencing consumer demand for ENERGY STAR clothes washers and developing retailer buy-in of the ENERGY STAR label as a sales tool. The resulting market share growth has proven the viability of ENERGY STAR products in the market. These successes depended on the leverage provided by a variety of participating manufacturers and retailers at the local level. The next step was to try to expand that leverage to a national-scale promotion. To do this, multiple regions combined their resources to influence industry upstream of the retail arena, creating a national collaboration led by efficiency groups, program implementers, and the DOE. This collaborative strategy was tested through the launch of a nationally coordinated promotion, Double Your Savings with ENERGY STAR (DYS). The resulting collaboration allowed for less funding from any single source, netting greater results, and furthering progress toward wholesale market acceptance and, ultimately, true market transformation. This paper provides an overview of the DYS approach, highlights successes achieved in the regions supporting the program, and identifies key points of consideration for ongoing program efforts in 2004 and beyond.

## The ENERGY STAR Clothes Washer Market

In 1996, the U.S. Department of Energy (DOE) introduced qualifying specifications for ENERGY STAR clothes washers (in addition to refrigerators, dishwashers, and room air conditioners). At the time, market share of ENERGY STAR qualified appliances stood at about 3%, and no more than three qualifying products were available. Due to extensive market support by all partners (efficiency groups, manufacturers, retailers, utilities) national market share for qualified clothes washers has increased to over 20% in 2003. In addition, all the major U.S. manufacturers have introduced ENERGY STAR qualified washers and have adopted the ENERGY STAR marketing message. In the past year, some regions with active programs have exceeded 40% market penetration, as shown in the Table 1.

**Table 1. National ENERGY STAR Clothes Washer Market Penetration**

	1998	1999	2000	2001	2002	2003
National Market Share	5.73%	8.53%	9.30	10.29	16.30%	23.07%
Qualified Models	20	35	61	75	103	142
Northwest	12.07%	14.26%	16.91%	21.55%	31.86%	43.00%
Upper Midwest	5.32%	7.80%	8.76%	10.24%	16.54%	24.74%
Wisconsin	6.13%	10.29%	11.27%	15.15%	25.62%	42.00%
New England	6.62%	15.66%	17.30%	18.21%	25.85%	40.17%

Source: ENERGY STAR national retail sales data compiled by D&R International

## Partnerships Drive the Market

The growth in the market can be attributed in large part to the network of ENERGY STAR partners – manufacturers, retailers, utilities, efficiency groups, and government – working together to build consumer awareness and demand for the more efficient models. Energy efficiency groups across the country agreed to focus on ENERGY STAR as the visible label and educational tool to build consumer awareness and demand. In turn, manufacturers and retailers recognized the strength of market support provided by local and regional efficiency programs, and its influence on consumer demand and overcoming perceived barriers, such as higher price points or unfamiliarity with front-load designs.

In the Western states, the Northeast states and Wisconsin, ratepayer funded programs have been the backbone of localized financial incentives, marketing, and education programs. These areas of the country have a long history in promoting energy efficiency. By 1998, each had adopted ENERGY STAR as a primary message and as the criterion for product rebate eligibility. The rebate programs proved very successful in luring consumers to ENERGY STAR products and have reduced product first cost, in many cases, enough to convince customers to switch to more efficient product choices.

Utilities and efficiency groups have used ratepayer funding to design ENERGY STAR programs to educate customers about the benefits of qualified products; to capture resources that meet local or regional energy demand; and to permanently change markets to achieve long-term energy savings. Early programs targeted the new ENERGY STAR clothes washers with steep rebates to motivate consumers to purchase these products, manufacturers to produce them, and retailers to stock them. While this early approach worked to spur retailer involvement and

sparked the attention of manufacturers, it was not viable as a long-term approach to change the market for ENERGY STAR qualified clothes washers.

In addition to offering rebate programs, it has become critical for the national partnership network to work in the retail and sales environment – the last point before a consumer makes a final product purchasing decision. Retail partners have been crucial to the increased sales and market penetration of ENERGY STAR qualified products. Influenced by regional efficiency programs, they have also been instrumental in encouraging manufacturer innovation and the introduction of new products. For example, when Sears reviewed its ENERGY STAR product line and its sales of qualified products across the country, the company realized it was selling its most profitable appliances in the Northeast, Northwest, California, and parts of the Midwest – the same areas that sustained programs with consumer education and financial incentives. This realization spurred Sears to develop its own vision, including setting quantitative goals for ENERGY STAR product sales. Sears achieved these goals through closer partnerships with utility, state, and regional program implementers and by driving its suppliers to introduce more qualified products.

Several other key retailers, working with regions and buying groups, have increased consumer education and coordinated with regional partners to establish their own methods for competing in the ENERGY STAR market. These companies have also invested in product inventory and signage, sales associate training, and cooperative incentives. While Sears remains the national leader in appliance sales, retailers such as Lowe's, Home Depot, and several groups representing independent dealers, have become ENERGY STAR partners. They report that sustained consumer demand, supported by market support in key regions, is critical for their continued investment in stocking and marketing new technologies.

A final element of the national partnership network that needs further engagement is the product manufacturers, who need strong incentives to develop increasingly efficient products. Clothes washer manufacturers have cited several challenges, including:

- Increasing R&D costs for smaller increments of efficiency with each successive standard or criteria change;
- Potential tradeoffs between efficiency and other desirable features within an acceptable consumer cost range;
- Skepticism among corporate management about long-term consumer demand for efficient products; and
- Price pressure from the retail sector.

The same companies refer to the importance of this national network and partnerships to overcome these challenges, including the importance of utility, state, and regional programs with consumer education and incentives. The manufacturers also point out, however, that efficiency needs to provide value from a corporate perspective, and cite benefits such as increased profitability or market share; national and regional awards as opportunities for market differentiation; and public relations opportunities in keeping with their corporate positions on social responsibility. Finally, shifting market conditions such as the 2001 energy crisis; drought and water conservation concerns in key parts of the country; and increasing energy and water prices have influenced manufacturers' belief in the long-term sustainability of a market for efficient clothes washers.

## 2003 Appliance Collaborative

Given the shifts in the market for ENERGY STAR qualified clothes washers, the DOE sought to enhance this national network of partners by facilitating a more unified national strategy that would allow efficiency programs to leverage industry resources in a uniform manner. This effort was in response to industry feedback on the difficulties of working with the numerous programs across the country, and was part of a vision to create a more national framework for building demand for energy efficient products. In September 2002, during an ENERGY STAR appliance partner meeting with retailers, manufacturers, utilities and efficiency groups, DOE announced that it would coordinate a national appliance promotion in 2003.

Based on early feedback, DOE prepared a range of options for a national promotion, and convened a group of efficiency program implementers from around the country on December 18, 2002 (McNary 2004). The group debated a number of opportunities and by the meeting's end, agreed to support a unified rebate targeting ENERGY STAR qualified washers as the nationally coordinated and leveraged component of the 2003 promotion. The group decided to focus on clothes washers, since many regions had discontinued incentives for other appliances such as refrigerators and dishwashers due to decreased consumer pricing and utility cost effectiveness. Furthermore, a program concept that featured a single product could most reasonably be planned and executed within a short time frame. The group held subsequent meetings by phone to discuss and finalize the program approach. The group named itself the Appliance Collaborative (the Collaborative) and designated the promotion, "Double Your Savings with ENERGY STAR".

The goal of the overall national promotion was to deliver broad national market impact through a single campaign theme in multiple regions and states. The goals of the Collaborative and the leveraged rebate were to increase market share of ENERGY STAR qualified clothes washers in participating markets, attract media attention, and increase marketing communications to amplify the ENERGY STAR message to consumers.

One of the innovative aspects of the collaborative structure was active cooperative planning and detailed program implementation across a broad geographic area. While these groups have worked together for years, collaborating on program elements such as energy efficiency specifications for ENERGY STAR, this was the first time they had ever planned a seasonal incentive program in cooperation with so many diverse groups. The drive to make the Collaborative work led to some groups altering their existing plans for the year.

There were two primary benefits of the extensive coordination across the country to the Collaborative participants. First, by combining efforts, the Collaborative succeeded in convincing manufacturers of the value of contributing to the consumer rebate. While some groups had been able to implement leveraged rebates in limited promotions in the past, the Collaborative had greater bargaining power; the participants were able to negotiate with eight major manufacturers to contribute \$3.5 million over the course of the promotion, leveraging their own efficiency program funds. The second benefit was the resulting impact of the coordinated promotion on sales and market share within their own territories. During the course of the promotion, market share in the participating regions increased dramatically. The second benefit extended to new ENERGY STAR, utility, and state partners. First-time program implementers, such as utilities in Nevada and Colorado, who joined the Collaborative, received insights from the years of program implementation experience and market infrastructure development that

some of the other players brought to the group. They were able to learn from the others and very quickly develop a sophisticated, leveraged promotion that likely would not have materialized if they had tried to do the same in a separate program limited to their own utility territories.

The main benefit for manufacturers, and reason for their participation, was the extent of the coordinated promotion, which consisted of over 150 utility, state, and regional ENERGY STAR partners, reaching over 18 million households and 2,400 retail locations (McNary 2004). Manufacturers have coordinated for years with utility, state, and regional efficiency program sponsors, but have expressed concern about the number of organizations and contacts they must work with in order to track and participate in incentive programs. In addition to the broad coordination in a single activity, participating manufacturers received exclusive benefits of cooperative advertising, in-store support, sales training, and recognition on all promotional materials developed by Collaborative members.

## **Implementation: The Collaborative Process**

During the course of the promotion, which operated from April 15 – July 15, 2003, the Collaborative worked to clarify responsibilities and program logistics. The members of the Collaborative designed and printed a coupon packet targeted directly to consumers and/or retailers (depending on fulfillment details within each territory), working closely with the national ENERGY STAR program to create a consistent look-and-feel to be customized by Collaborative members. The Collaborative also developed point of purchase (POP) materials to support customer education at the retail level and provided field support to place promotional materials and educate sales associates. Each Collaborative member also provided the participating manufacturers with toll-free customer service numbers and hours of operation to ensure that the manufacturers' customer service centers could get quick access to answer any questions.

The primary responsibility of participating manufacturers (Maytag, Whirlpool, Sears (representing Kenmore), Electrolux, GE Appliances, Fisher & Paykel, Miele, and Equator) was to contribute the \$50 per washer matching rebate, plus shared cost of rebate fulfillment, at \$2 per coupon. Manufacturers were also required to provide an advance of 6 weeks of funds based on projections for each brand and model. In addition to their financial contributions, most of the manufacturers also placed advertising and worked closely with their retailers to enhance the visibility of the promotion at every opportunity.

**Table 2. 2003 DYS Promotion Results**

Coupon redemptions	68,963
Electricity savings	18 million kWh/year
Gas savings	900,000 Therms/year
Water savings	525 million gallons/year
Customer cost savings	\$4,339,917/year

Source: ENERGY STAR national retail sales data compiled by D&R International

## **Regional Implementation**

### **Northwest Region**

In the summer of 2002, the Northwest Energy Efficiency Alliance (Alliance), representing Oregon, Washington, Idaho and Montana, piloted a clothes washer promotion with Tacoma Power and Tacoma Water, based on the concept of a matching utility rebate with multiple manufacturers appearing on a single coupon. The intent was to leverage partner resources to increase value with all partners and drive sales. One of the key benefits perceived for manufacturers was the opportunity to be marketed along with the utility's ENERGY STAR rebate directly to utility customers at home. Although the program anticipated there might be objections by manufacturers to sharing the space with their competitors, objections never materialized. It was determined anecdotally that the value of direct marketing to consumers at no extra cost to a manufacturer, with the implicit possibility of early retirement and sales, outweighed the negatives around the shared marketing aspects.

The lessons learned from the pilot were presented at the 2002 ENERGY STAR Appliance Partner Meeting, sparking interest in the concept from many of the utility, state, and regions at the meeting. The subsequent adoption of the unified coupon by the Collaborative, as a component of the DOE 2003 ENERGY STAR spring appliance campaign, allowed the Alliance to implement the joint matching rebate with participating manufacturers throughout the region without going through the process of negotiating with each manufacturer. Participating in the Collaborative provided the momentum and strength of multiple utilities, states, and regions working together, amplifying the potential for larger scale success in the Northwest.

Coupons were distributed directly into the homes of over 2.5 million of these customers, primarily through insertion as a bill stuffer in utility bills. To support utility partner distribution of the coupon, a small quantity was made available at retail for customers of each participating utility in the retailer's area. It was necessary to customize the promotion to meet individual funding partner requirements; therefore to ensure an integrated marketing delivery throughout the region, each utility received customized coupons and marketing tools.

**Consumer outreach.** A press release announcing the launch of the promotion was distributed region-wide to 297 newspapers. A second release was distributed during the final weeks of the promotion, driving both sales activity and redemption. Both releases were offered to funding partners in customized versions. Theatres throughout the Northwest advertised DYS on screen in the final month of the promotion. Slides were customized in 45 different theaters with 39 local partner logos. The slides resulted in over 4.8 million consumer impressions, and helped spike activity and redemption.

All local, regional and national retailers falling within and around participating sponsor service territories were solicited for partnership in the promotion. A total of 434 retail stores signed partnership agreements, representing 98% participation. Retailers received supporting POP, including large window clings, counter cards and product clings, customized with local sponsor logos – 92 different versions. In exchange, retailers were required to supply sales data two months before, during and two months after the promotion. During the final month, a "Hit the Jackpot" salesperson and consumer promotion was released. Salespeople encouraged their

customers to submit their rebate forms to qualify for a prize drawing. A bonus prize encouraged retailers to submit sales data.

The unified coupon was delivered directly into utility customers' homes by utilities to encourage early retirement of older, less-efficient clothes washers. Partners received a marketing toolkit with customized templates, and 53 partners used them for additional marketing activities. Many utilities put the weight of their advertising and marketing power to work in supporting the promotion and driving customer participation. As a result, an estimated 6.4 million consumers viewed the ENERGY STAR logo or heard about the promotion.

**Training.** Program field representatives focused heavily on retailer training throughout the promotion to ease the complexity of determining customer eligibility. Many retail locations serve customers of several different utilities, with each utility applying differing eligibility criteria and rebate amounts. In order to clarify the process, detailed reference cards were created for each retailer with information customized to reflect the requirements of the utilities in their area.

**Co-operative advertising.** Cooperative advertising funds totaling \$75,000 were made available to participating retailers in the amount of \$500 per retailer per location. One hundred-fifty retailers spent \$803,141 advertising the DYS offer and claimed only \$75,000 in cooperative advertising support from the Alliance program. ENERGY STAR advertising was elevated to an all-time high, reaching nearly 88 million impressions in the Northwest during the promotion.

**Results.** Fifty-eight utilities offered rebates to over 3 million customers in the Northwest. The Northwest's success in delivering this complex, customized promotion directly into the homes of over 2.5 million utility customers resulted in 13,674 rebates redeemed. Retailers participating in the promotion realized a distinct rise in market share for ENERGY STAR qualified clothes washers during the three months of the promotion. Idaho and Montana retailers gained the largest market share increases with 14.96% and 19.49%, respectively. Oregon retailers earned an increase in market share of 6.22% and Washington retailers experienced a 9.42% increase.<sup>1</sup> Table 3 illustrates market share before and after the promotion, with the percentage increase indicating that the market share gain was sustained following the promotion.

**Table 3. NW Market Share Increase**

	<b>Idaho</b>	<b>Montana</b>	<b>Oregon</b>	<b>Washington</b>
Before DYS	26.71%	29.18%	38.21%	37.10%
Following DYS	35.48%	43.48%	50.65%	45.40%
% increase based on percents	32.84%	49.00%	32.55%	22.37%

Source: ENERGY STAR national retail sales data compiled by D&R International

Through the joint efforts of all Northwest partners, consumer impressions of the ENERGY STAR logo during the promotion totaled over 94 million. DYS demonstrated in the Northwest what can be accomplished when eight national manufacturers, 58 utilities, and 434 retailers partner to deliver a program based on a national product campaign that drives increased awareness of the ENERGY STAR label and higher sales of qualified products (Alliance 2003).

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<sup>1</sup> Based on sales data collected from over 120 independent retailers by the Alliance program

## **Midwest Region**

Wisconsin Energy Conservation Corp. (WECC) began implementing cooperative consumer incentive promotions with appliance manufacturers through programs in Wisconsin in June 2000. Participating in the Collaborative provided WECC the opportunity to put a new spin on a promotional system that had been used successfully for several years. The collaborative approach offered the ability to leverage a large group of manufacturers at the same time, while existing programs often operated with only one or two manufacturers at a time. In addition, individual manufacturer offers had become common. The DYS campaign allowed WECC an opportunity to return to retailer partners with something new, exciting and fresh, that leveraged a large enough group of manufacturers to ensure that almost every qualified product had a financial reward. Being part of a nationally coordinated effort differentiated it from the norm, helped stimulate competition and renewed a sense of urgency among retailers to promote ENERGY STAR qualified clothes washers while at the same time minimized the costs for program sponsors. The DYS campaign also provided WECC an excellent platform from which to launch a comprehensive media and public relations campaign in support of the program.

**Consumer outreach.** During the DYS promotion WECC relied on four types of tools to get the message out to consumers – radio ads, public relations, utility bill inserts, and in-store POP.

A 60-second radio ad, created to help promote DYS, concentrated on the non-energy benefits of ENERGY STAR qualified clothes washers, and informed consumers of the energy benefits. This ad ran for a total of nine weeks in seven metro markets. As a result, over 153,000 total consumer impressions were made. In addition the ad was very popular with the retailers – two retailers used it for cooperative advertising by tagging it with their own store information.

A comprehensive public relations campaign was launched in conjunction with the radio advertising. The objective of the campaign was to generate awareness and encourage homeowners to replace their old, inefficient clothes washers with new ENERGY STAR qualified clothes washers. A complete media kit was released to several hundred media contacts throughout the state. In total, coverage included 23 radio interviews/stories, one television interview, 21 television news stories, and articles in 49 newspapers throughout the state, resulting in 514,794 impressions and \$33,385 in PR value.

Twelve participating utilities in the state of Wisconsin promoted DYS to their customers through bill inserts. A total of 726,335 Wisconsin residents received a bill insert in support of the promotion.

In addition to media coverage, a special POP piece was created specifically for the promotion. This piece fulfilled multiple functions: to call out the promotion to potential customers, to educate consumers about the key features and benefits of qualifying units, to be a sales tool for the salespersons on the floor, and to distinguish it from the other materials in store. An appliance shouter, designed to adhere to the back of clothes washer control panels, stood approximately 8 inches above the clothes washer and called attention to the specific benefits of ENERGY STAR qualified clothes washers and the special \$100 Reward.

**Cooperative advertising.** Offering cooperative advertising support in conjunction with the DYS promotion proved to be a highly cost effective promotion strategy. WECC offered participating retailers up to \$500 in cooperative advertising support per location at 75% of the cost of ad space



dedicated to ENERGY STAR qualified clothes washers and the DYS promotion. In addition, larger amounts of cooperative advertising support was made available to key high volume retailers (mostly large independents) in each market helping us ensure broad coverage of the promotion. Retailers were required to include specified feature and benefit information, the theme of the promotion, the ENERGY STAR logo and sponsor logos in advertising. Tying the advertising support to a specific offer resulted in a four-fold increase in the number of retailers who took advantage of cooperative advertising. Forty-six retailers invested a minimum of \$102,000 in promoting the DYS offer and claimed only \$37,966 in cooperative advertising support from WECC.

**Training.** A comprehensive retailer training program is a core element of WECC's ENERGY STAR products program. The DYS promotion offered a new forum to reintroduce and remind retail partners of the key features and benefits of ENERGY STAR clothes washers. During the promotional period program representatives conducted a total of 251 retailer trainings dedicated to the DYS promotion, ENERGY STAR-qualified clothes washers and more generally the ENERGY STAR label. Program representatives used an existing portfolio of product fact sheets, program brochures and other tools to conduct their retailer trainings. Trainings for the DYS promotion focused on the key features and benefits of ENERGY STAR-qualified washers including: energy use information, payback compared to a conventional washer, promotion participation guidelines, direction for qualifying customers for a participating utility, ensuring product delivery by promotion end date, and general information about ENERGY STAR and the program sponsors.

**Results.** As a result of the DYS promotion, Wisconsin attained a 46% increase in market share for ENERGY STAR qualified clothes washers between the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2003 — the largest overall increase anywhere in the nation (based on data tracked by D&R International). Wisconsin realized an average market share of 42.9% for ENERGY STAR qualified clothes washers during the three months of the promotion, as shown in Table 4. The total number of clothes washers rebated during this promotion was 12,069, with a total energy savings of 3,210,354 kWh and 265,518 therms. Participating retailers numbered 473 and households served in Wisconsin totaled 11,975. The promotion provided an excellent opportunity to further educate both retailers and consumers on the benefits of ENERGY STAR qualified products.

**Table 4. WI Market Share Increase**

	<b>Wisconsin</b>
Before DYS	30.84%
Following DYS	46.25%
% increase based on percents	49.97%

Source: Based on data collected from participating retailers in WI

## **Northeast Region**

The Northeast Energy Efficiency Partnership (NEEP) had prior successes with rebate promotions such as the Clean Sweep Rebate in 2002 and the Long Island Power Authority (LIPA) Earth Week Rebate in 2001. By further adapting what was already proven to be an

effective program approach in the Northeast, the Collaborative offered a programmatic template for implementation on a national scale. The key difference with this offer, compared to those in the past, is that it was launched simultaneously with other active energy efficiency programs throughout the country.

**Consumer outreach.** NEEP integrated the DYS offer into existing mass media plans. This included both print and radio advertising reaching all major markets in the region (including Boston/Providence, Hartford/Springfield and Long Island). Several utility companies further supplemented the campaign with monthly bill messages and bill stuffers. DYS was also promoted through the Northwest program's local web site ([myenergystar.com](http://myenergystar.com)) as well as through the electric utility web sites.

The partnership advised retail sales associates of the upcoming DYS rebate well in advance of receipt of the actual forms. Written and verbal communications targeting corporate representatives of Sears, Home Depot, Lowe's, Best Buy, Boston Group, Intercounty, Nationwide CT, and NECO Alliance created awareness and anticipation of the offer. This early warning strategy was intended to encourage retailers to integrate DYS promotion into their media plans. As a result, three regional appliance chain stores generated their own television campaigns. This was all accomplished with the understanding that the best way to reach the consumer was not through program channels but through the retailer.

**Training.** The task of training retailers went very smoothly in the region. Since two very similar campaigns had launched in previous years, the learning curve for retailers was minimal. Most stores were familiar with the participating utilities and had already been exposed to the concept of joint rebates.

Training strategy began in January 2003, informing retailers of the offering and how it would work. This approach also helped to create a "buzz" to further encourage the manufacturers to participate in the DYS campaign. In the Northeast, 100% of all retailers who sell new appliances enrolled in the program. This includes over 500 storefronts in MA, RI, NH, VT, CT and Long Island. The field team met with the head of the five major buyers group representatives and prepared overview pieces for them to distribute to all their members stores and post on their internal communication posts on their web sites (where applicable) as an upcoming incentive. Sears and Lowe's also drafted internal memorandums to be distributed through their internal communication channels.

**Co-operative advertising.** Retailers were offered the program's standard co-op advertising package of 30% of ad costs up to \$500. However, in preparation of DYS, NEEP extended an open invitation for consideration of larger, more aggressive promotional ideas. Three local retailer chains (Bernies, Manny's and PC Richard) each offered to produce a variety of television, radio and newsprint advertising. The television spots alone exceeded several million impressions.

**Results.** Historical sales data demonstrates a significant spike in clothes washer sales during the 2<sup>nd</sup> quarter of 2003 over 2<sup>nd</sup> quarter 2002. This spike clearly occurred only in the regions where DYS was actively promoted. National historic data only shows a 4% increase when comparing Q2 of 2002 to Q2 of 2003, which participating regions exceeded.

Retail sales support was extremely high. They were very enthusiastic about the DYS promotion and believed that elevated rebate with manufacturers created a promotion that was very marketable to consumers. All stores reported increases in ENERGY STAR sales during the promotion.

In addition to the increase in market share, NEEP successfully leveraged over \$850,000 from manufacturers on the rebate match alone. In summary this promotion allowed the Northeast regional partners to have a significant short-term impact on the clothes washer market while reducing program costs by at least 50% of the cost of launching a similar promotion without industry support.

**Table 5. NE Market Share Increase**

	<b>MA</b>	<b>RI</b>	<b>VT</b>	<b>NH</b>	<b>NY (LIPA)</b>
Before DYS (2003 Q1)	30.77%	20.76%	39.04%	36.83%	26.63%
After DYS (2003 Q3)	42.20%	24.81%	61.78%	54.54%	38.46%
% increase based on percents	37.16%	19.49%	58.27%	48.09%	44.42%

Source: ENERGY STAR national retail sales data compiled by D&R International

## **Forward Evolution – 2004**

While all partners considered the 2003 campaign successful, some concerns needed to be addressed for the 2004 promotion development. As a result, the Collaborative modified the 2004 plan based on a balance between partner feedback and efficiency requirements of utility funding partners. Listed below are the key points of consideration for 2004 promotion development.

- Increased promotional planning time
- Manufacturer product differentiation with two-tiered rebate
- Opportunity for manufacturer market differentiation
- One general coupon to review and approve

**Increased planning time.** Most manufacturers set marketing plans and promotional activities six to nine months prior to implementation. The Collaborative provided this advance planning time by notifying them during the September 2003 ENERGY STAR appliance partner meeting that the collaborative appliance promotion would be repeated, slightly modified, in spring 2004.

**Product differentiation.** Manufacturers prefer to choose products to rebate based on competitive and economic considerations. Promotional efforts typically feature multiple products and those with the highest profit margin. In order to provide manufacturer product differentiation in the marketplace and opportunities for market share gain while fulfilling efficiency organizations' goals of market transformation and a new emphasis by some Collaborative members on offering larger rebates on the highest efficiency models, the Collaborative designed two incentive options, each with a two-tiered rebate approach for qualifying products.

- Option 1: Manufacturer Choice – manufacturers select on which specific models to offer \$25 or \$50 matching funds, and the efficiency program matches or exceeds the rebate level; and

- Option 2: Modified Energy Factor – manufacturers and efficiency programs offer at least \$50 each for higher efficiency clothes washers (those with MEF of 1.6 or higher) and at least \$25 each for basic level efficiency clothes washers (those with MEF of 1.42 – 1.59).

**Manufacturer differentiation.** In order to maintain competitive positioning that allows for the potential of market share growth, manufacturers stated it was important to be able to differentiate themselves from their competitors in joint promotions. To that end, the Collaborative developed a template for individual rebate coupons for distribution at retail for each participating company, allowing each manufacturer to focus marketing efforts to retailers and consumers on its own coupon and seek separate marketing support from Collaborative members.

**Coupon review.** One coupon with identifying logos was designed to make the review and approval much simpler than reviewing a number of somewhat different coupons. The fulfillment process through a single prime fulfillment contractor was universally praised.

## Conclusions

The collaborative process as demonstrated in the 2003 ENERGY STAR “Double Your Savings” national clothes washer campaign illustrates the impact that efficiency groups can achieve when combining resources. By working together, Collaborative members are likely to achieve their program goals of short- and long-term energy and water savings; increased product supply and declining price differentials for efficient models; combined with long-term market changes that lock in savings for future generations. The Collaborative successfully established a closely networked group of utility, state, and regional ENERGY STAR partners, while providing retailers and manufacturers more consistent program design.

As the market for efficient products evolves, efficiency groups need to adapt their programs to ensure they continue to be effective in the marketplace. The evolution to a more robust market for efficient products can be viewed as a three-pronged approach. The *first phase* is a market-push approach. In immature markets, such as the clothes washer industry of the mid-1990s, efficiency programs best achieve their goals with market-push programs, led by significant consumer incentives. For example, when ENERGY STAR launched its label for clothes washers, there were few models in the market, and the price premium was beyond the range of most households. It made a great deal of sense at the time for water and energy efficiency programs to focus on high consumer incentives to induce purchases.

As markets begin to mature – as is the current case with the clothes washer industry – efficiency programs can evolve from market-push to the *second phase* of coordinated leveraging of resources with different stakeholders. By 2004, the market for high-efficiency washers has evolved to the point that every major manufacturer and an increasing number of smaller market players offer an ENERGY STAR qualified clothes washer. There is broad product availability, and the current average price has dropped to a level that is within an acceptable simple payback period and the reach of most customers.

The private sector has invested hundreds of millions of dollars in R&D to bring new product lines to market, and will continue to invest in promotions to ensure that they succeed in meeting sales and profitability goals. Manufacturers recognize the growth in consumer demand and acknowledge that the market cannot depend on rebates indefinitely. Their willingness to

participate in building market demand is exemplified by the 2003 promotion and the similar campaign in 2004 that leverage millions of manufacturer dollars in rebates and advertising. Partnership and leveraged resources allow both industry and efficiency programs to meet their goals while reducing their individual investment costs.

When the private sector is ready to take a leading role in developing and promoting efficient products, a role reversal can take place with utility, state, and regional efficiency programs. This *third phase* of program design focuses on “market support”, delivering true market transformation. Working together, efficiency groups can seek to define the next phase of efficiency program design that will sustain the current market trend to seek new technology development and maximize efficiency gains for the long term and transform markets.

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