Building Trust in the Marketplace: How the Northwest's Most Successful Commercial Program Succeeded

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ABSTRACT

Energy efficiency programs are typically characterized by technical solutions and simple paybacks. The industry has based upon technical papers to support energy savings and cost-benefit analysis to determine the market attractiveness of a measure. The role of behavior in energy efficiency has grown dramatically in recent years but the role of trust in the relationship between programs and commercial program participants has not been researched. This paper provides a definition of trust and a history of the "trust formula". The paper then discusses the underlying principles of the trust formula as they relate to energy efficiency and reviews a major study which looked at the role of trust in the business community. The paper then uses the example of the highly successful EnergySmart Grocer program to show how the trust formula was used to diagnose a mediocre program and implement a series of changes that resulted in the program becoming a model for successful energy efficiency programs. The changes to program culture, staffing, training and field support are discussed and how they dramatically improved results that were the outcome of these changes. Examples of low and high trust relationships are documented and the significantly higher energy savings achieved when trust is present are noted. The paper provides thoughts on the implication of the trust formula for future program designs.

Introduction

This paper provides a look at the role of "trust" in energy efficiency through the vehicle of the trust formula and its underlying principles. Trust is a critical and highly complex relationship in which there is a trustor and a trustee. The role of the trustor is to take risks and the role of the trustee is to be trustworthy. It takes two to build trust whether it is between two people or institutions. In a commercial efficiency the program is the trustee and the company which completes the retrofit or new construction is the trustor. It is the purchasing company that taking the risk. Trust grows as the frequency of exchange increases when both parties meet the expectations of the other party. The trust formula is a deconstructive, analytical model of the components of trustworthiness. The trust principles are based upon the values and beliefs that drive our behavior. The paper will then use the EnergySmart Grocer program, in the Pacific Northwest, to show the role of the trust formula as a critical factor in creating a program that many industry leaders have called the most successful commercial energy efficiency program in the Pacific Northwest. The program has achieved a market penetration, a completed retrofit, rate of well over 90% in its target market, achieved an average of over three retrofits per site in five years and many participants would realize energy savings beyond the retrofits that the program installed for its participants. Since its beginning in 2002, across all service areas, the EnergySmart Grocer program has achieved more than 2.6B cumulative kWh at over 10,000 stores.

History of the Trust Formula

The trust formula was developed in the late 1980s by a consulting firm; United Research. The trust formula was recognition that trust played a critical role in both sales and the successful implementation of consulting engagements. However, there was no language with which to discuss how to change behavior to build trust.

The initial formula was a little simpler than that used today.

$$Trust = \frac{(\text{Intimacy} * \text{Credibility})}{\text{Risk}}$$

A foundational concept was that the greater the risk a client was asked to assume the greater the trust the consulting firm had to earn with the client. If the project was to write a report on a potential marketing strategy little trust was required as the client faced little risk. If the client thought the report was a good idea they moved forward. If they did not like the report it was a minor amount of money spent. However, if it was a large engagement; investing in a business unit of a Fortune 500 company to return a business unit that was losing money to profitability there was much larger risk. The risk takes two forms. First there is the financial risk associated with the project. The second is the personal risk of the decision maker whose career would depend upon a successful outcome.

Over time the trust formula took on a life outside of the consulting firm that developed the formula. Many consulting firms and other businesses used the formula or a slightly modified version thereof. Many of these firms trace their history back to United Research. The global public relations firm, Edelman, launched the Edelman Trust Barometer to look at trust in public and private institutions across the globe. Today it is best known as the trust formula and has been enhanced, documented by Charles Green in his book, The Trusted Advisor.

The Trust Formula

The trust formula provides a framework to think about and analyze our relationships. Through the last two decades the formula has been utilized and revised by a large number of organizations. The most well documented version of the trust formula is now the equation by Charles Green in his book, The Trusted Advisor.

$$Trust = \frac{(\text{Credibility} + \text{Reliability} + \text{Intimacy})}{\text{Self Interest}}$$

The definitions of the words in the formula are subtle and critical.

1. Credibility: The words that we say, the skills and credentials we bring.
2. Reliability: The actions that we take and our predictability. It also has an emotional component; do the person's action make it easier for me.
3. Intimacy: The extent to which people feel they can confide in us and perceive us as empathetic.

4. Self-Interest: The more people feel we are focused on them and not ourselves the more they can trust is. Try to make their concerns … your concerns.

This formula and its accompanying definitions provide a framework for which we can analyze the effectiveness of an energy efficiency program and its ability to build trust among the program participants.

Research and the Trust Formula

Several studies have been conducted looking at the role of trust in business and society today. The most relevant study has been conducted by the The Economist, a global news and business publication.

In their 2008 study, "The Role of Trust in Business Collaboration", The Economist team highlighted the growing importance of collaboration and the growing role of technology. The study involved interviews with senior leaders at more than 100 global companies. Their major finding was simple:

> "The research shows that few businesses adequately articulate the value and need for trust or share and formalize the critical components of trust; rather, they have focused more generically on codes of corporate governance and ethics. Moreover, few companies give trust a paramount role in internal efforts, though the research suggests that trust is far from complete even among people in the same function or organisation."

The study went on to list nine key findings of which three focused directly on trust.

1. Complete trust is very rare
2. Companies have yet to find or embrace a consistent way to measure trust.
3. Trust, appears to decline as collaboration becomes more virtual.

The article also highlighted a critical point; the need for trust varies and it is most important when there is more at risk.

When we think about these findings and how most energy efficiency programs for small commercial businesses operate there is a challenge. A utility may use a direct install program approach to reach this market. The utility representative may have some knowledge of lighting when the talk to the restaurant owner or manager, or other participant, about using more energy efficient products. To the utility this appears low trust situation. To the restaurant owner this is a high risk situation which will impact their customer's experience and will require time and dollars that are not budgeted. Their decision is likely to hinge on the level of trust that utility representative is able to generate. It is almost impossible for the utility representative to bring sufficient knowledge in a market with many smaller firms with varied business models, customers and economic models.

The Trust Principles

Becoming trustworthy cannot be reduced to pure behaviors. You can't bottle it in a competency model. Our actions are driven by our beliefs, and our beliefs are driven by our values or principles. Trustworthy behavior is too complex to fake without the beliefs and values behind them. If your values don't drive you to behave in a trustworthy manner you will be found out quickly.

The way to become trusted is to act consistently from those principles. There are four specific principles governing trustworthy behavior.

1. A focus on the other (client, customer, internal co-worker, boss, partner, subordinate) for the other's sake, not just as a means to one's own ends. We often hear "client-focus," or "customer-centric." But these are terms all-too-often framed in terms of economic benefit to the person trying to be trusted.
2. A collaborative approach to relationships. Collaboration here means a willingness to work together, creating both joint goals and joint approaches to getting there.
3. A medium to long term relationship perspective, not a short-term transactional focus.
   a. Focus on relationships nurtures transactions; but focus on transactions chokes off relationships. The most profitable relationships for both parties are those where multiple transactions over time are assumed in the approach to each transaction.
4. A habit of being transparent in all one's dealings. Transparency has the great virtue of helping recall who said what to whom. It also increases credibility, and lowers self-orientation, by its willingness to keep no secrets.

We can use these trust principles to design and build more effective energy efficiency programs. Utilities often talk about being trusted energy advisors for their commercial customers. However when we think about this formula from the perspective of energy efficiency customer we can quickly see some very real challenges to developing trust.

The Energy Smart Program and the Trust Formula in Action

It can be challenging to envision the impact of the trust formula. Below are two examples taken from actual events for the EnergySmart Grocer program. The first example is of a relationship with little trust in place. This event became the catalyst for changing the program. The second example is a relationship with strong trust in place between the EnergySmart Grocer program's field representative and the Grocery store owner.

I attended a meeting as the Program Director, during my first year in that role. The GrocerSmart Representative and I met with the Director of Facilities for a regional grocery chain. The meeting started with formal introductions and then went straight to business led by the field representative. The field representative reviewed the energy audits from two of their stores. They next discussed the energy efficiency opportunities that had been identified; discussing the measures, the incentives, the energy savings and the simple paybacks for each. The program field representative also had developed two recommendations for a series of measures that would achieve a simple payback of less than two years. The Director of Facilities asked a few questions for clarification and reviewed the summary page they had been given. After the 25 minute presentation he responded saying that the recommendations were too costly

for him to undertake. He looked for the least cost measures and agreed that he would install strip curtains. The program representative thanked him and said that he would work with the company's contractor to get a bid in the next few weeks.

This meeting was a catalyst for change. We knew that our recommendations could help this chain significantly reduce their second largest variable cost; energy. However, it was clear that he did not trust us and was unwilling to invest capital in energy efficiency.

The second meeting was very different. I attended a meeting, as the Program Director, six months after the program changes had been implemented, with a successful grocer in Seattle. The meeting was between the EnergySmart Grocer program representative, the grocer and me. When we walked in the door the Grocer welcomed Jim, "How the heck are you Jim. It's good see you again. How are you and Helen doing? The girls? The first ten minutes of our meeting includes the introduction of the author and then a discussion of the Grocer and his family. After 10 minutes the meeting formally begins. There is a discussion of the energy savings from a previous project with the owner noting that the savings are higher than expected. The next item is a discussion of the owner's business over the last quarter. The owner shares what is going well and his concerns for his business. Jim speaks in the language of a grocer and takes notes of the comments. The owner ends by saying he has about $12,000 for capital improvements in the next year and asks for Jim's advice. They discussed the options and decide that improved lighting of the produce area made the most sense. This was not the highest kWh savings but addressed the business concern of the grocer. Jim makes a commitment to get a bid and sample lighting see the owner can see the lighting. In the next three weeks he would approve the project. Over the course of 4 years the project completed five energy savings projects and reduced his energy usage by over 30%.

These two meetings demonstrate the dramatic difference between a trust and non-trust relationship. In time the first chain became one of the program's most significant energy saving participants. It was not until the program team developed the skills of intimacy and self-interest that we understood the needs of the business and they were comfortable that the program was putting the interests of their grocery chain ahead of our interests in savings energy.

EnergySmart Grocer: A Slow Beginning in the Pacific Northwest

The EnergySmart Grocer program began in California in 2002 with a program by PECI for Pacific Gas & Electric. The program would begin in the Northwest with a pilot program at Puget Sound Energy in 2006. With electric rates as low as 3.5 cents per kWh and most utilities providing electricity at less than 7 cents per kWh it was expected that this market could be very challenging for this program model.

The program model was relatively standard for a commercial energy efficiency program. The program team used a group of measures targeted to grocery stores. This included a free energy audit and a comprehensive list of measures including gaskets, strip curtains, motors, lighting, refrigeration controls, large capital investments, food service, HVAC measures and others. During the programs first two years approximately 85% of the projects came from the low and no-cost gasket and strip curtain measures.

Given the low cost of energy in the Pacific Northwest and the low margins generated by grocers; often 1-3%, the initial goals for the EnergySmart Grocer program in the Pacific Northwest were minimal. Market penetration of over 30% and energy savings of over five percent per store were thought to be a reach goal. During the first two years the project was on

par to exceed the market penetration goal but not the energy savings goal. The program had been able to deliver some simple low and no cost measures such as gasket repairs, vending misers and other measures that did not generate significant energy savings.

Simply put the program lacked trust with grocers. They were generally unwilling to make significant investments in energy savings. The core program model was based upon technical expertise. This proved effective for low and no cost measures. However, it was not successful at selling the more costly and significant energy efficiency measures necessary for the program to be successful. This would include measures such as refrigeration controls, ECM motors and LED case lighting.

The program team used the trust formula to diagnose the problem. The field team, the people who worked with grocery store decision makers, demonstrated reliability and credibility. However, the team was not able to demonstrate the intimacy and the self-interest necessary to build trust. As a team we lacked the intimacy to truly understand the issues that grocers were facing. They were not sharing their key concerns. We also failed self-interest. Discussions with grocers made it clear that our field team was seen as more interested in energy efficiency than in helping their businesses succeed. The enthusiasm that we brought for energy efficiency was actually turning off our target market from participating in an energy efficiency program. The EnergySmart Grocery team was not building trust and as such not earning the right for them to make any serious investments in energy efficiency.

EnergySmart Program: Rethinking the Program Model

After using the trust formula to diagnose the problem we then used the same formula to reinvent the EnergySmart Grocer program. The outcome of this program review was significant changes to the program in three areas to improve intimacy and self-interest: staffing, training and field support.

For staffing, we hired four people with extensive experience and relationships in the grocery industry. These were people who had already developed strong trusted relationships with hundreds of grocers. The first two were former independent grocery store owners. The third was a refrigeration controls expert who had setup refrigeration controls systems for many grocers across the program territory. The fourth person was a convenience store owner with the language and cultural expertise to work with varied members of the traditional and ethnic grocery markets.

These people brought almost a century of industry experience to the program. More importantly they brought their trusted relationships.

For training, we built a week long training program for every member of the team. The conventional wisdom was to build the technical and sales skills of our team. While the content of the training included the technicalities of the program and the measures this training had a different goal. It was intended to train people on the fundamentals of the trust formula. We utilized the new hires to teach sections of the training on topics such as A Day in the Life of a Grocery, Refrigeration Controls, Fundamentals of the Grocery Industry and sessions on presentation skills. The course was developed under four key themes.

1. The program goal is to help grocer be successful. (Self Interest)
2. We are going to be technically competent and ensure knowledge of the program and the energy efficient technologies. (Credibility)

3. We would be transparent in our dealings and be sure that we did not promise more than we could deliver. (Reliability)
4. Training included communications skills to improve the ability of all team members to ask questions and listen effectively to determine the real needs of the grocer. (Intimacy)

We successfully addressed each are of the trust formula.

The most critical component of the training was role playing. We provided opportunities for the field team and office team to role model meetings with grocers. These role playing sessions included members of the team playing field representative and Grocer. When the session was done the two participants would discuss what was done well and what could have been done better. Then the larger group added their comments on what had been done well and what could have been done better. This provided the opportunity to learn how to build the trust with the grocers. The feedback also helped to build trust between team members.

For field support there were several additional changes that we made to the program. The most significant change was one of program culture. The initial program culture was one of program guidelines being enforced by office staff; a model inconsistent with the trust formula. The new culture was to focus on the success of grocers and this would be achieved through the trust formula. Team members who worked in the office were required to go into the field and participate in meetings with grocers who were participating in the program. This was their opportunity to see first-hand what they had learned in training.

Dramatic Improvements

Before the program had begun this change effort it was behind its energy savings goals. Within one year of the change the program was far exceeding its energy savings goals. Within six months the program was doubling its monthly energy savings. Annual first year savings were now in excess of 75M kWh per year. During this time grocers began to move beyond no and low cost measures to engage in larger, more complex and expensive retrofits. When combined with the program's successful promotional activities we found that suppliers were running out of energy efficient products due to the rapid increase in demand. Within a year the program's reported monthly energy savings had trebled, several more complex measures were being installed at a rate of almost 10 times that of the previous year and the program field team was involved in the capital budgeting process for over 70% of the larger grocers headquarter in the Pacific Northwest. Below are the most significant benefits of employing the trust formula.

The most immediate and significant difference could be seen when comparing field staff with trusted relationships and those without. By the end of the first year following the program changes we saw that a small group of field staff were achieving between two and three times the savings of field staff that were not as successful at establishing a trusting relationship. However, we noticed that energy savings by field person was significantly increased for all members of the field team. We learned that the ability of the top field staff to become a trusted advisor positively impacted the entire market.

Another immediate impact for the program was the dramatic improvement in the number of more costly and complex projects. The new field representatives with the more trusted relations were able to move early adapters to install new energy efficient technologies and measures that previously had been ruled out as too costly. As the field staff worked with grocers

in a trusted relationship the risk of a new technology and a greater investment were now barriers that the program was able to overcome.

A longer term benefit of this initiative was the increased role of the program field team in supporting and participating in the capital investment process for both grocers and grocery chains across the Pacific Northwest. Field team members worked with the operations directors of most chains to develop capital budgeting requests. In some cases the field team member would participate in meetings with grocery executive teams.

Trust can be built more quickly within a community. Members of the community share their experiences. As is often said in marketing a bad review will make the rounds faster than a good one. This positive feedback speeds the process of trust building. This is similar to the successful model of community based energy efficiency. When leaders in the community support the program it speeds the trust building process. Their support for the program field team makes it easier and faster to build trust with grocers in that community.

An intriguing result of this change is anecdotal but very significant. For stores in which there four or more retrofits and one of them was major retrofit, as defined by the store owner/manager, we began to see energy savings that exceeded the savings to be expected from the retrofits. We lacked the tools to verify what the cause was but it was clear from an analysis of monthly bills that the energy savings were exceeding the retrofits. Based upon conversations with our field team there were two primary reasons for this additional energy savings. First, behavioral savings as employees saw the company commitment to energy efficiency. Second, grocers were including energy usage in their buying decisions and purchasing products that would use less energy as a matter of daily business.

An unexpected and significant impact was the impact on the market price of energy efficiency measures. The market for many products was experiencing unprecedented growth. A few grocers suggested that we create a promotion to lower the cost of select energy efficiency measures. One of the first promotions involved an effort to reduce the market price of electronically commutated motors (ECMs). Given the rapidly growing demand for this product we issued an RFP noting that several hundred participating grocers had expressed interest in the purchase of over 15,000 motors. The winning bid was an almost 30% reduction in the installed for ECMs in walk-ins. This lower price resulted in such great demand for product that the local supply in the Northwest was quickly sold out and distributors were shipping product in from other regions. The most surprising aspect of this promotion was that when it ended the market price for these motors was 25% below the market price before the promotion.

The level of trust necessary is dependent upon the level of risk as perceived by the grocer who is investing in more energy efficient technology. If your goal is to maximize energy savings with low and no cost measures then there is little need to invest in developing trust relationships. If you are looking to have program participants invest in measures that impact operations and require significant investments then the ability to for the program representatives to develop trust relationships with participating companies becomes much more critical.

The programmatic changes, based upon the trust formula, took a mediocre commercial program and turned it into a program that is now recognized by market leaders as the most successful commercial program in the Pacific Northwest. We learned that the technical aspects of a program are necessary to meet the regulatory rules of energy efficiency programs but not sufficient to be successful. The ability to develop an effective trust relationship between the program and its participants is the key to achieving deep market penetration and deep energy savings at each site.

Implications for the Trust Formula

Analysis of the trust formula results offers several implications for future program design in commercial markets. Below are six of the most significant implications from our experience.

1. Risk, when there is greater risk there is a greater need for trust. As the industry has implemented much of the "low hanging fruit" the need for trust will become increasingly important for a successful commercial program.
2. Credibility and Reliability, in the sense of credentials and skill mastery, the factor on which most utilities and energy efficiency program put a premium. This factor is the least helpful in building trust. More skills training simply won't build better trust relationships.
3. Intimacy skills, however, can be taught and offer the best path forward for most organizations to make a real and sustained impact on the trustworthiness of their people. However, most energy efficiency programs do little to develop the intimacy skills of their people.
4. Building a program that helps individuals lower their self-orientation involves focusing on the long term and working collaboratively. This also helps in building trust relationships, both with external clients and among team members. The short-term goals that regulators give to utilities and hence their energy efficiency programs make it difficult to build trust.
5. The development of a successful relationship with an association or similar organization such as the Korean American Grocers Association or the local Kiwanis can speed the process of trust building.
6. Trust can be taught. Conventional wisdom in business says to focus on your strengths. While this makes sense in areas of skills mastery, the opposite can be true with trust. By focusing on weaknesses, individuals can make disproportionately large and rapid improvements in their trustworthiness. This was seen in the significant increase in energy savings achieved by field team members before and after the training program.

Conclusions

This paper looks at a rarely discussed topic in energy efficiency programs: trust. The author presents the concept of the trust formula as a tool for looking to create more significant energy savings. The trust formula presented in this paper is not a new concept but it is new to the world of energy efficiency. The paper shows how the trust formula was used to create a highly successful program and implications for programs in general are discussed.

Energy efficiency is an increasingly mature market. As with any maturing market successful players will need to adapt to be able to deliver the ever increasing energy savings that are expected of energy efficiency programs. The "low hanging fruit" is gone for most commercial energy efficiency programs. The remaining measures are becoming increasingly complex and expensive. This paper presents a viable model to continue to deliver energy savings in an increasingly challenging environment.

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