

Group Purchasing – Reducing the Cost of Energy-Efficient Products and Services



Operating expenses are rising for all types of facilities across the country; among these expenses are charges for utilities and facility maintenance. Many of these costs are inflexible and required for the operation of a facility. For example, heating, cooling, lighting, and office systems must remain on during operating hours to ensure service to building occupants, customers, and visitors. Upgrading building equipment to energy-efficient models and taking advantage of equipment maintenance services is a proven way to reduce energy usage and therefore costs. However, the initial costs of these upgrades may be more than many small businesses or congregations can afford with the pressures of leases, mortgages, staffing, social programs, and maintaining inventory. A solution to making energy-efficient products and services more affordable is group purchasing.

What is Group Purchasing and Why Do It?

Group purchasing is the collective participation in a buying initiative or national/regional account of products and services by a group of independent facilities. By pooling the buying power of more than one facility or the members of an organization, such as an association, chamber of commerce, congregational organization, franchise or utility customer pool, small businesses and congregations can achieve:

- Lower-than-market prices for products and services.
- High-quality, pre-screened offerings that meet the purchasing group's needs.
- Facilitated purchasing including catalogs co-branded with the sponsoring organization and online purchasing from national accounts.

Why energy-efficient products and services group purchasing? A wide variety of energy-efficient products and services are applicable to small businesses and congregations. However, these organizations are often being constrained by time, availability of funds, higher product costs than large organizations pay, and uncertainty over which products are right for their facilities. A well-designed group-purchasing initiative can overcome these barriers, making it easier and more cost effective for these organizations to obtain and implement products that reduce their energy costs and often improve facility quality.

How to Develop Group-Purchasing Initiatives

Depending on an organization's needs, group purchasing can take several forms.

1) Organization Sponsored Group-Purchasing Initiatives: Organizations can sponsor group-purchasing initiatives for their members. This process involves the group:

- Identifying and prioritizing energy-efficiency opportunities relative to member needs.
- Developing the offering and including all relevant specifications.
- Selecting a supplier and defining logistics such as shipping, handling, and payment.
- Setting goals and quantifying results in terms of units sold, energy saved, and typical cost savings.
- Evaluating the initiative and incorporating the lessons learned into future group-purchasing initiatives.

California Interfaith Power and Light (CIP&L) Compact Fluorescent (CFL) Lamp and Light-Emitting Diode (LED) Exit Sign Group-Purchasing Initiatives



Since, 2001 CIP&L has aggressively promoted CFLs. Originally part of a utility incentive program, CIP&L volunteers (including youth groups) handed out CFLs and installed them in congregational facilities. After the expiration of the utility program, CIP&L negotiated CFL purchases at favorable costs from a local manufacturer and sold them to member congregations and to the public as a fund-raiser. Collectively, CIP&L's promotion and supply of CFLs has resulted in the installation of over 5,000 CFLs.

In 2003, working closely with the ENERGY STAR Congregations Network, CIP&L launched an innovative ENERGY STAR qualified LED exit sign group-purchasing initiative. LED exit signs are an excellent, near universal measure applicable to all commercial and public buildings. The initiative allowed CIP&L members to buy high-quality, ultra-low energy use, long-life (up to 25 years) LED exit signs at below market prices. Collectively these congregations are saving 16,556 kWh of energy and \$2,115 a year, while preventing up to 10 tons of carbon dioxide emissions annually.

2) National Accounts Offered by National Retailers:

Many major nationwide retailers actively solicit small businesses and congregations to participate in national accounts that offer a variety of products, including energy-efficiency products and services. Through these national accounts, retailers offer participants discounted prices, access to favorable shipping terms, and sometimes, incentives for the sponsoring organization. The national account approach often provides the widest variety of energy-efficiency products and services, while allowing easy ordering at any time and rapid shipping. When considering a national account, a sponsoring organization should think about the following:

- Pursuing vendors who offer national account providers that include energy-efficient products and services as part of their offerings.
- Requesting that existing national account providers, where practical, include energy-efficient products and services in their offerings.
- Promoting the energy-efficient components of the national account package to small businesses and congregations as good practices.
- Requesting that national account providers release information on units of energy-efficient equipment sold so that the impact of the effort can be quantified.
- Annually evaluating the initiative in terms of participation, offerings, and energy-efficiency impact.

3) Group-Purchasing Initiatives Offered in Cooperation with Federal, State, and Non-Profit Organizations:

Federal, state, and non-profit organizations periodically offer group-purchasing initiatives to promote specific energy-efficient products and services, to commercialize new-to-market products, and to assist in improving the energy efficiency of specific building sectors. They partner with a private sector firm, such as a manufacturer or distributor, to market a product to the public at volume prices. These initiatives may offer a single product, and can be time sensitive. To take advantage of these initiatives:

- Read announcements, such as the ENERGY STAR Small Business and Congregations Network's E-Update.
- Request materials relative to the promotion when announcements of promotions are released.
- Evaluate the product or service being promoted to determine if it is applicable to your organization's membership or facility type.
- Send an announcement about applicable promotions to your organization's membership.

Learn More about Group Purchasing

The ENERGY STAR Small Business and Congregations Network has assisted organizations with group-purchasing initiatives. Through unbiased advice, the Network can help you develop, implement, and recognize an energy-efficient products and services group-purchasing initiative for your organization. To learn more about group purchasing call 1-888-STAR-YES (1-888-782-7937) or visit www.energystar.gov/smallbiz to send an email to Network support staff.

Pacific Northwest National Laboratory (PNNL) Reflector Type Compact Fluorescent Lamp (R-CFL) Initiative



In 2005, PNNL, in cooperation with the ENERGY STAR Small Business and Congregations Network, initiated the R-CFL challenge. In this challenge, a major lighting product manufacturer and national retailer/national account supplier teamed up to bring a newly improved R-CFL design to the market. These R-CFLs were offered at volume prices to major organizations involved with the small business and congregations sectors. These high-quality, energy-efficient lamps are excellent for recessed can fixtures with each lamp reducing facility energy costs by \$8 annually; paying for themselves in about a year of operation.