



Advancing the Market for TOP TIER ENERGY STAR Qualified Products

October 19, 2010



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Today



- Discuss background and goals of a Top Tier effort
- Discuss findings from consumer research
 - Value proposition
 - Market positioning
- Proposed approach and messaging

Goal and Challenge



Goal

Drive more energy efficient products into the market more quickly.

Challenge

Determine the best strategy for identifying the top, few, most energy efficient products for early adopters without confusing consumers or harming the ENERGY STAR brand.

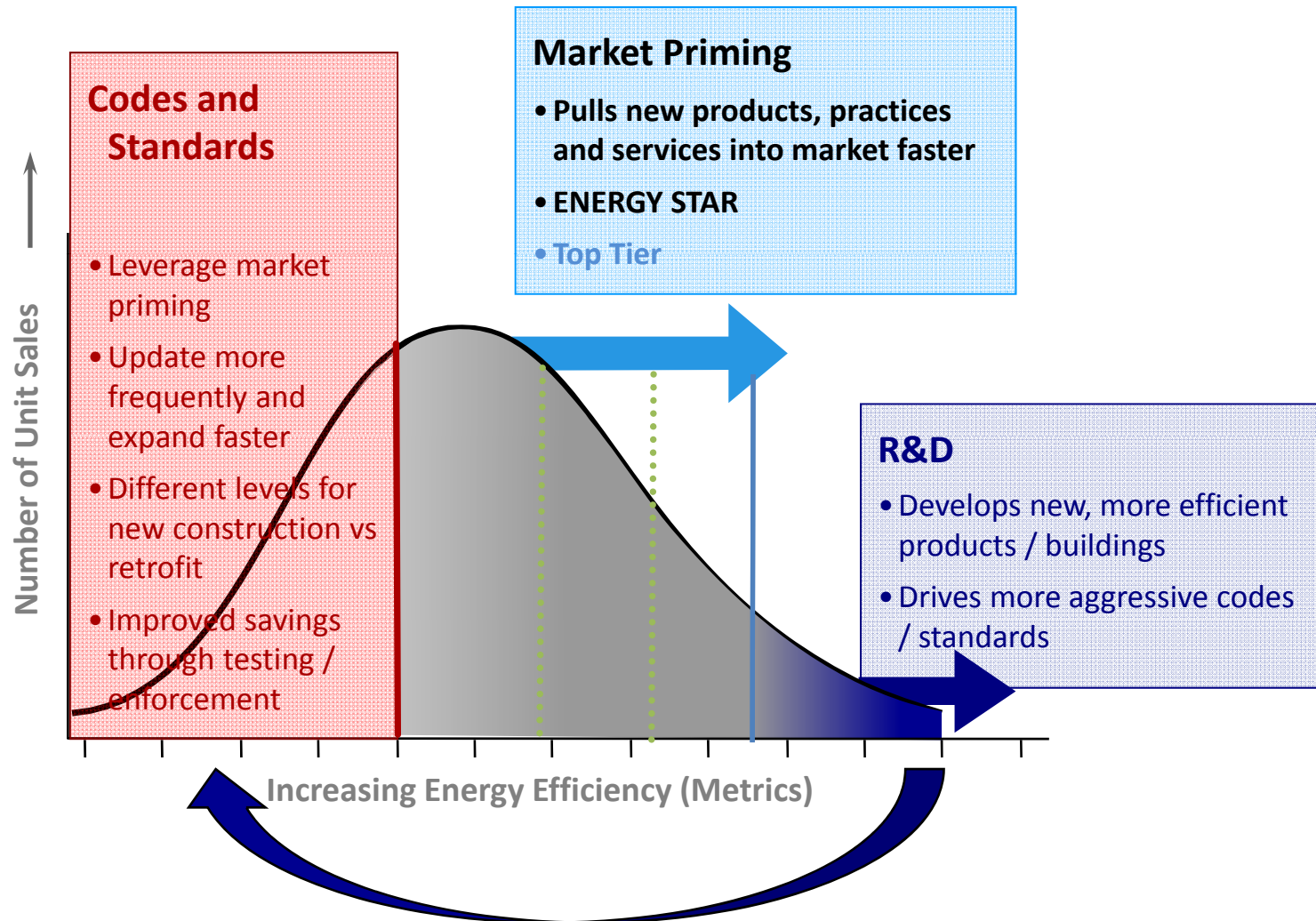
ENERGY STAR brand is very strong



- The ENERGY STAR brand carries strong equity
- ENERGY STAR is regarded as synonymous with energy saving and as a result, with cost savings through utility bills and rebates
- Many associate the brand as an impartial stamp of approval
- Strength of ENERGY STAR is in the binary nature of the label
- Over 75% of American households recognize ENERGY STAR



Top Tier Strategy: Speed Technology Innovation and Energy Savings



Questions



- Would a Top Tier effort harm ENERGY STAR?
- Are consumers willing to pay more for greater efficiency? Who are these consumers?
- Where do consumers get their information on product efficiency?
- How and where do they shop?
- What is the best way to describe the offering?

Consumer information



- Existing data and market research
 - Stakeholder info
 - Existing studies
 - Statewide research in California

Target Consumer for Top Tier of products



- Equally likely to be male or female
- Likely to be age 35–64
- Primarily white, with leading minority segments being Hispanic, Asian, and African-American
- A majority are homeowners
- Small subset of general population
- Have already adopted green behaviors/habits (vs the general population)
- Environment is an important concern
- **Early adopters**

Value proposition for unique set of consumers



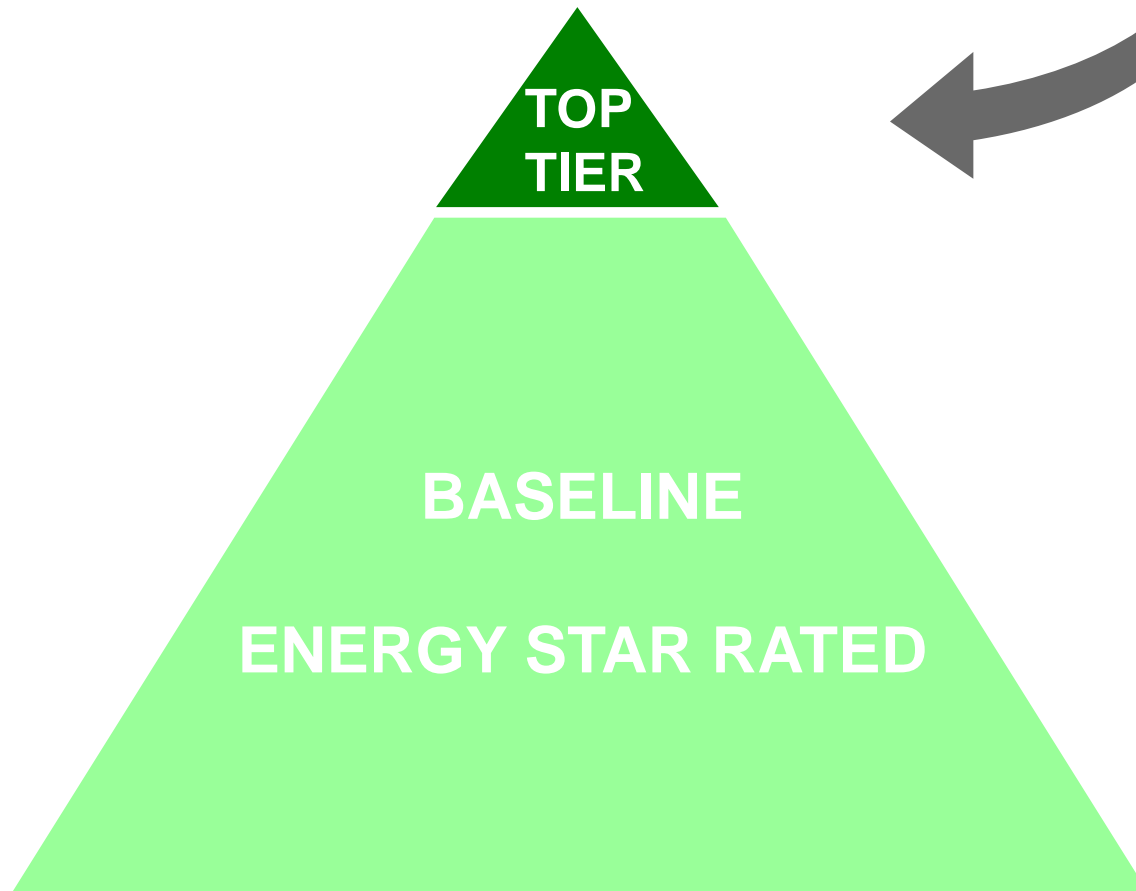
- The right thing to do for the environment
 - Doing the most you can
 - Buying the most efficient product available
 - Being an early adopter; trendsetter
- but
- Not always about saving money

Other insights and recent research: market positioning



- Recent experience in the Northwest
- Consumer testing around Top Tier
 - Options
 - Preferences
 - Consumer feedback

In a Northwest— a desire to steer consumers here



Northwest study



Four sticker copy variations were exposed monadically.

Each featured utility logos for respondent's home state (ID examples shown).



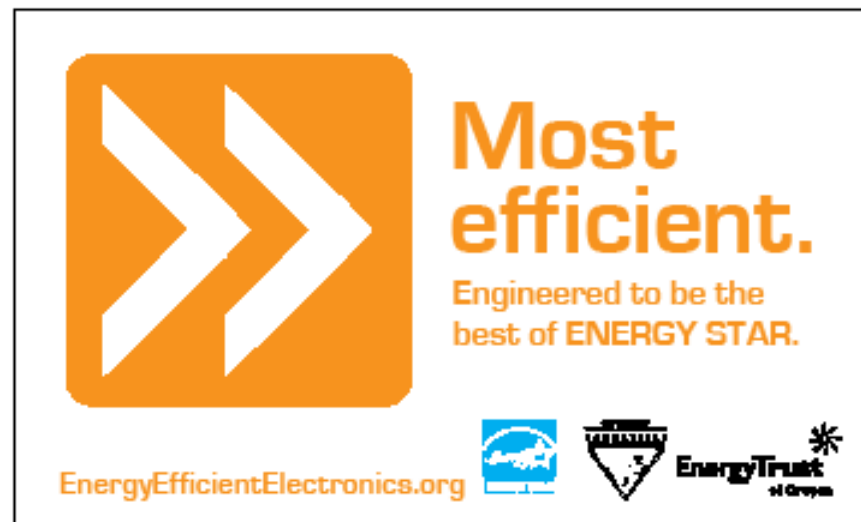
**LESS
SPECIFIC**



**MORE
SPECIFIC**



Proposed retail POP



Consumer Feedback



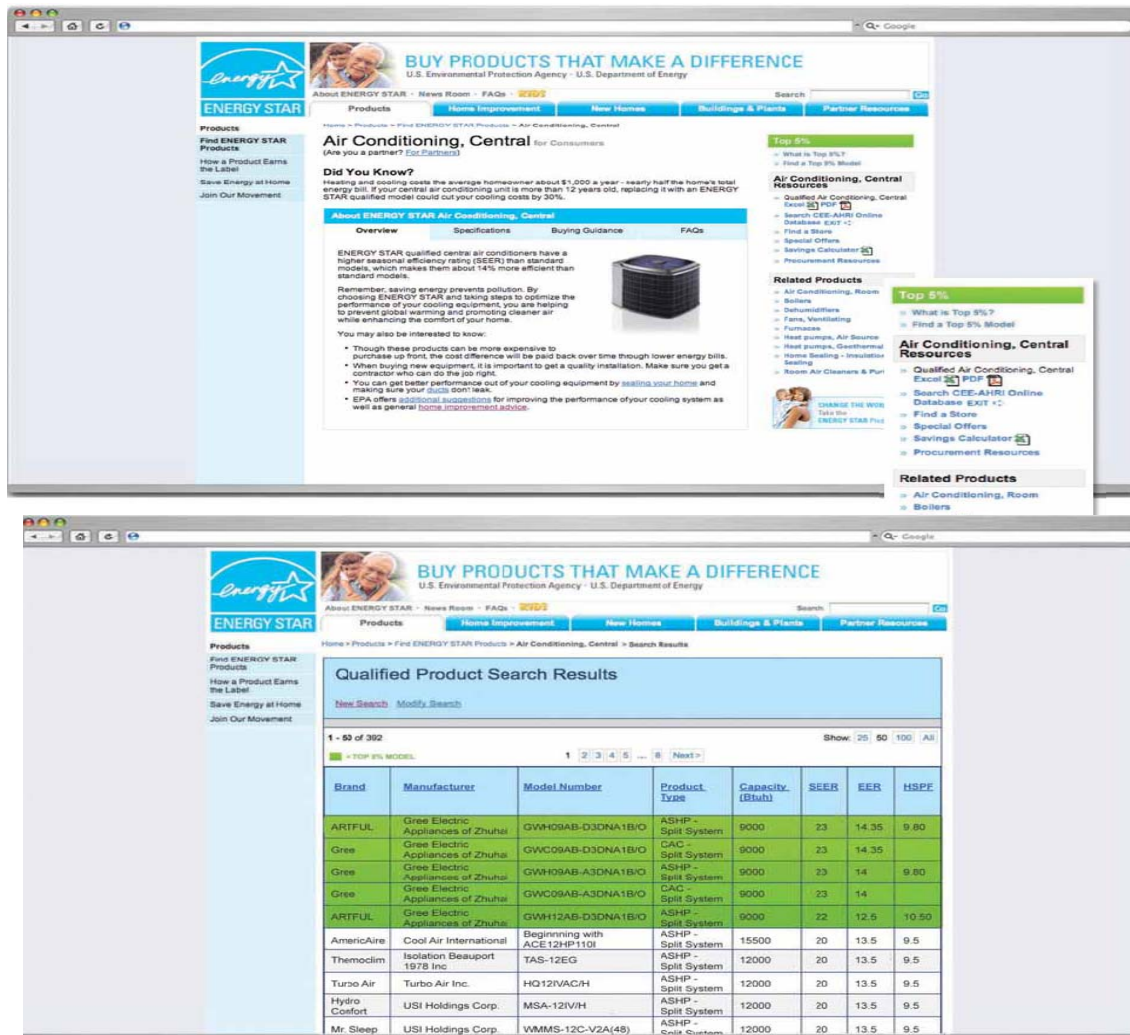
- One on one interviews
 - Explore in depth, the attitude of target audience to Top Tier
 - Pre-test visual ideas
- Focus Groups
 - 12 Groups in 4 locations (NY, Atlanta, Denver, SF)
 - Tested Top Tier concept; presented visual and messaging options

Key findings



- Consumers do not think Top Tier takes away from their trust of ENERGY STAR – in fact they would trust ES to identify the most efficient products.
- When researching a new product, consumers get most of their info at retail and on line.

Consumer Testing – Website



INSIGHTS

Overall

- Many have not visited the website or may not be aware that an ENERGY STAR website exists
- However most expressed an interest in visiting the ENERGY STAR website and in using it as a key information source

Messaging

- Messages around percentage energy savings resonates strongly while annual dollar savings was seen as insignificant
- Most expect a high degree of convenience and ease of understanding information



How consumers shop: web and retail touch points



Consumer Testing - Retail



TOP PERFORMING
REFRIGERATORS
USE UP TO 27%
LESS ENERGY
A YEAR

www.energystar.gov



A HIGHEST PERFORMING
ENERGY-EFFICIENT
ENERGY STAR
QUALIFIED PRODUCT



TOP
PERFORMER

www.energystar.gov



THIS PRODUCT
DELIVERS THE
HIGHEST ENERGY
SAVINGS



INSIGHTS

Awareness and familiarity

- Most learn about the ENERGY STAR brand by seeing the logo applied on various products and labels in a retail environment
- Most consider the ENERGY STAR mark as closely associated with energy efficiency and money saving

Purchase process and criteria

- Before purchasing, consumers look for information on the web (especially retailer websites and consumer reports websites) at the store, and/or via word of mouth
- Most do not focus exclusively on price but place greater emphasis on good value (performance, functionality, design, and price)
- Most use the energy consumption information as a secondary decision filter (desired features and functionality comes first) but they generally prefer to purchase products with an ENERGY STAR qualification
- However some were willing to trade-off energy efficiency against performance/functionality and/or price

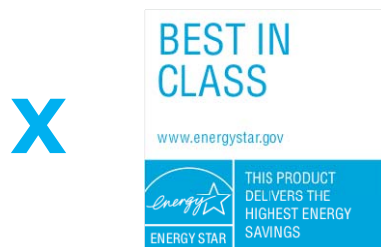
Descriptive names were the clear winners



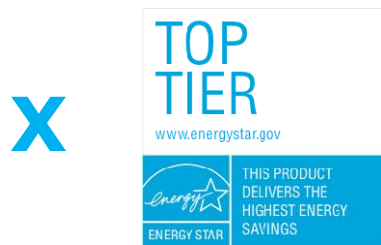
- Descriptive names were clear favorites for designating the most energy efficient products
- Respondents indicated they preferred these names because they are clear and specific



- Respondents preferred Maximum Efficiency because they perceived it to indicate a stronger level of efficiency than "Most"; but several people did not like it



- Less descriptive names were the least liked, and were seen as too general or not fitting with the product category



- Best in Class and Top Tier carried significant baggage, including associations with Cars and negative association with dog shows and competitions



Focus groups demonstrated clear variances in attitudes towards the Top Tier concept



Group 1

- Most general audience
- Relatively informed and open, but must be within price range
- Strict budget, primarily concerned w/ cost savings
- Only considers top tier if its within the budget
- Variance of budget between 15-20% if convinced

****Majority of consumers in focus groups***

Group 2

- Well-educated, but not very sophisticated, often not as career accomplished
- More active towards holistic sustainability, recycling / etc.
- Very concerned about Energy Efficiency but for the purpose of saving money
- Understands issues, basic technology, but most of all the connection of EE to bottom line

Group 3

- Very well-educated, sophisticated and accomplished
- Data driven
- Very open to Top Tier, but must see a value proposition that makes sense
- Does not want to be fooled or tricked
- Cynical, skeptical of information
- If convinced and shown credible information, this group is willing to buy Top Tier

Group 4

- Well-educated, typically career accomplished
- Likes things that are new and updated
- Very proactive
- Primarily concerned with having the best, then links to savings after the fact
- Early adopter, very proactive



Lower propensity for Top Tier



Higher propensity for Top Tier

Considerations for a top tier effort



- Criteria?
- Products?
- Frequency of Updates?
- Delivery channels
 - Online
 - In store

Needs to be Useful Tool for

- Consumers
- Manufacturers
- Program Administrators
- Retailers

PROPOSED Program Design



Establish a performance level for recognition

- Case-by-case review of performance data and technology developments for each category
- Superior efficiency; latest in technological achievement
- Very small initial set of qualifying models (but enough product availability to support efficiency programs and retailer efforts)

Other approaches that were considered



- Recognize top 5% of product models
 - Depending on category, 5-50 products could be recognized
- Recognize top 5% of the efficiency range achievable
 - Narrower approach; recognizes less than 5 models initially
- Recognize a set number of products (5, 8, or 10)

Product Category Considerations



Market Channel: Consumer products vs commercial products

Complexity of Value Proposition

Start with products where performance does not vary by climate/region or life vs efficacy (ie lighting)

Range of Demonstrated Performance

Some categories eliminated for lack of differentiation, others because of little performance variation within subcategories (speed/size). Also eliminated stand-by products: little value in designating less than 1W (DVD etc)

Proposed product categories



- Clothes Washers
- Dishwashers
- Refrigerators
- TVs
- Central Air Conditioners
- Heating Equipment

Frequency of updates?



Need to balance:

- Top Tier must be up-to-date –or it loses its value to target audience
- Key stakeholders (utilities, manufacturers and retailers) need stability and advance notice
- Updated annually? More frequently?
- Tied to a calendar year?

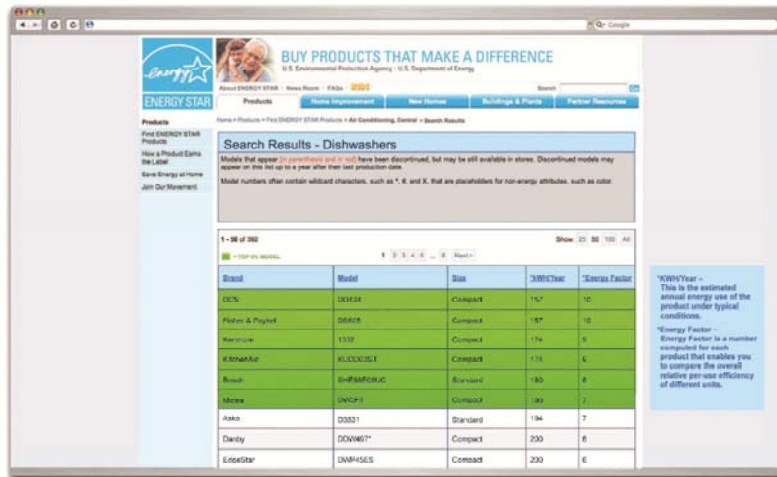
Getting the information to the target audience



Develop dynamic, real time listing of top products via the ENERGY STAR website

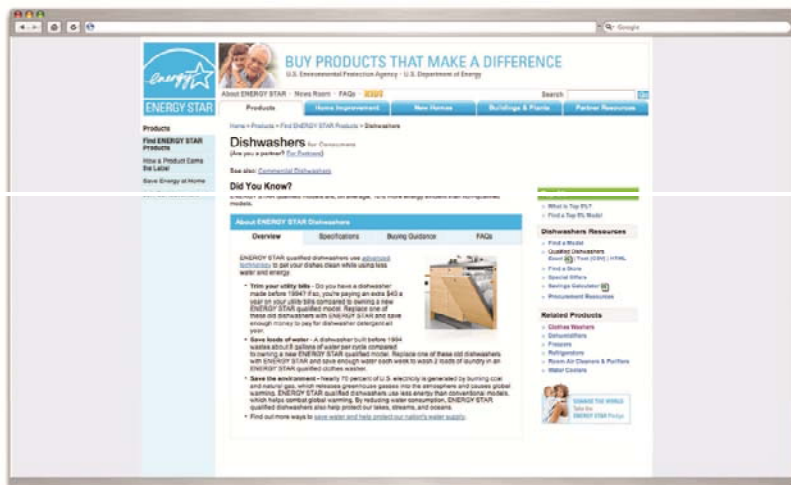
Point of Purchase materials that reinforce ENERGY STAR brand and communicate most efficient products; co-branded by utilities and EEPs

Web based identification of most efficient products



Meets Key Objectives

- Up-to-date information
- Simple
- Interaction with emerging media channels, including mobile



Make Web even more Dynamic

Apps

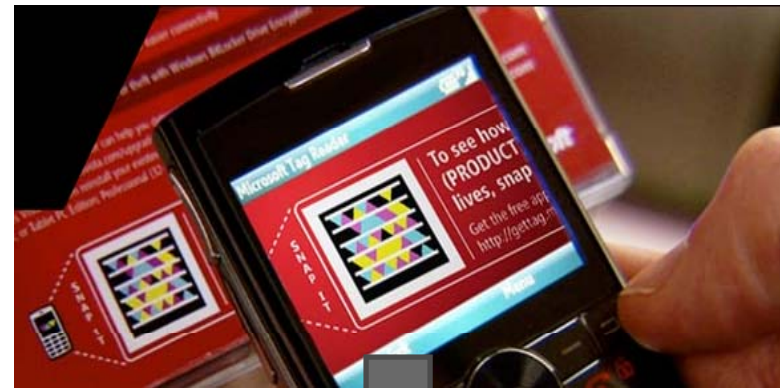
Mobile Websites



Mobile apps



- Gives consumers instant access to information while away from a computer, most likely at point of purchase.
- Built-in tracking and analysis gives instant feedback that can facilitate more informed marketing decisions.
- Updates regularly—as new products are deemed “most efficient,” they could be added to the app’s searchable database quickly.



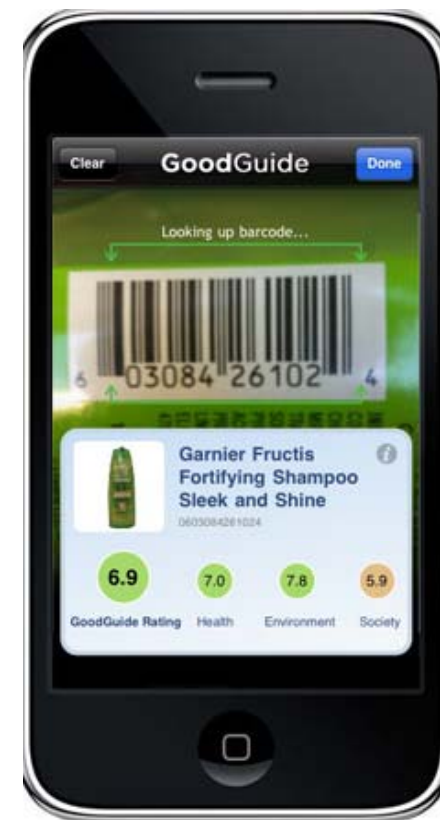
| 1 - 50 of 392 | | | | | Show: 25 50 100 All | | | | |
|------------------|------------|----------|-----------|----------------|------------------------|--|--|--|--|
| ■ = TOP 5% MODEL | | | | | 1 2 3 4 5 ... 8 Next > | | | | |
| Brand | Model | Size | *kWH/Year | *Energy Factor | | | | | |
| DCS | DD124 | Compact | 157 | 10 | | | | | |
| Fisher & Paykel | DS605 | Compact | 157 | 10 | | | | | |
| Kenmore | 1332 | Compact | 174 | 10 | | | | | |
| KitchenAid | KUDD03ST | Compact | 174 | 10 | | | | | |
| Bosch | SHE68E05UC | Standard | 180 | 10 | | | | | |
| Midea | DW5FI1 | Compact | 190 | 9 | | | | | |
| Asko | D3531 | Standard | 194 | 9 | | | | | |
| Danby | DDW497* | Compact | 200 | 9 | | | | | |

Partnering with Existing Mobile Apps



- Several mobile apps currently available in smartphone app “stores” provide functionality to identify top-tier products for consumers
- Once a smartphone user has downloaded the app, he or she can search or scan a barcode to find out more information about a product.
- EPA and DOE could also partner with retailers and manufacturers to integrate ENERGY STAR and Top Tier into their apps

GoodGuide App



Creating a mobile website



- Creating a mobile ENERGY STAR website is another way to expand consumer usage and provide dynamic content. The mobile website could be a pared down version of the current ENERGY STAR site, allowing for easier reading on mobile Web browsers.
- By providing information on ENERGY STAR and top tier products, as well as a downloadable link to the ENERGY STAR mobile app, the mobile website would help increase consumer awareness of top-tier, while providing access to top-tier product information at relevant points in the research and purchase process.

BUY PRODUCTS THAT MAKE A DIFFERENCE
U.S. Environmental Protection Agency - U.S. Department of Energy

ENERGY STAR

Products

Home Improvement New Homes Buildings & Plants Partner Resources

Search Results - Dishwashers

Models that appear (in parentheses and in red) have been discontinued, but may be still available in stores. Discontinued models may appear on this list up to a year after their last production date.

Model numbers often contain wildcard characters, such as *, #, and X, that are placeholders for non-energy attributes, such as color.

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Show: 25 50 100 All

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|-----------------|------------|----------|-----------|----------------|
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TOP 5% MODEL

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Next steps



- Feedback on proposal by October 29
 - Proposal can be found at energystar.gov under Partner Resources
- Decision: December
- Rollout: January 2011