Reaching Consumers: Designing from Feedback

Lara Bonn
September 25, 2015
Agenda

- LED Promotion & Marketing Approach History
- Market Research Goal and Results
- Program Design & Consumer Engagement Strategy
- 2015 Conclusions
Early LED Strategy

• ENERGY STAR
• $4.99 Price Point
• Love Your Light Campaign
• Additional Higher Quality Standards
  • No Non-Standards
  • Lumen Requirements
  • Higher Incentives for Higher Lumen Products
• Result
  • Higher Performing Products Sent to Vermont
  • Good Participation
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2014 & 2015 Lighting Survey Goals

- Develop greater understanding of overall market transformation efforts:
  - Attitudes, awareness, & adoption of LEDs
  - How/where consumers shop and why
  - Purchase decision barriers and drivers
  - Price sensitivity
  - Where the market is heading
  - Identify shift in the market year over year
360 Degree Feedback

Efficient Lighting Market

- Residential Customers
- Lighting Retailers
- Electrical Distributors
- Commercial Customers
- Contractors
- Manufacturers
- Wholesalers
Residential Methodology

- **Consumer – 10-15 Online Survey**
  - All Vermonters 18 and over; purchased light bulbs in last year
  - No quotas on age, gender, income, education level

- **Retailers – Paper-based & Online Survey (Field Staff)**
  - Mainly store managers (34/44)

- **Manufacturer Reps - Online survey**
  - Mix of pricing strategies (10 low/8 mid-priced/3 premium)
  - Mix of channels (Big Box, Home improvement, Hardware)

<table>
<thead>
<tr>
<th>Partner</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Customer Responses</td>
<td>260</td>
<td>317</td>
</tr>
<tr>
<td># of Retailers</td>
<td>44</td>
<td>35</td>
</tr>
<tr>
<td># of Manufacturers</td>
<td>22</td>
<td>23</td>
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</table>
2014 Consumer Results: Knowledge & Purchase Preference

- Approximately 90% of consumers are only minimally knowledgeable of any of the 3 light bulb technologies
  - Slightly more knowledgeable about CFLs and ENERGY STAR
- 85% of consumers say light bulbs are a planned purchase
- 62% decide on light bulb technology at the shelf
- Challenge = 1 minute at the shelf to influence decision

“Educate the consumer and show them the value of the product. Most consumers do not think that much about lighting so they have a hard time picking the correct item.”

—Lighting Manufacturer
2014 Barriers to Adoption

Unaided Barriers to Adoption

TOP 3 BARRIERS:
1. “Upfront Cost”
2. “No need...”
3. Knowledge

- Price
- No need
- Lack of knowledge
- Limited assortment
- Color/Brightness
- Availability/supply
70% of the consumers value an LED ABOVE $4.99 when they understand its benefits.
2014 Key Survey Takeaways

• Research affirmed our current $4.99 LED pricing strategy
• Vast majority of consumers much more likely to choose efficient lighting when they know the benefits of LEDs and CFLs
• Education and marketing efforts are important at every point in the sales decision process, especially at the store shelf
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‘Saving is Always in Season’ Campaign

• Designed to answer education challenge = 1 min. to influence

• Highlights 3 most valuable LED attributes as rated in survey, beyond price:
  • Dollar savings over the life of the bulb
  • Bulb lifetime
  • ENERGY STAR

• And other key LED features:
  • Instant on
  • Dimmable
‘Saving is Always in Season’ Campaign

- TV, radio, print, social, & online
- POP and product placement
- Themed events with props and prize wheel

Efficiency Vermont
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LED Knowledge

Q: Describe your level of knowledge of LEDs

75% say they’re knowledgeable about LEDs
Lifespan Knowledge

LED lifespan: Mean = 12.5 years
CFL Lifespan: Mean = 8.2 years
Halogen Lifespan: Mean = 6.1 years
Incandescent Lifespan: Mean = 3.3 years

Respondents correctly identified which bulbs last longest.
Q: Please review the statements below and select the level to which you agree or disagree. (Used 5-point scale, but collapsed into 3-point scale for simplicity.)

50% of customers confused by how watts and lumen relate
Multichannel Shopping

# Channels Respondents in which Customers Shop for Light Bulbs

71% of consumers shop in more than one channel for bulbs

Q: Where do you purchase light bulbs?
Shopping Behaviors

81% buy more than what they need – but usually just a few extra

Q: When I buy light bulbs, I typically buy ________________ (fill in the blank with option above)
Adoption: Interior Lighting

- Significant increase
- 84% indicated half or fewer were LEDs
- 78% likely to purchase in next year

Q: Approximately what percent of screw-in light bulbs inside your home are currently LEDs?
Pricing Sensitivity

<table>
<thead>
<tr>
<th>Segment</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Everyone</td>
<td>$4.81</td>
<td>$5.36</td>
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<tr>
<td>Balanced</td>
<td>$6.52</td>
<td>$8.16</td>
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<tr>
<td>Price Sensitive</td>
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<td>($0.85)</td>
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<tr>
<td>Techies</td>
<td>$10.40</td>
<td>$11.15</td>
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<tr>
<td>Energy Aware</td>
<td>$15.32</td>
<td>$7.87</td>
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</table>

Balanced* 40%  Price Sensitive 34%  Techies 12%  Energy Aware* 14%
### Sales Drivers

<table>
<thead>
<tr>
<th>ATTRIBUTE</th>
<th>PART-WORTH UTILITY</th>
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<tbody>
<tr>
<td>Price point: $4.99</td>
<td>0.53</td>
</tr>
<tr>
<td>Lifetime: 20-25 Years</td>
<td>1.51</td>
</tr>
<tr>
<td>Energy savings: 80%</td>
<td>1.54</td>
</tr>
<tr>
<td>Money savings: Up to $99</td>
<td>1.43</td>
</tr>
<tr>
<td>ENERGY STAR® certified</td>
<td>2.14</td>
</tr>
</tbody>
</table>

Non price-sensitive customers value LED benefits similarly.
Key Takeaways

1. LED market transformation is underway in Vermont...Adoption is higher, knowledge is higher, and intent to purchase is higher.

2. Research affirms current LED pricing strategy and importance of continued LED and CFL pricing incentives.

3. Education and marketing efforts remain important at every point in the purchase decision process – but especially at the store shelf.

4. The biggest opportunity for adoption is convincing consumers to replace old bulbs before burnt out and focus on exterior opportunities.
Thank you!

Any Questions?

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