Paul Campbell – Sears Holding Company
Mike Cook – The Home Depot
David Hilbrich – Best Buy Co., Inc.
Christa Osswald – Lowe’s Companies, Inc.
Kristen Bowring – Navitas Partners, Inc.
Agenda

• Purpose of this Session:
  – To provide an understanding of the business of retail to inform successful EE program collaborations

• Agenda
  – Retail Industry Overview
  – The Business of Retail
  – Exchanging Business Data
  – Collaboration and Timing in Program Design
  – Aligning for Successful Implementation
  – Q&A
ENERGY STAR Retail Action
Council

• Best Buy, Home Depot, Lowe’s, and Sears
  – Combined sales revenues approach $200 Billion
  – More than 4,000 US store fronts
  – Over 3 Billion customer visits annually
  – Top 4 sellers of Appliances in US
  – Leading retailers of CE and Lighting products
  – Greatest number of Utility program participation

Sources: Twice Magazine, August 2013; NRF Stores, July 2013, Retailer Websites; Navitas Analysis, 2013
General Retail Challenges

• U.S. unemployment rate, housing starts and consumer confidence
• The migration of business to the web
• Comparison shopping across channels
• Operating cost reductions – more with less
• Maintaining Brand consistency
• Data integrity and policy
• Employee turnover
The ENERGY STAR Retail Action Council: The Business of Retail
The Business Units Are The Decision Makers

• The Business Units are profit driven with limited resources

• Focused on:
  – The ability to drive sales (top-line)
  – To increase profit (bottom-line)
  – Traffic generation
  – To serve targeted consumer segments
  – Improve the Brand standing

• Critical to address prior to engaging Business Units
Merchandising

- Each supplier has a specific role in our brand offerings
  - Vendor management is important to cost containment
- Most floor space, signage and advertising is negotiated with our vendor partners
- Vendor partners, working through their merchant contacts, engage our marketers, store operations and inventory management teams to collaborate on “win-win” business opportunities
Stores

• Retail stores still the dominant channel
  – Omni-channel increasingly critical
• Consumers go to stores to learn about products, compare features and prices, and purchase goods
• Store environment embodies retailer’s brand and creates differentiated customer experience
• Stores are changing, for example
  – Store within a store (SWAS) concept
  – Mobile technology impact
Environmentally Friendly Business Practices

• The retail industry has embraced “green” initiatives such as:
  – Responsible recycling
  – Reduced energy usage
  – Switching to more sustainable products
  – Building responsible supply chains
  – Partnering with ENERGY STAR

• We continue to strive for efficient and effective methods to implement programs in our stores
The ENERGY STAR Retail Action Council: Exchanging Business Data
Urban Outfitters sued over consumer data collection

Kroger CEO David Dillon has called big data analytics his "secret weapon" in fending off other grocery competitors. And Sterling Jewelers has harnessed customer analytics in its digital channels, increasing sales 49 percent in the past holiday season.

Never Give Stores Your ZIP Code. Here's Why

But when Nordstrom posted a sign telling customers it was tracking them, shoppers were unnerved.
Data Requests

• Requests must benefit both parties

• Challenges:
  – Data privacy policies and boundaries.
  – Confidentiality and competitive implications
  – Legal requirements for customer privacy vary by state
  – System limitations may prevent some types of data sharing and program implementation
  – Cost of producing data sets (financial and manpower)

• Data requirements are important inputs for business planning to engage business units, legal, and customer analytics
Business Plan Inputs (Data)

1. Specific data needed and why
   - Proposed use for data
   - Ability to provide

2. Cost to provide
   - Transfer
   - Store, secure and destroy

3. Benefits to the retailer
   - Sales, Traffic, Profit (with scale)
The ENERGY STAR Retail Action Council: Collaborating For Program Design
Processes and Timing

• As multi-billion dollar companies, process is critically important to effective operations.

• Our business partners engage early in the product design and program development process

• To be effective business partners adhere to our schedules.

• Similar to merchants and marketing the SPOC must adhere to these schedules
Program Coordination

- The SPOC is one of several stakeholders vying for the merchants and marketers time
- The merchants, marketers and stores work on a schedule
- Harmonize program and retail timelines
  - Merchandising
  - Store transitions
  - Marketing calendar
- Programs must work within the visual merchandising requirements and timelines
## General Retail Calendar

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Best Time to Engage SPOC</th>
<th>Best Time to Collaborate on Program Design</th>
<th>Best Time to Communicate Program Specifications</th>
<th>Best Time to Initiate Program Implementation</th>
<th>Key Retailing Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lighting</td>
<td>Nov – Dec</td>
<td>Jan - Feb</td>
<td>April</td>
<td>Sept – Oct</td>
<td>Day Light Savings Times, Jan 2014 – due to legislation</td>
</tr>
<tr>
<td>Electronics</td>
<td>Jan – Feb</td>
<td>Apr - May</td>
<td>Sept</td>
<td>Mar – Apr (new product intros)</td>
<td>Nov - Feb Major Holidays, primarily Black Friday, Super Bowl</td>
</tr>
<tr>
<td>Water Heaters</td>
<td>Jan – Feb</td>
<td>Feb - Mar</td>
<td>Dec</td>
<td>November and Spring (weather conditionality)</td>
<td>Seasonal with Regional Weather Conditions</td>
</tr>
<tr>
<td>Windows/ Insulation</td>
<td>Dec – Jan</td>
<td>Jan</td>
<td>Feb</td>
<td>March</td>
<td>Spring</td>
</tr>
</tbody>
</table>

May have some variability by retailer
Effective Program Design Efforts Involve the Retailer

- Address critical timelines and approvals
- Include key cyclical periods in program
- Avoid out-of-process projects that add expense and resources
- Determine early if program requirements can be met
- Mitigate need for RFI/RFPs that do not get responses
- Collaboration and involvement increases probability that retailers participate
The ENERGY STAR Retail Action Council: Successful and Cost-Effective Implementation
Inside Retail

- Each Retailer has hundreds, if not thousands of suppliers.
- Each must adhere to branding guidelines or the retailer risks “the NASCAR effect”
- The merchants work with select suppliers to develop premium displays – usually funded
- The floor space is a valuable asset – one of the most critical metric of retail is “gross margin per square foot”
The Retail Brand

- The Brand Identity is the brand's name, communication style, logo and other visual elements to be perceived by consumers.
  - Differentiates each business
  - Competitive advantage
  - Consistent across channels
- Execution in the retail store
  - Visual merchandising
  - Leadership & training
  - Store labor (internal & external)

The store is a critical representation of the brand
Visual Merchandising

- Signage must comply with retailer guidelines
  - Work with SPOC to obtain brand guidelines
  - Harmonize retailers’ visual standards with EEPS branding for consistency
  - Use approved ENERGY STAR branding guidelines
  - Obtain approval for in-store signage
  - Unapproved signage may be removed by the visual merchandising team
In-Store

• Enhancing the shopping experience is paramount to every retailer.

• Management is very protective of the customer and wants to know who is in our stores.

• Work with the SPOC to obtain
  – Rules and regulations
  – Third party approvals
  – Letters of authorization
  – Training curricula
Summary

• The Business Units are profit driven and have limited resources
• Requests for data must have a clear retailer benefit
• Store environment embodies retailer’s brand and creates differentiated customer experience
• Similar to merchants and marketing, the SPOC must adhere to the same schedules
• Effective programs are coordinated with retail business objectives, processes, and timelines
• Increased sales, gross margin and traffic generation are paramount