Strategies for Accessing Hard-to-Reach Markets
Expanding Reach of Energy Efficient Lighting in the Grocery Channel

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Overview

1. Category Objectives
   • Grocery Channel Insight
   • CFL Category Objectives in Grocery
   • Promotional Vehicles/Support

2. 2005 Activity Overview
   • Wegmans Promotions
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Category Objectives
Compact Fluorescent Category in the Grocery Class of Trade

Room to Grow:
- The Grocery class of trade accounts for 12% of the entire consumer lighting market, yet it only accounts for 2.8% of total CFL sales*

Compact Fluorescent Lighting, the forgotten category:
- Historically CFLs have been ‘slow movers’ with little impact on lighting aisle sales
- Focus has been on a mix of branded and private label standard life incandescent products – ‘high movers’

Challenges:
- High pricing – CFLs are considered a premium product often too pricy for the grocery shopper
- Lighting aisle space constraints have limited the number of facings
- Consumer perception of the product – lack of knowledge/education

*Source: AC Nielsen POS and panel, Activant panel data 52 weeks ending Q1, 2005
Philips Lighting, Dirk Sappok, 3/3/06, ENERGY STAR Partners Meeting
Supporting the CFL Category in Grocery

Objectives:

– **Expand reach** of compact fluorescent category
– **Add value** to the lighting category in retailers that do not consider lighting category primary profit driver

Strategies:

– **Create trial** of compact fluorescent lamps in Grocery class of trade through temporary price reductions and demonstrations
– **Increase presence** of compact fluorescent lamps in lighting aisle

Tactics:

– **Leverage available utility funding** together with manufacturer/retailer funded temporary price reductions to create trial
– **Create sustained category growth** through:
  • EDLP pricing strategy
  • Increasing the product assortment
Promotional Product Offering

• Value Packs and Displays:
  – Allow for secondary placement
  – Add space for key educational messaging
  – Allow for tracking promotional skus
Promotional Support Vehicles

- Create **visibility** for the promotion
- Support **education** and communication of key product attributes
Additional In-Store Activities

• Secondary product placement:
  – Use endcap product placement to create excitement and additional visibility for the promotion

• In-store Demos:
  – Highly effective way to communicate key product attributes
  – Significantly increase trial of compact fluorescent lamps
2005 Activities
Philips/Wegmans 2005 Winter/Spring Campaign with NYSERDA

Timing: Early 2005
- Create interest in CFLs during lighting season

Product and Program Details
- On-shelf Marathon product portfolio found in New York state Wegmans locations
- Coop funded instant rebates

Philips Support
- NYSERDA rebate support shelf labels
- Promotional endcaps
- Advertising in Wegmans circulars
- Educational tear pads
Philips/Wegmans 2005 Fall Promotion with NYSERDA

Timing: November/December 2005

- Correspond with national ENERGY STAR® ‘Change a Light’ campaign

Product/Promotion Details

- Coop funded instant rebates
- Off-Shelf Display of Marathon Mini Decorative Twister 3-count value packs

Philips Support

- Promotional Displays – Promo Riser
- Educational Tear Pads
- Advertising in circulars
Philips/Hannaford Bros. Fall Promotion with Efficiency Maine

Timing: Fall 2005
- Create interest in CFLs during lighting season
- Timing corresponded with national ENERGY STAR® ‘Change a Light’ campaign to maximize impact

Product and Program Details:
- Displays of 15W Marathon Mini Decorative Twister 3-count value packs
- Instant Rebates (Efficiency Maine + Hannaford/Philips)

Philips Support:
- In-store demos in 40 stores for 2 consecutive weekends
- Educational tear pads
- Advertising in Hannaford Bros. circular
- Product and Displays stickered with Efficiency Maine Logo
Results
Parameters for Supporting the CFL Category in Grocery

Key steps to shifting consumers to CFLs in Grocery:

1. **Create trial** through promotion and incentives

2. **Brining pricing in-line** with rest of lighting category
   - Compare with rest of CFL category in Food
   - Compare with other channels (ie. MASS, Home Center, etc.)
   - Compare to other technologies; *high SRP = low conversion from incandescent bulbs*

3. Updating the **product offering**
   - Using effective category management
   - Keep competitive with category in all classes of trade
NYSERDA Promotion Results

Wegmans first year campaign results:

- Impact during promotional period:
  - Lift during promotional period + 4127% in unit sales* vs. previous year
  - Sustained growth + 45% increase in unit sales vs. year-ago, 2 months after end of promotion (at the regular retail price)*

- Lighting category sales shift in upstate New York grocery:
  - Total Market: 2.6% CFL share of total lighting category sales*
  - Philips together with Wegmans: 4.1% CFL share of total Lighting category sales vs. 1.6% during same period in 2004*

*Source: AC Nielsen POS
Recap
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• The Compact Fluorescent Category represents a tremendous **opportunity** in the Grocery Class of Trade for retailers, manufacturers as well as utilities seeking to reach new consumers

• Create a **sustained shift** through repeat purchase
  – Promote product that is available after the promotion ends
  – Bring pricing in-line with rest of category

• **Educate the consumers** to the benefits of using compact fluorescent lamps
Thank you!