

ENTREPRENEURS FOR ENERGY EFFICIENCY ANNUAL MEETING
APRIL 28, 2004



Moving New Technology to the Market:

***Lessons Learned from
ENERGY STAR***

or

***I've Got Good News
and Bad News***

MARKET TRANSFORMATION FOR NEW TECHNOLOGY
ENERGY EFFICIENT TECHNOLOGY



Good News:

Energy efficiency is better technology.



MARKET TRANSFORMATION FOR NEW TECHNOLOGY
ENERGY EFFICIENT TECHNOLOGY



Bad News:

Better technology doesn't always win...

The right marketing strategy is critical.

Examples of better technology marketing failures:

- *Beta vs. VHS*
- *MAC vs. MS-DOS*
- *Geothermal Heat Pumps*
- *Magnetic Induction Cook-top*

MARKET TRANSFORMATION FOR NEW TECHNOLOGY
ENERGY EFFICIENT TECHNOLOGY



Good News:

*Energy efficient homes and products
are recognized as new technology.*



Bad News:

New technology does not have a grace period...

Early failures are often devastating.

MARKET TRANSFORMATION FOR NEW TECHNOLOGY
ENERGY EFFICIENT TECHNOLOGY



*Examples of early failures
promoting new technology:*

- *Early CFL's*
- *Low-Flow Water Fixtures*
- *Heat Pump Water Heater*
- *Gas Heat Pump*

MARKET TRANSFORMATION FOR NEW TECHNOLOGY
ENERGY EFFICIENT TECHNOLOGY



Good News:

Energy efficient products contribute to better systems.



Bad News:

New technology marketing often ignores whole systems impacts critical for success.

Systems failures are also devastating.

*Examples of technology failures
due to systems failures:*

- *Heat Pumps*
- *EIFS*
- *SIPs (Juno, Alaska Homes)*



Good News:

Monetary incentives can help transform markets to new technologies

Examples:

- condensing furnace rebate in Wisconsin*
- Super Good Cents energy efficient manufactured homes rebate in PNW.*

Bad News:

*Poorly conceived monetary incentives
(e.g., rebates and tax credits)
can have no effect (waste resources)
or even hurt market transformation.*

Monetary incentive failures:

- *Ignore 'systems thinking'*
Examples: Electric industry heat pump rebates
Selling EIFS without drainage planes
- *Ignore market readiness*
Examples: Gas heat pump rebates
Low-Flow Restrictors Give-aways
Early CFL Give-aways
- *Ignore building value/commitment*
Example: Solar Hot Water Tax Credit



So, what does all this mean?

- *Advanced marketing is critical*
- *Technology must perform as promised*
- *Be careful what you wish for with monetary incentives*



ADVANCED MARKETING



ADVANCED MARKETING

TECHNOLOGY DIFFUSION OLD MODEL



*Market
Penetration*

*Early
Adopters*

*Mainstream
Users*

Laggers

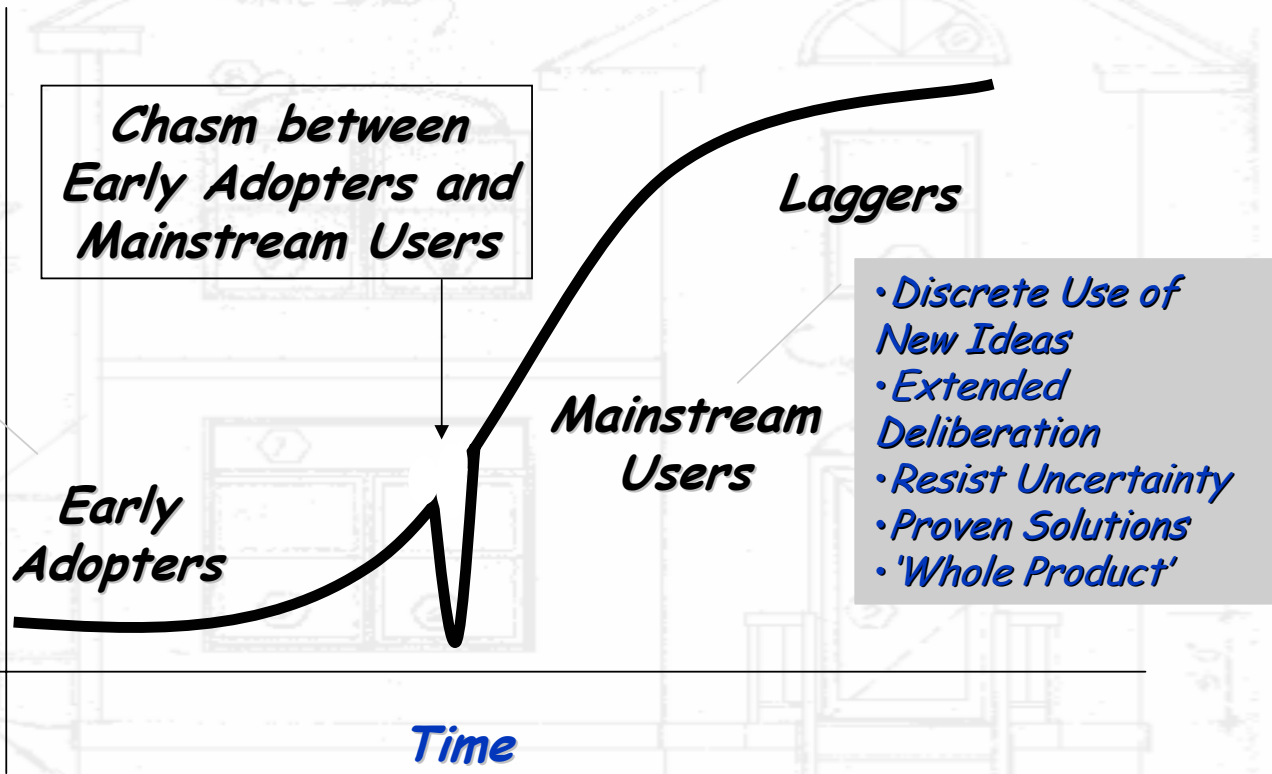
Time

Reference: Inside the Tornado by Geoffrey Moore



Market Penetration

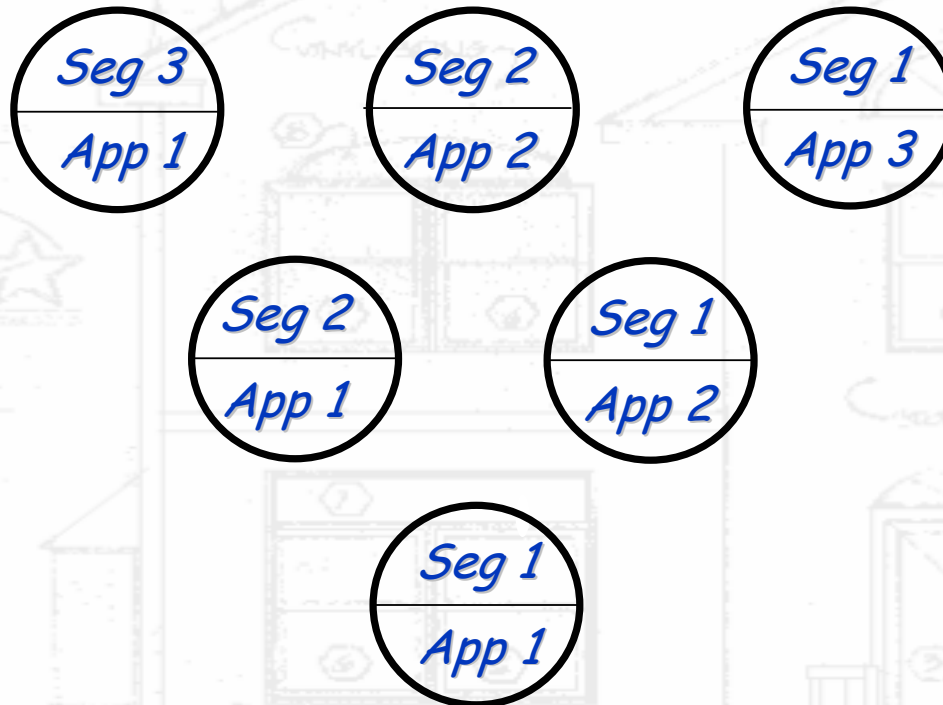
- Venturesome
- Cope with Uncertainty
- Accept Setbacks
- Innovation Cliques
- Gamble on Future Rewards



- Discrete Use of New Ideas
- Extended Deliberation
- Resist Uncertainty
- Proven Solutions
- 'Whole Product'

Reference: Inside the Tornado by Geoffrey Moore

ADVANCED MARKETING CROSSING THE CHASM



Bowling Alley Marketing Strategy

Reference: Inside the Tornado by Geoffrey Moore

ADVANCED MARKETING

CROSSING THE CHASM: EXAMPLE



*All Elec.
Res.*

*Urban
School*

*Small
Office*

*Lux.
Res.*

*Coast
School*

*Coast
Res.*

Geothermal Heat Pumps

ADVANCED MARKETING
TIPPING POINT



*Spreading Epidemics (innovations)
through disconnected community of
niche adopters.*

Reference: The Tipping Point by Malcolm Gladwell



Not every person in a social system is equally important:

- ***Connectors***

Inhabit many different worlds and act as a bridge

- ***Mavens***

Experts people listen to

- ***Salesman***

Translate messages, embedding them with meaning

Reference: The Tipping Point by Malcolm Gladwell

ADVANCED MARKETING
TIPPING POINT: STICKINESS FACTOR



The right message:

- ***Sticky to target audience***
- ***Audience and action specific***
- ***Once practical and personal, becomes memorable***
- ***Must be memorable to move us to action***

Reference: The Tipping Point by Malcolm Gladwell



***ADVANCED MARKETING EXAMPLE:
ENERGY STAR FOR HOMES***



ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES

WHAT IS ENERGY STAR FOR HOMES?



- ***Voluntary***
- ***Credible***
 - Government-Backed Label*
 - ~ 60% Consumer Brand Recognition*
 - Third-Party Verified*
- ***Truly Energy Efficient***
 - 30% > MEC, and 15% > State Code*

ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES
WHY LABEL HOMES ENERGY STAR?



A marketing platform

home builders can use

*for **recognition** they offer*

***truly energy efficient**
homes.*

ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES ENERGY STAR LOGO AND LABEL



***Certification
Mark***

***Label:
Typically on interior utility box***

The label form is a blue rectangle divided into two main sections. The top section is split into two parts: on the left is the Energy Star logo, and on the right is the text "AN ENERGY STAR® QUALIFIED HOME". The bottom section contains five input fields for information: "Address:", "Built by:", "Verified by:", "Date:", and "Optional information:". At the bottom of the form, there is a paragraph of text and the website address "www.energystar.gov".

AN ENERGY STAR®
QUALIFIED HOME

Address:

Built by:

Verified by:

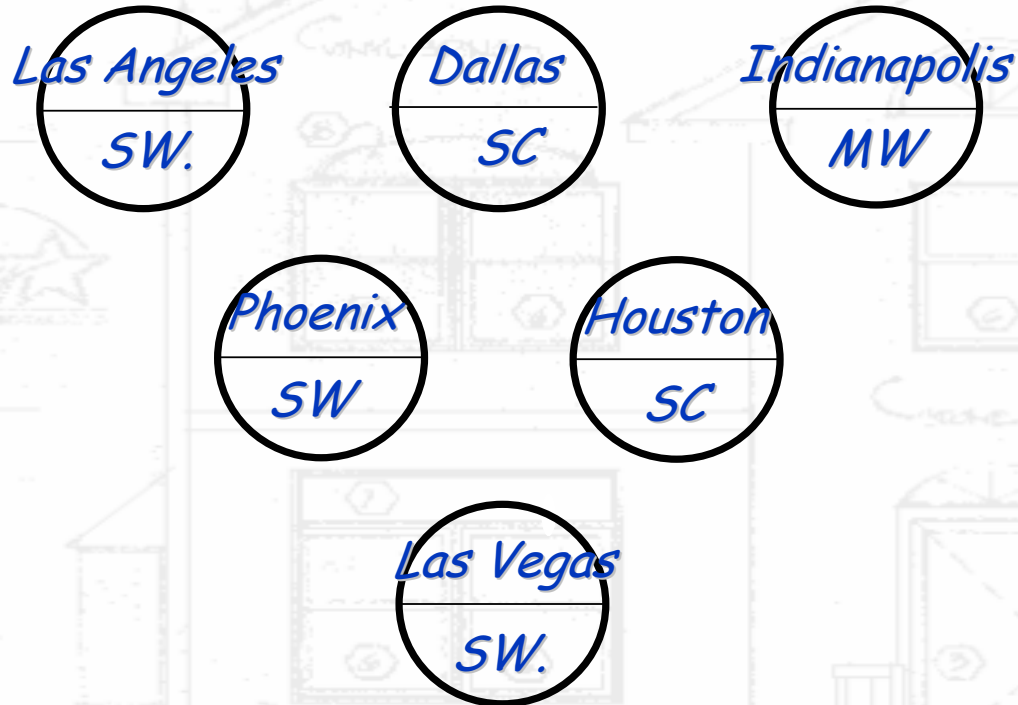
Date:

Optional information:

This home has been independently verified through an EPA-approved sampling protocol to meet ENERGY STAR's strict guidelines for energy efficiency. Each ENERGY STAR qualified home can keep 4,500 lbs of greenhouse gases out of our air each year.

www.energystar.gov

ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES CROSSING THE CHASM: EXAMPLE



Pilot: Gainesville, Fl to prove concept

ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES
LAW OF THE FEW: MESSENGERS



- ***Connectors***

ENERGY STAR Staff and Consultants

- ***Mavens***

Building Science Experts, Building America

- ***Salesman***

HERS Raters, Utility/State Administrator Program Staff

ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES
STICKINESS FACTOR: MESSAGES



Builders:

- *Energy efficient is better for business.*
- *ENERGY STAR gives you credit for being truly energy efficient.*
- ***PARTNER WITH ENERGY STAR***

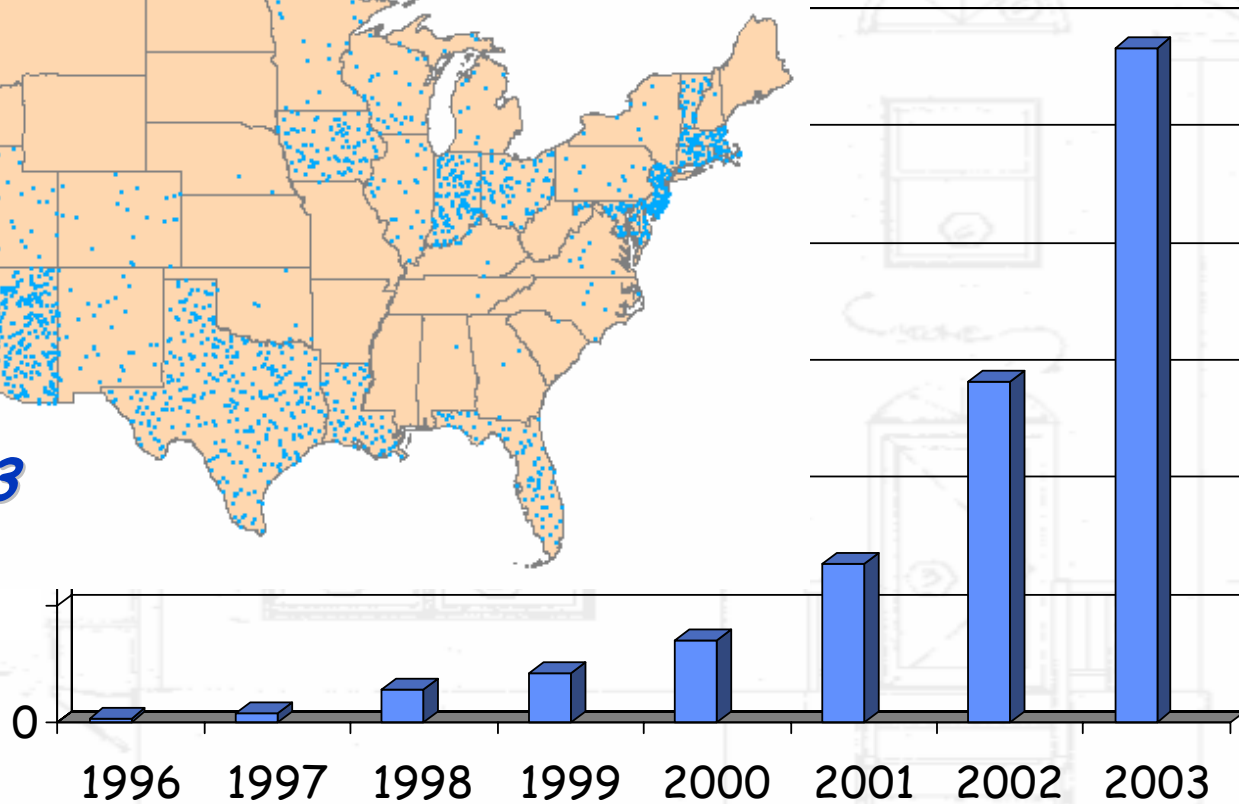
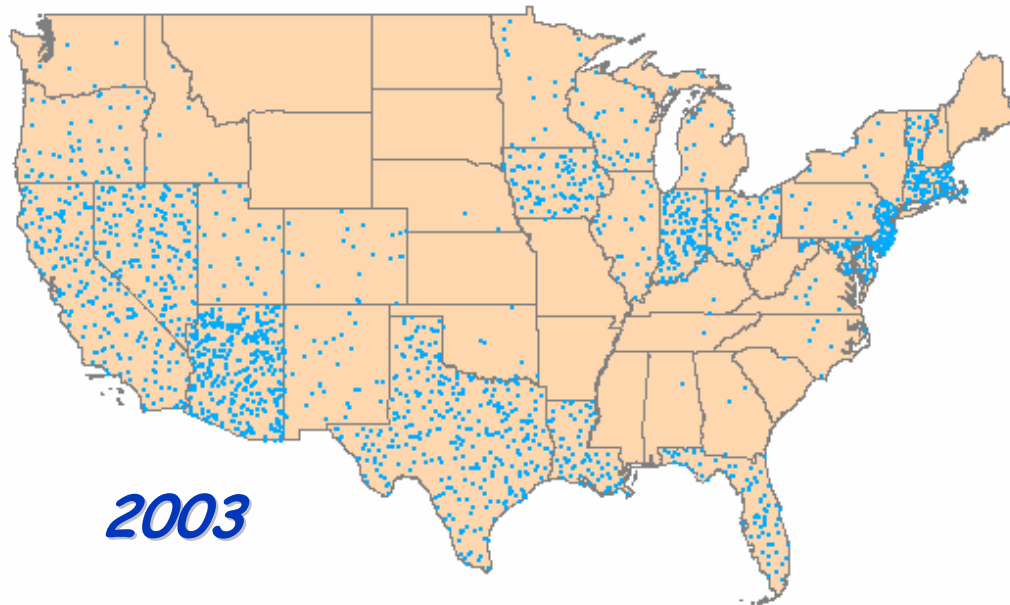
Consumers:

- *ENERGY STAR easy to identify*
- *Better homes, cost, environment*
- ***BUY ENERGY STAR***

ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES GROWTH



Each dot = 50 labeled homes



ADVANCED MARKETING EXAMPLE: ENERGY STAR FOR HOMES METRICS



- *~250,000 Labeled Homes*
- *~20-40% Penetration*
- *New Markets Emerging*
- *Large Production Builders*

CONCLUSION



*Energy efficient technologies are great
business, but **require**
advanced marketing strategies.*