Reaching Consumers: Designing from Feedback

Lara Bonn

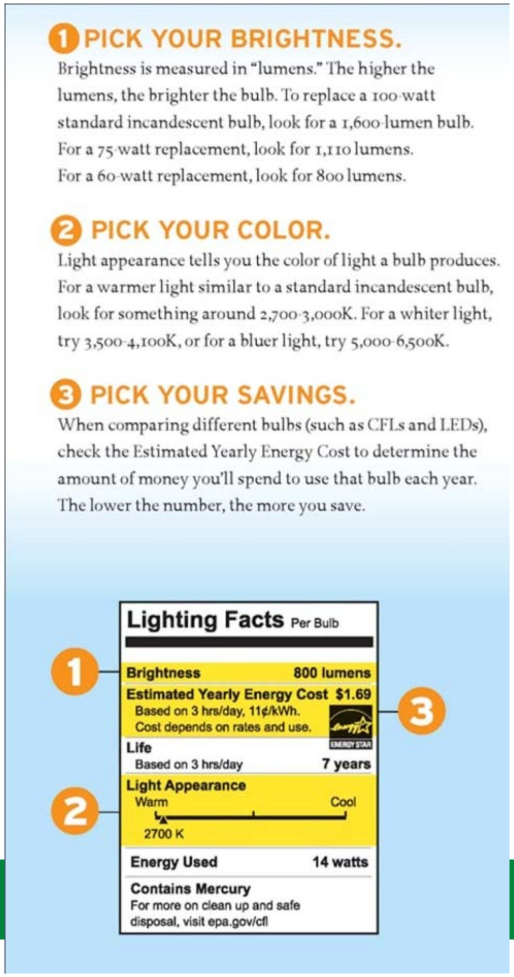
September 25, 2015

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



Efficiency Vermont

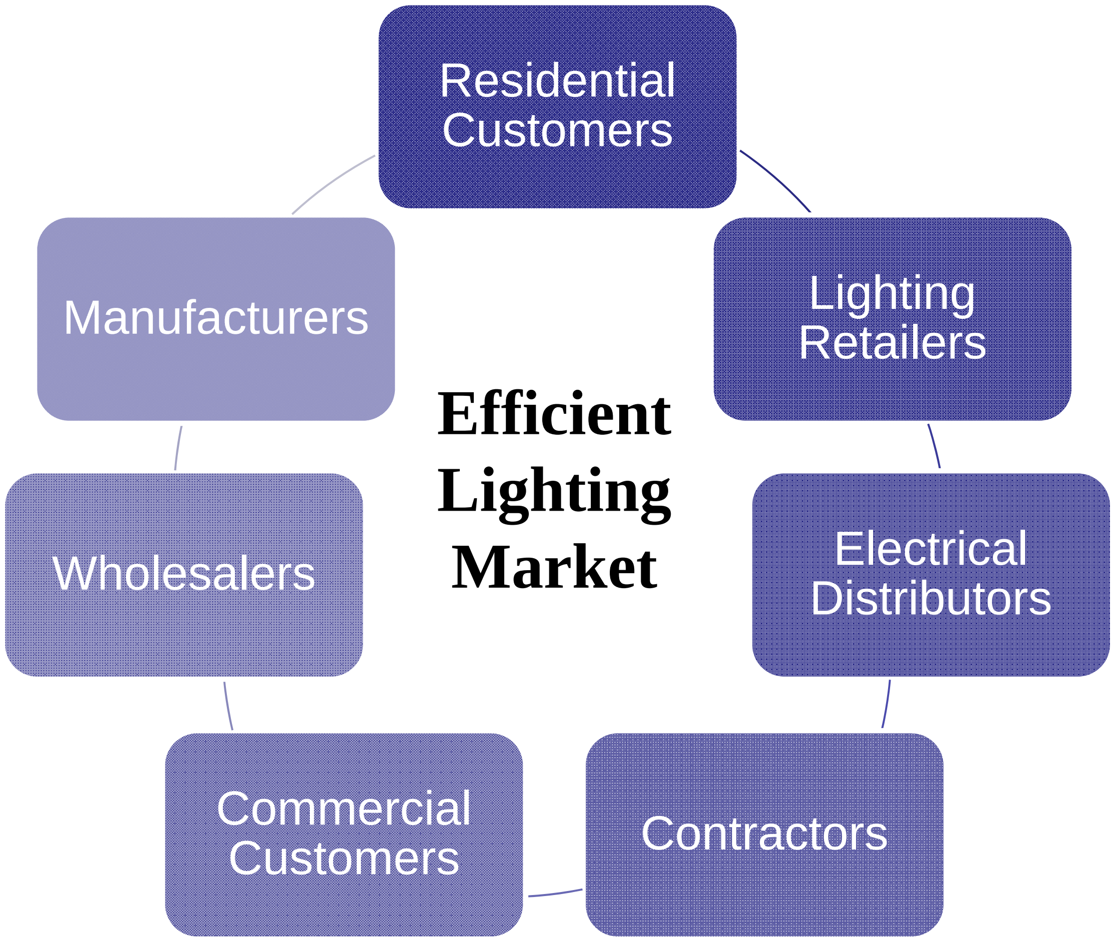
Agenda

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

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



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)**

Partner	2014	2015
Number of Customer Responses	260	317
# of Retailers	44	35
# of Manufacturers	22	23

2014 Consumer Results: Knowledge & Purchase Preference

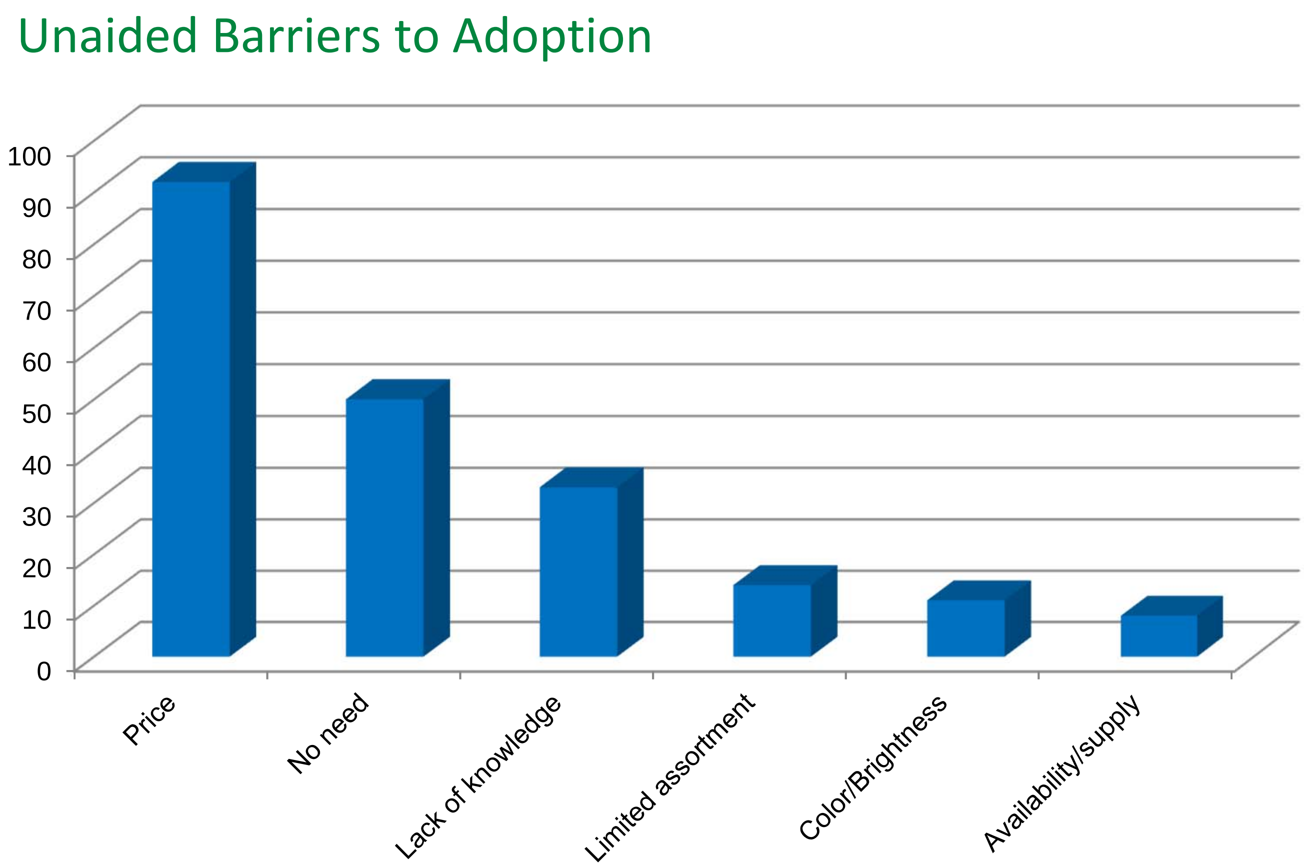
- Approximately 90% of consumers are only minimally knowledgeable of any of the 3 light bulb technologies
    - ➢Slightly more knowledgeable about CFLs and ENERGY STAR
- 85% of consumers say light bulbs are a planned purchase
- 62% decide on light bulb technology at the shelf
- Challenge = 1 minute at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

Efficiency Vermont

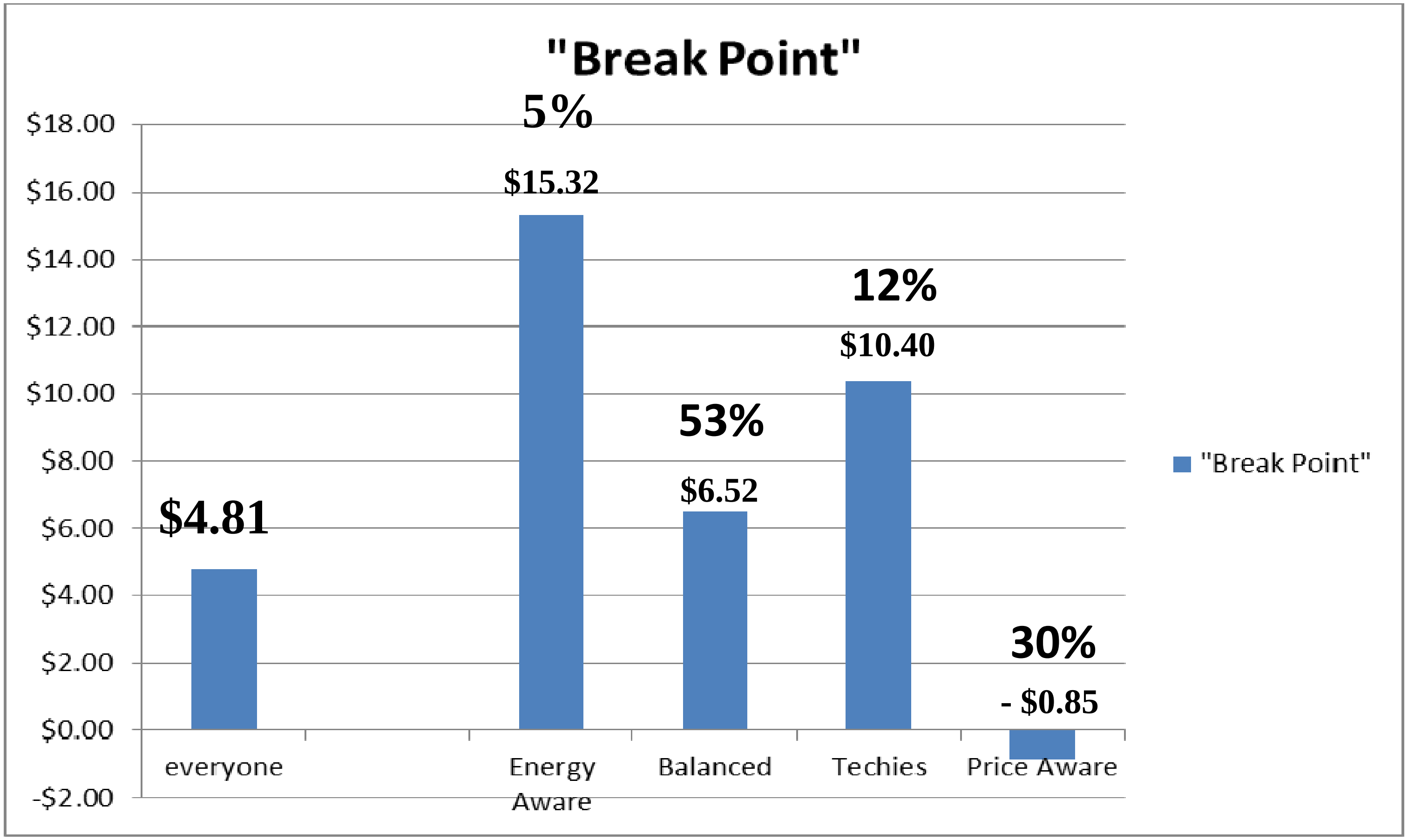
2014 Barriers to Adoption



TOP 3 BARRIERS:

1. **"Upfront Cost"**
2. **"No need…"**
3. **Knowledge**

2014 Consumer Segmentation
Pricing Sensitivity



70% of the consumers value an LED <u>ABOVE $4.99</u> when they understand its benefits

Efficiency Vermont

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

Efficiency Vermont

Agenda

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

‘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

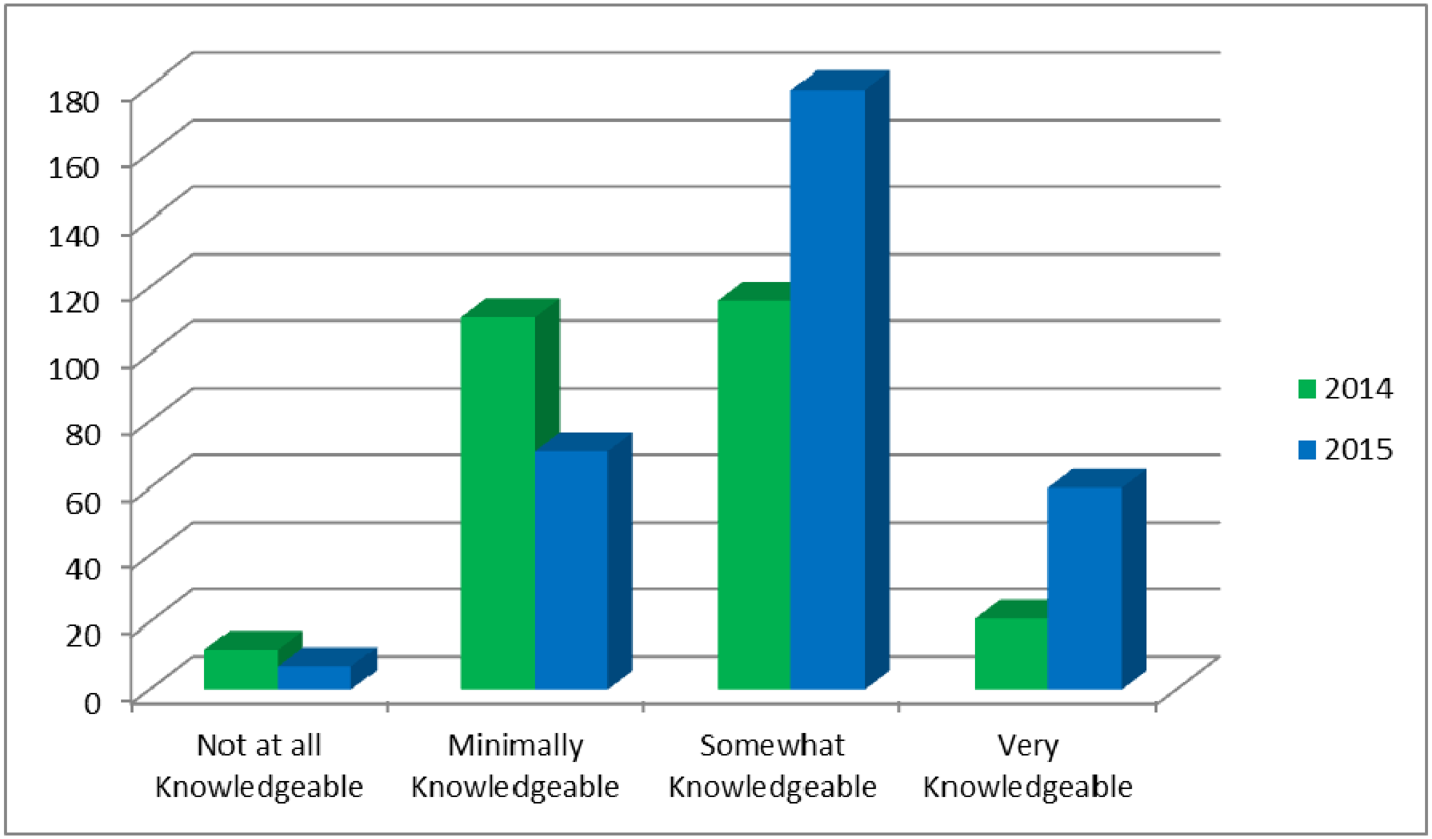
Dangler

Efficiency Vermont

Agenda

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

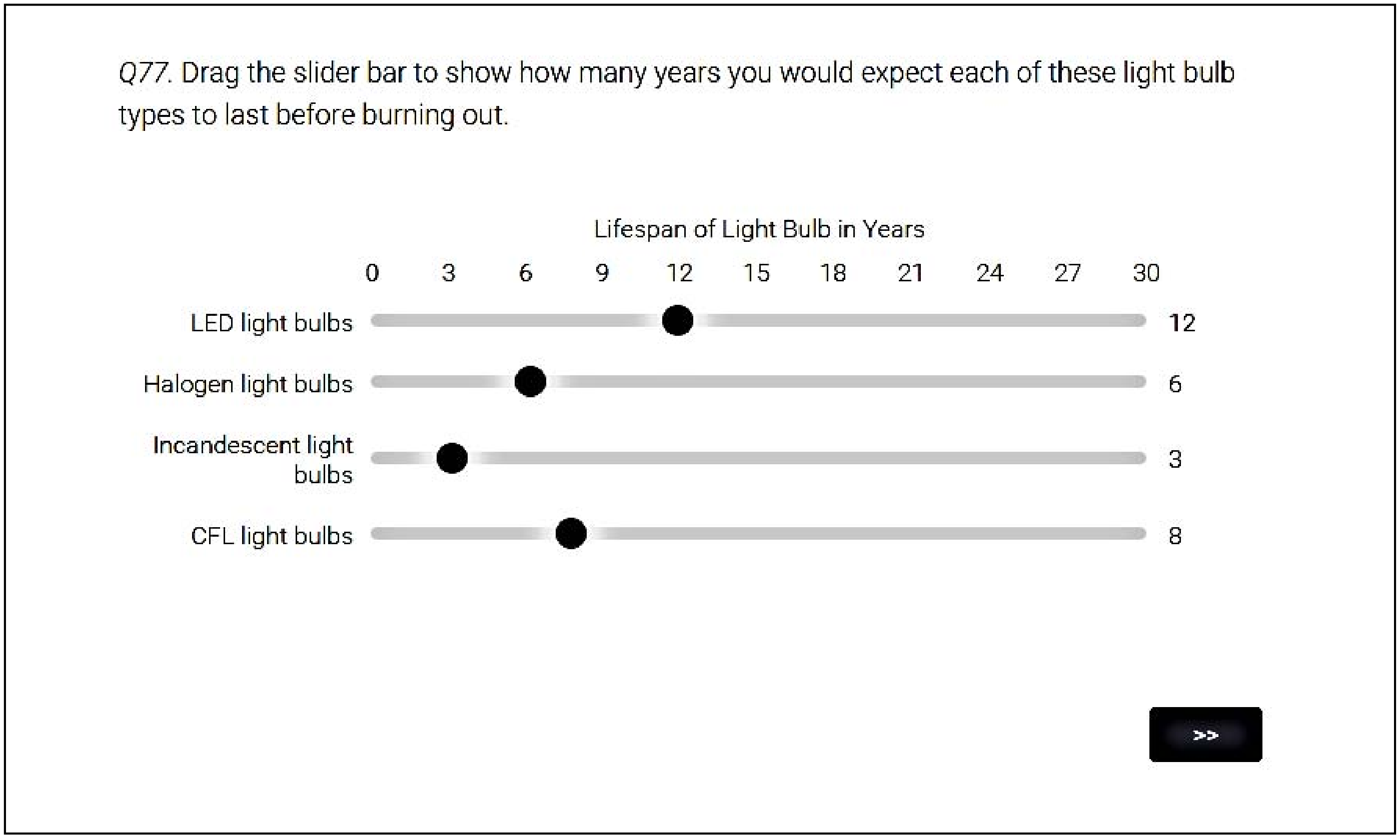
LED Knowledge



75% say they're knowledge able about LEDs

Q: Describe your level of knowledge of LEDs

Lifespan Knowledge



<u>LED lifespan:</u>
Mean = 12.5 years

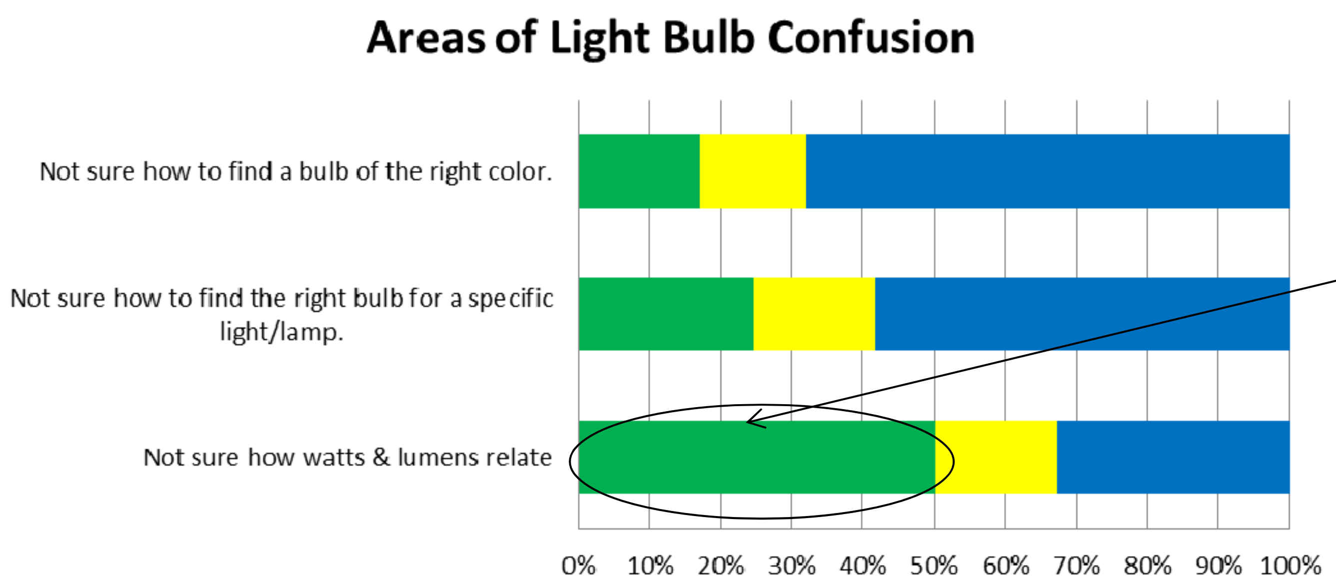
<u>CFL Lifespan:</u>
Mean = 8.2 years

<u>Halogen Lifespan:</u>
Mean = 6.1 years

<u>Incandescent Lifespan:</u>
Mean = 3.3 years

Respondents correctly identified which bulbs last longest.

General Knowledge



	Not sure how watts & lumens relate	Not sure how to find the right bulb for a specific light/lamp.	Not sure how to find a bulb of the right color.
Agree	159	78	54
Neutral	54	54	47
Disagree	104	185	216

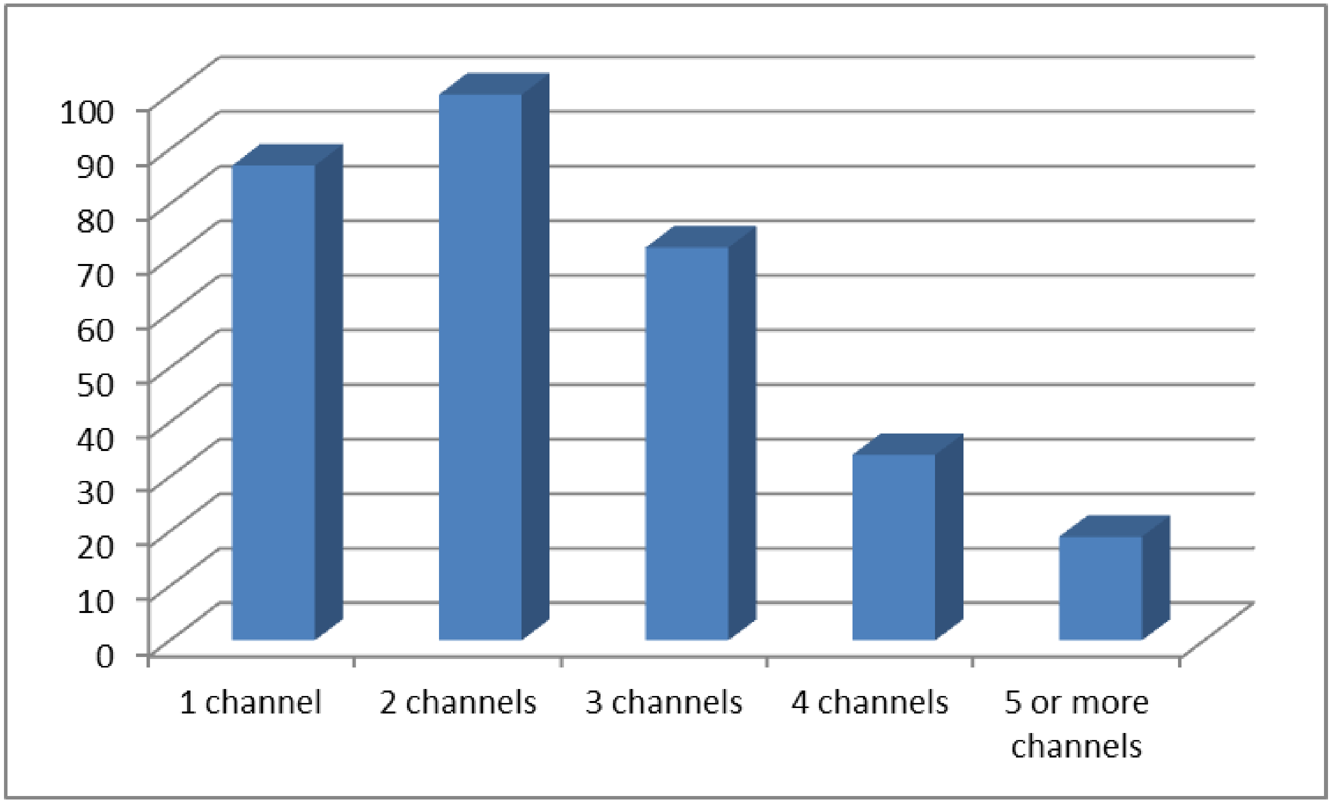
50% of customers confused by how watts and lumen relate

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.)

Efficiency Vermont

Multichannel Shopping

 # Channels Respondents in which Customers Shop for Light Bulbs



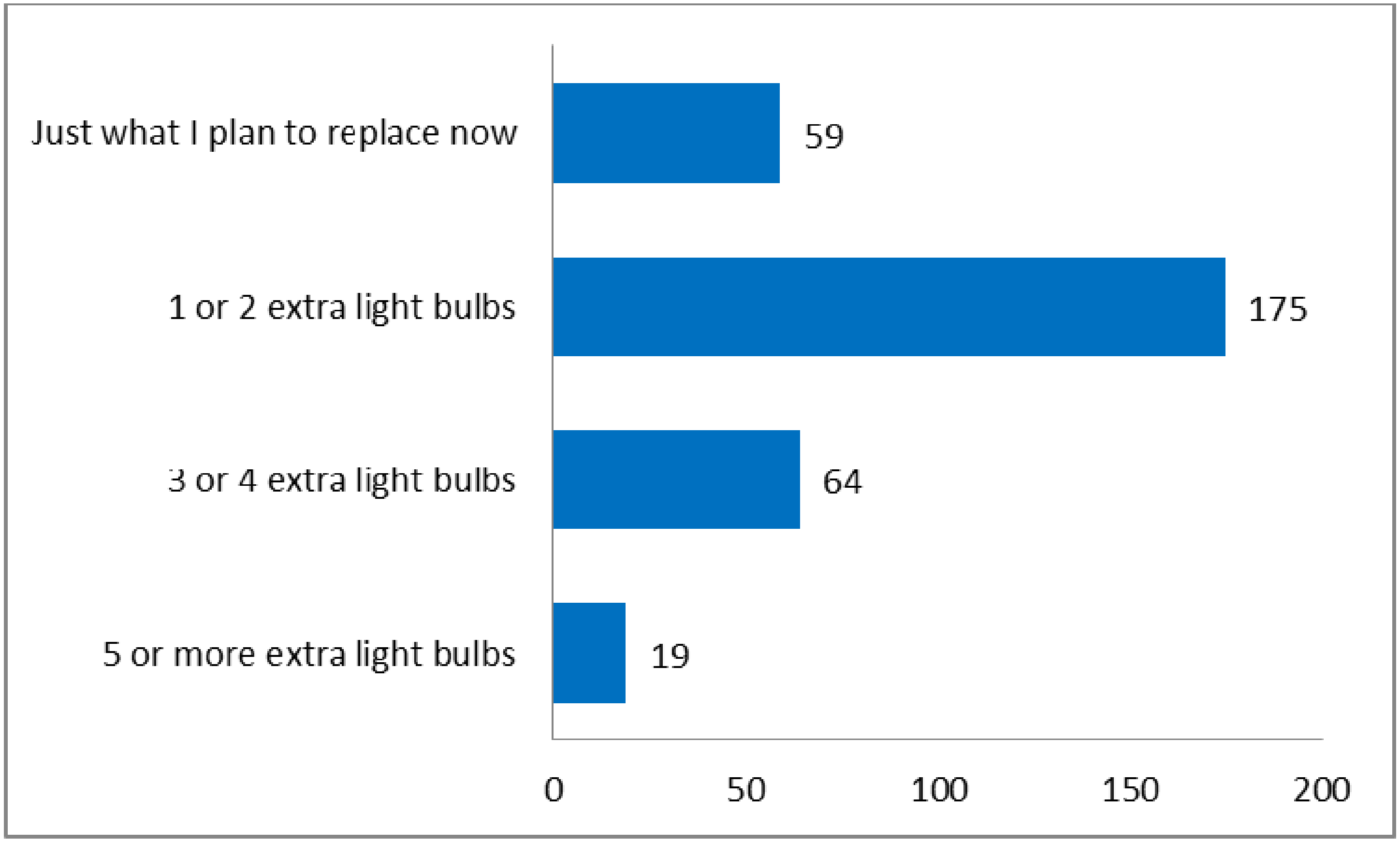
71% of consumers shop in more than one channel for bulbs

Q: Where do you purchase light bulbs?

Efficiency Vermont

Shopping Behaviors

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

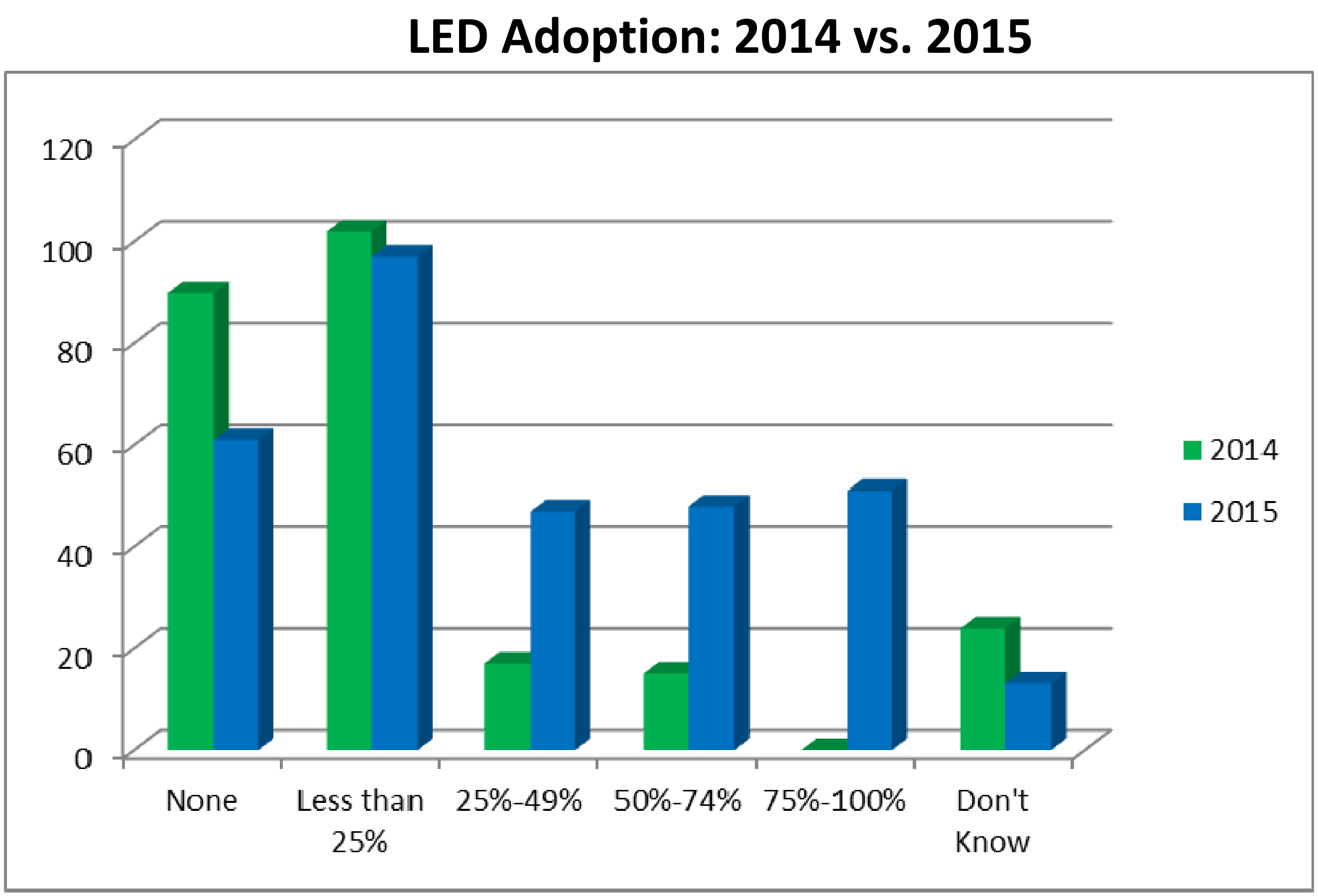


Q: When I buy light bulbs, I typically buy ____________________ (fill in the blank with option above)

Efficiency Vermont

Adoption: Interior Lighting

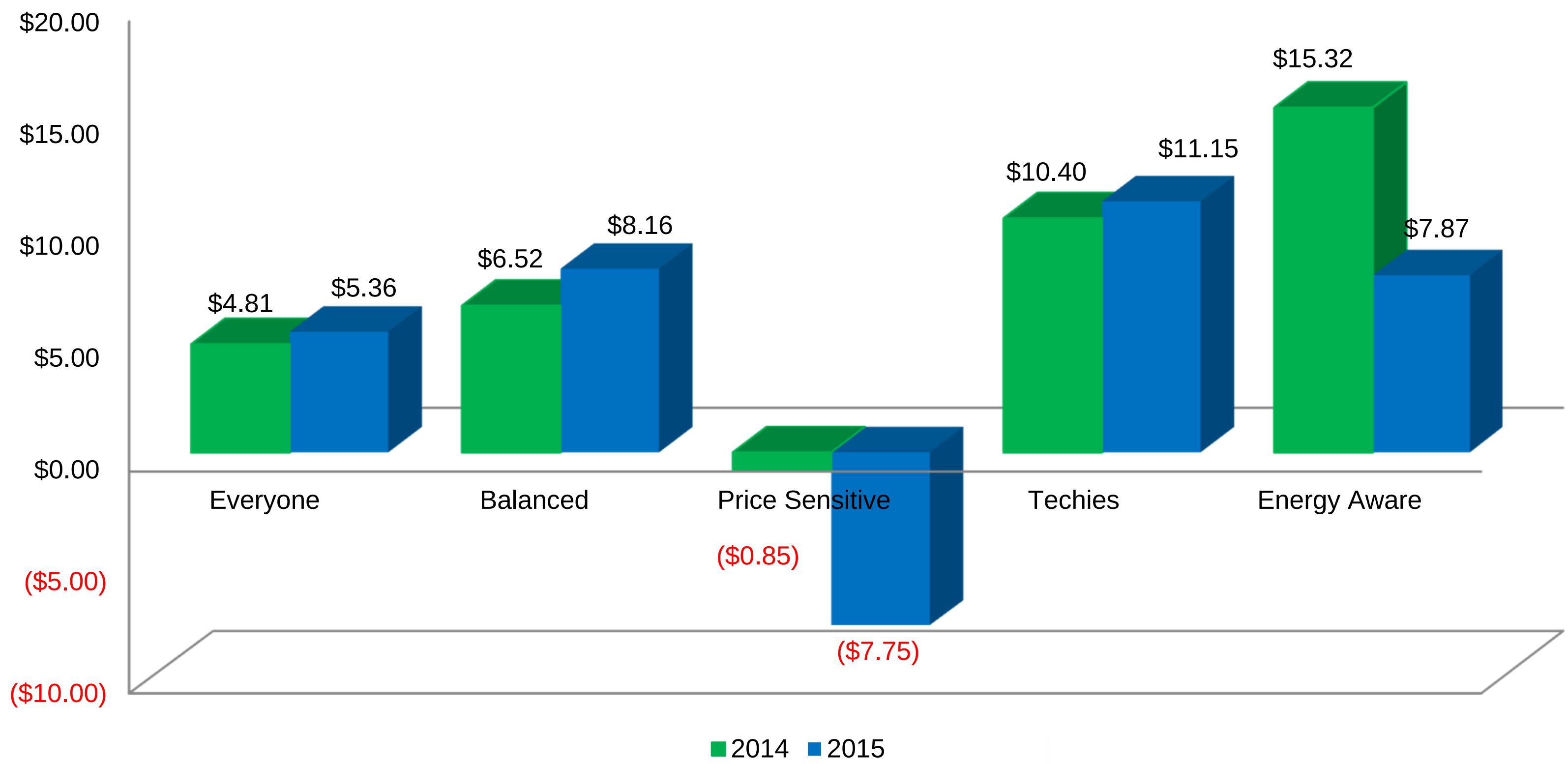
- Significant increase
- 84% indicated half or fewer were LEDs
- 78% likely to purchase in next year



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

Efficiency Vermont

Pricing Sensitivity



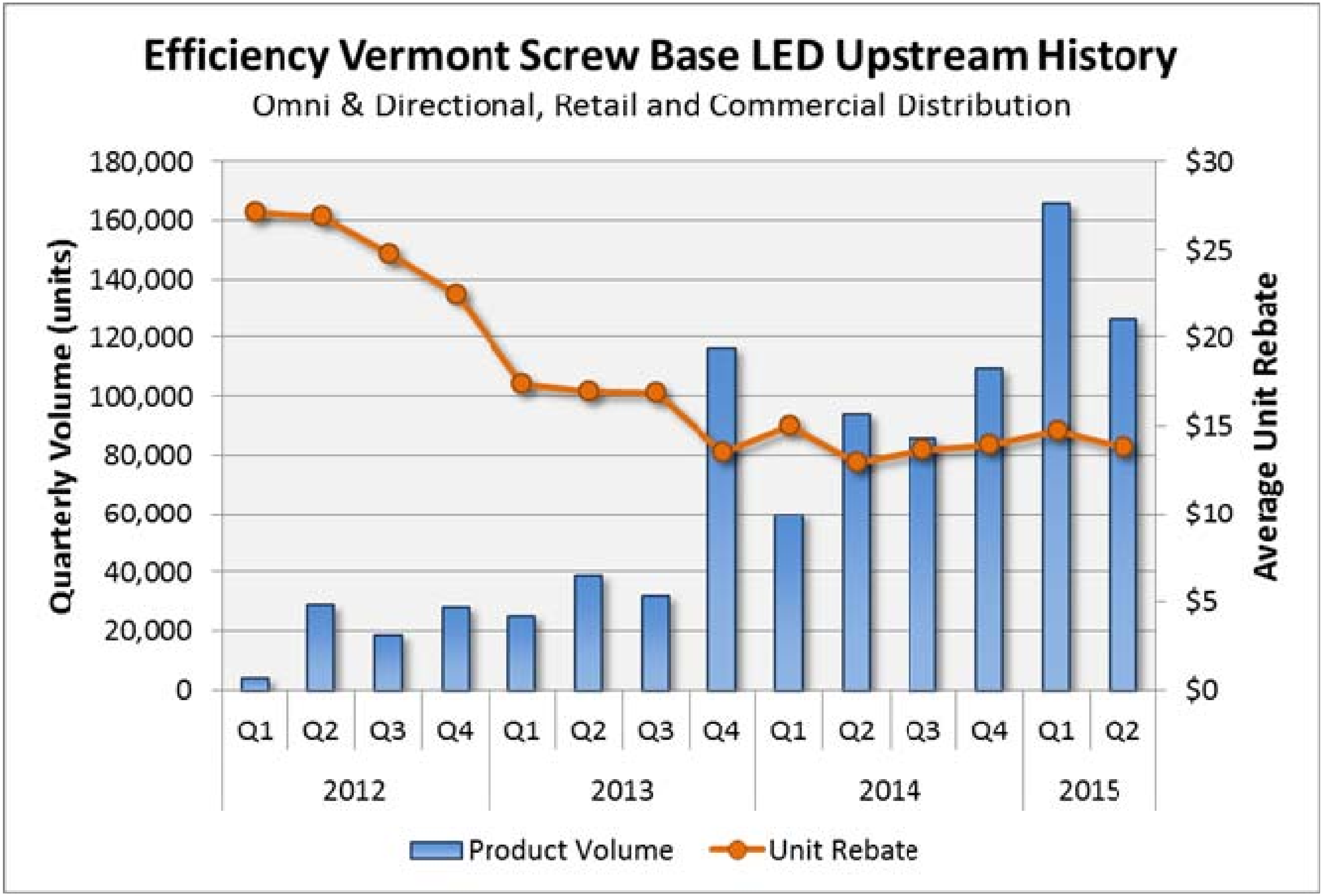
Balanced*	Price Sensitive	Techies	Energy Aware*
40%	34%	12%	14%

Efficiency Vermont

Sales Drivers

ATTRIBUTE	PART-WORTH UTILITY
Price point: $4.99	0.53
Lifetime: 20-25 Years	1.51
Energy savings: 80%	1.54
Money savings: Up to $99	1.43
ENERGY STAR® certified	2.14

Non price-sensitive customers value LED benefits similarly.


Efficiency Vermont Screw Base LED Upstream History
Omni & Directional, Retail and Commercial Distribution
Quarterly Volume (units)
Average Unit Rebate
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
$30
$25
$20
$15
$10
$5
$0
Q1
Q2
Q3
Q4
2012
2013
2014
2015
Product Volume
Unit Rebate

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?

Lara N. Bonn, B.E.P
Efficiency Vermont
Efficient Products Strategic Planning Manager
tel. 802.540.7853
lbonn@efficiencyvermont.com