

Understanding the Complexities of Retail

The ENERGY STAR Retail Action Council

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NAVITAS
PARTNERS

Paul Campbell – Sears Holding Company

Mike Cook – The Home Depot

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Kristen Bowring – Navitas Partners, Inc.



sears



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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



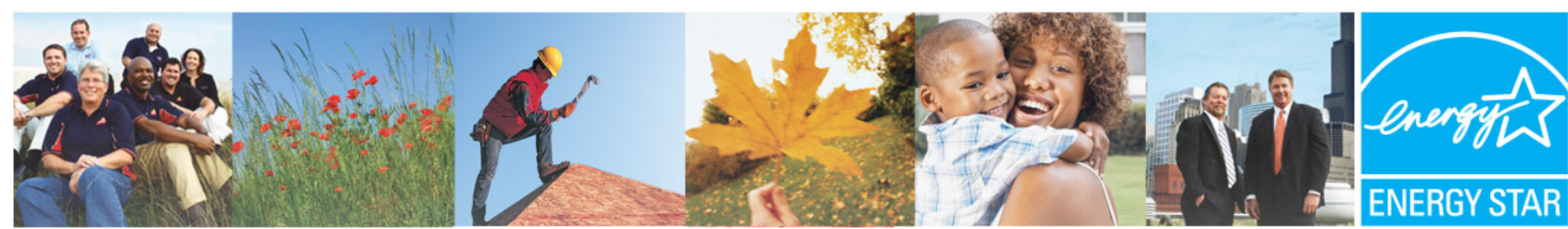
- Best Buy, Home Depot, Lowe's, and Sears
 - Combined sales revenues approach \$200 Billion
 - More than 4,000 US store fronts
 - Over 3 Billion customer visits annually
 - Top 4 sellers of Appliances in US
 - Leading retailers of CE and Lighting products
 - Greatest number of Utility program participation

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

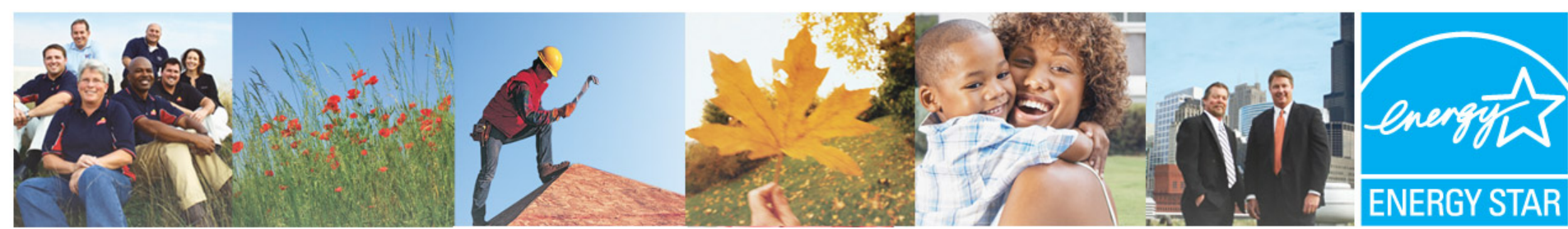


- Retail stores still the dominant channel
 - Omni-channel increasingly critical
- Consumers go to stores to learn about products, compare features and prices, and purchase goods
- Store environment embodies retailer's brand and creates differentiated customer experience
- Stores are changing, for example
 - 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

Data In The Headlines



Urban Outfitters sued over consumer data collection

HUFF POST BUSINESS

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.

The New York Times

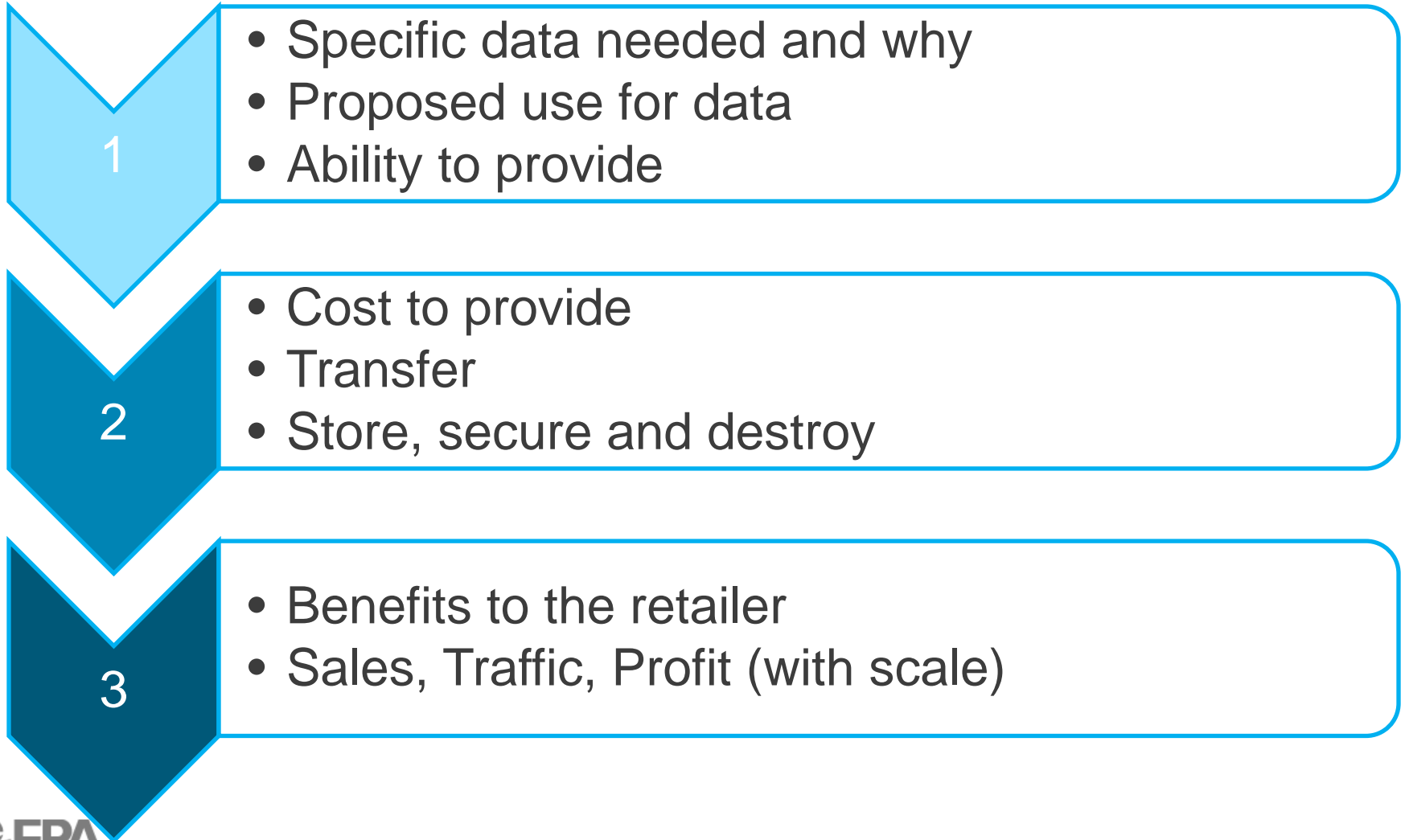
Forbes

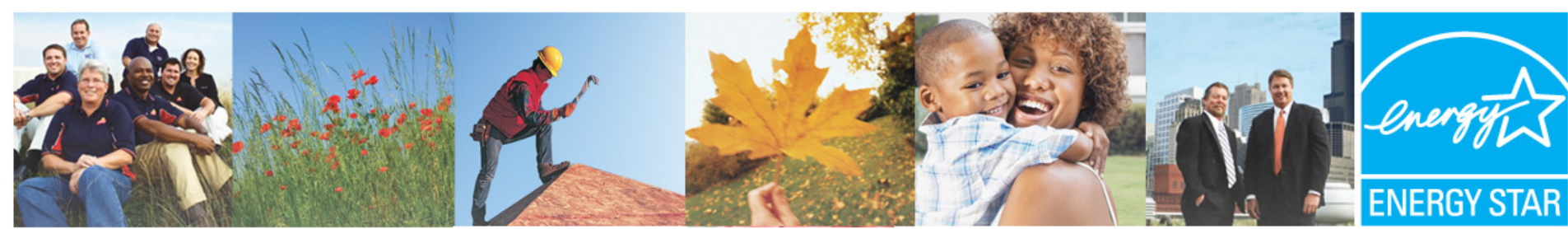
Data Requests



- 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)





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



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

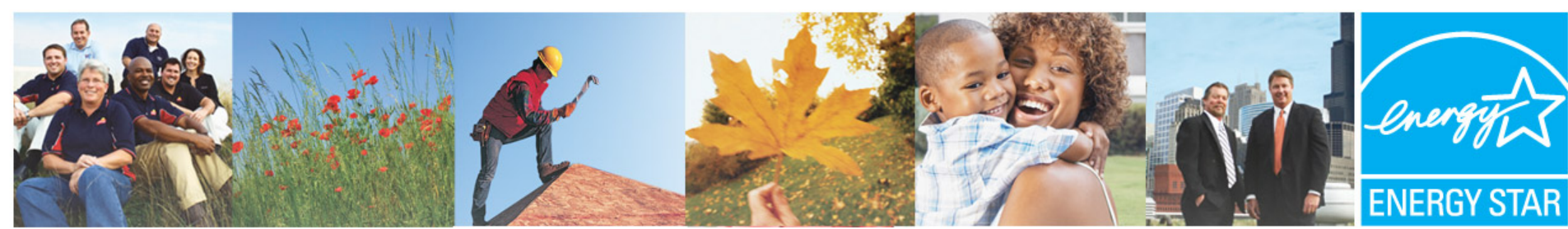


May have some variability by retailer

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