

# Marketing Strategies for Energy Star Water Heaters



Keith Burkhardt  
Marketing Manager, Water  
Heaters  
GE Appliances



# Core Marketing Strategy

1. Highlight the Benefits
2. Address the Concerns
3. Leverage the Intangibles

# Highlight the Benefits - GeoSpring

Save \$320 per year\*

Energy Star rated, 2.35EF

Uses up to 62% less energy than a standard electric water heater\*

Easy to Install

Good for the environment

Reduces Greenhouse gases

Eligible for tax incentives and Energy Star Rebates

Pays for itself in less than 4 years\*\*



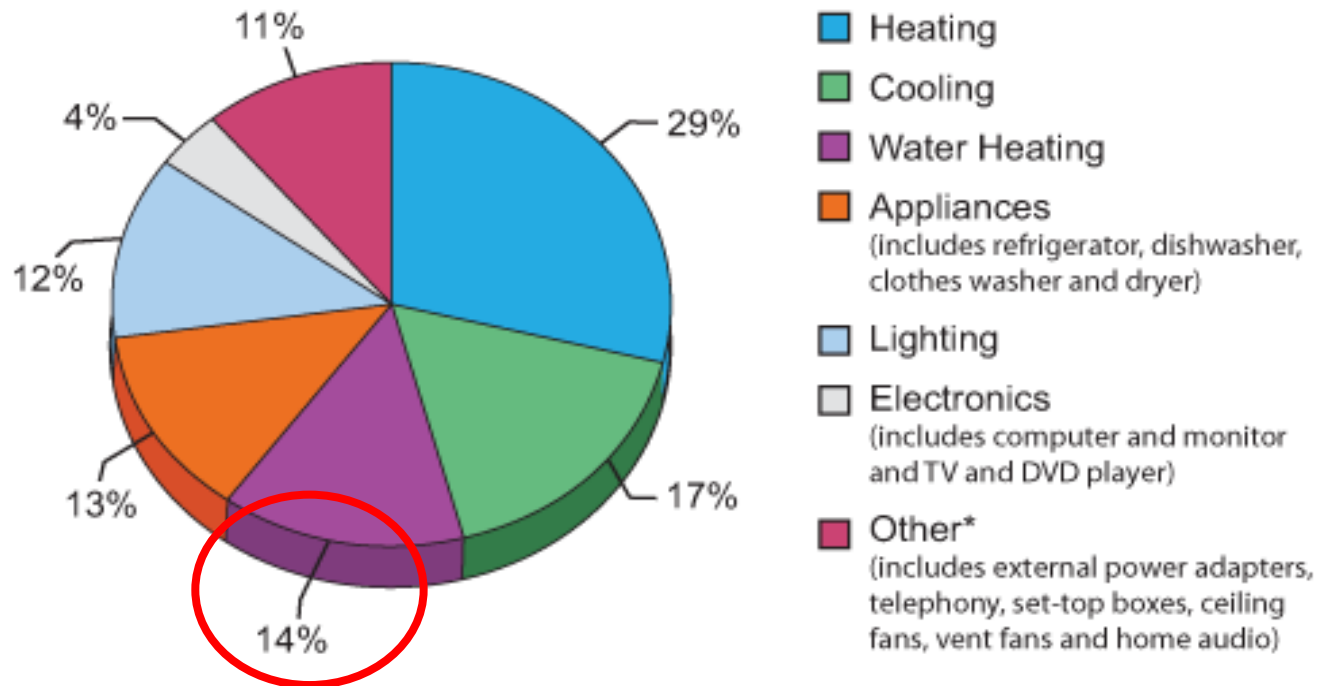
\* Based on DOE test procedure and comparison of a 50-gallon standard electric tank water heater using 4,881 kWh per year versus the GE GeoSpring Hybrid water heater using 1,856 kWh per year and national average electricity rate of 10.65 cents per kWh.

\*\* Includes tax incentives, local rebates, and national average electricity cost of 10.65 cents per kWh.



# The Home Energy Landscape

Energy consumption of the typical single family home



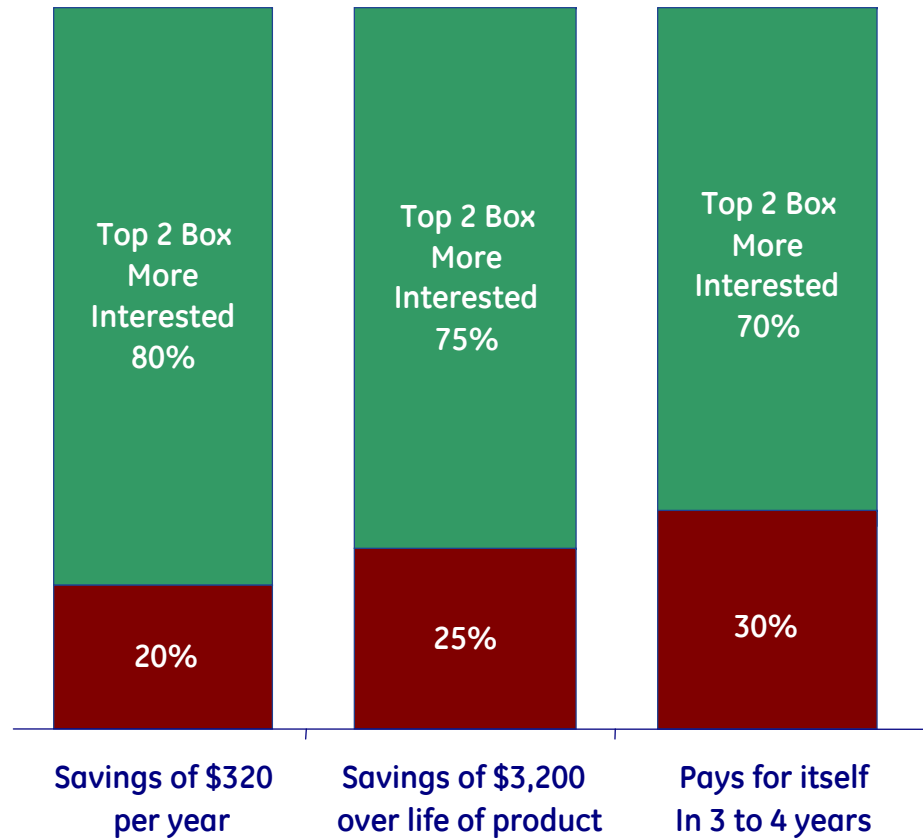
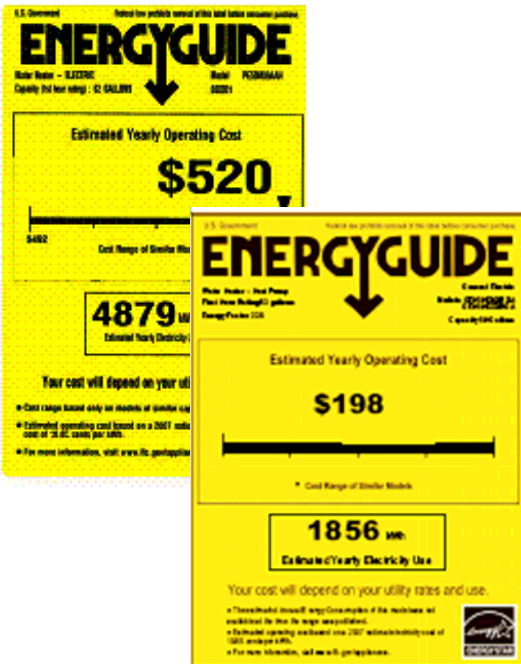
Consumer Education: The water heater is the largest energy consuming appliance in the home behind the HVAC system

# Market Research - Selling Messages

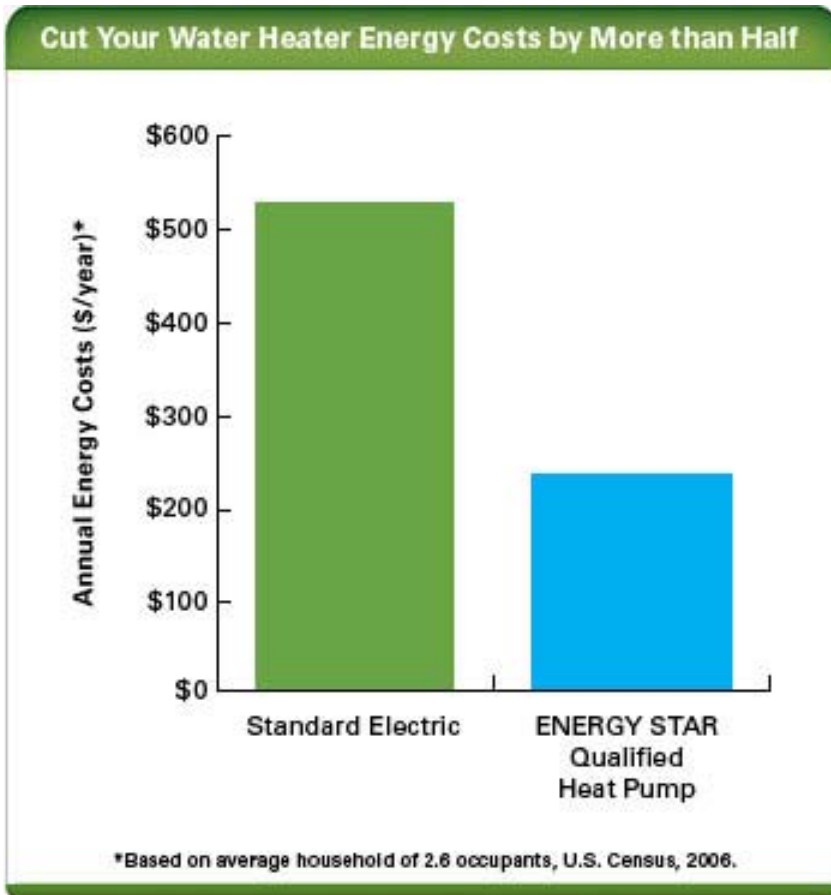
## Reasons Likely to Purchase

Saves money	65%
Saves energy / environment	54%
Warranty	6%

*Only mentions by 6% or more are shown.*



# Annual savings – heat pump water heater

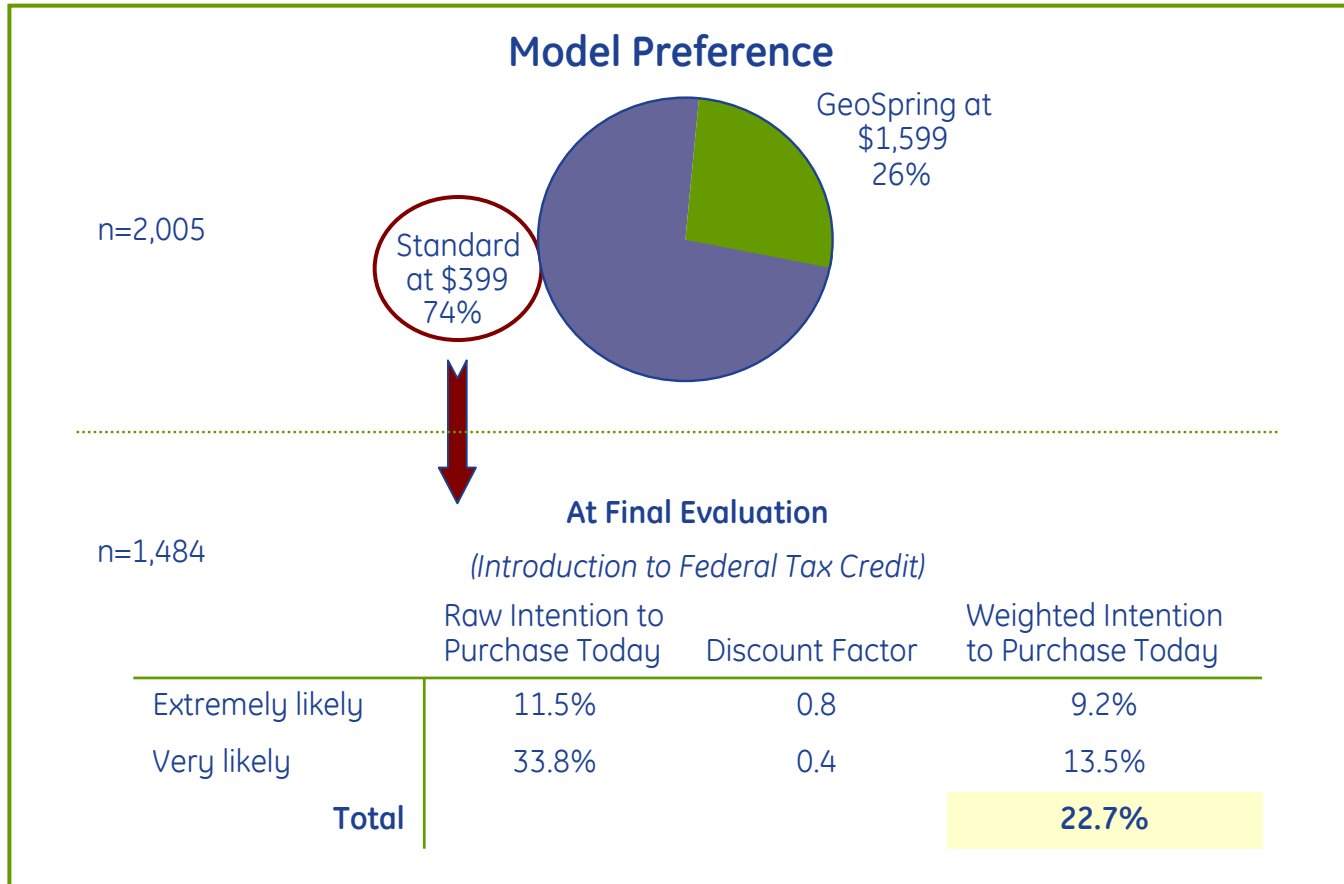


Referencing DOE savings graphs adds credibility



Source: DOE website [http://www.energystar.gov/index.cfm?c=heat\\_pump.pr\\_savings\\_benefits](http://www.energystar.gov/index.cfm?c=heat_pump.pr_savings_benefits)

# Market Research – Power of Incentives



43% of consumers would likely choose GeoSpring over a standard electric water heater given the cost savings and tax incentives



# Consumer incentives

The screenshot shows the ENERGY STAR website with a navigation menu and a main content area. The main content area is titled "Federal Tax Credits for Consumer Energy Efficiency" and includes a sub-header "What is included in the Tax Credit?". A green oval highlights the following text:

**Tax Credit:** 30% of cost up to \$1,500  
**Expires:** December 31, 2010  
**Details:** Must be an existing home & your principal residence. New construction and rentals **do not** qualify.

The screenshot shows the U.S. Department of Energy Energy Efficiency & Renewable Energy (EERE) News page. The main headline is:

## Recovery Act Announcement: Secretary Chu Announces Nearly \$300 Million Rebate Program to Encourage Purchases of Energy Efficient Appliances

Below the headline, it lists rebates by state for 2010:

Rebates by state so far in 2010:  
SC \$400 IL 25% OH \$250 NJ \$250 LA \$150  
AZ \$425 AK \$200 SD \$125 KY \$400 WY \$150  
WI \$50 MO \$150 MS \$150 MD \$300 IA \$100  
ID \$150 GA \$199 OK \$100 TX \$300 DC \$300

*Federal, state and utility incentives create awareness and minimize the price premium*

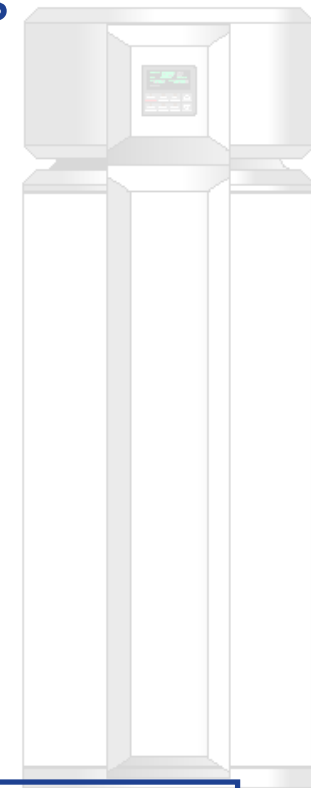


# Energy Savings/Consumer Payback

Tax incentives and rebate programs are a key driver for Advanced Replacement of inefficient water heaters

Payback analysis:

	<u>Broke/Fix</u>	<u>Advanced Replacement</u>
retail price of hybrid**	\$1,599	\$1,599
30% federal tax credit	(\$480)	(\$480)
addl state and/or utility rebates	(\$250)	(\$250)
cost of std electric water heater	(\$400)	n/a
net cost to consumer	\$469	\$869
annual energy \$\$ savings*	\$320	\$320
<b>Simple payback in years</b>	<b>1.5</b>	<b>2.7</b>



**The Hybrid typically pays for itself in less than 4 years**

\* Based on DOE test procedure and comparison of a 50-gallon standard electric tank water heater using 4,881 kWh per year versus the GE GeoSpring Hybrid water heater using 1,856 kWh per year and national average electricity rate of 10.65 cents per kWh.

\*\* Resellers establish their own resell pricing

# Building Awareness - Advertising



*"Heating your water any other way, just seems primitive"*

# Advertising and Placement



# Address the Concerns - Reliability

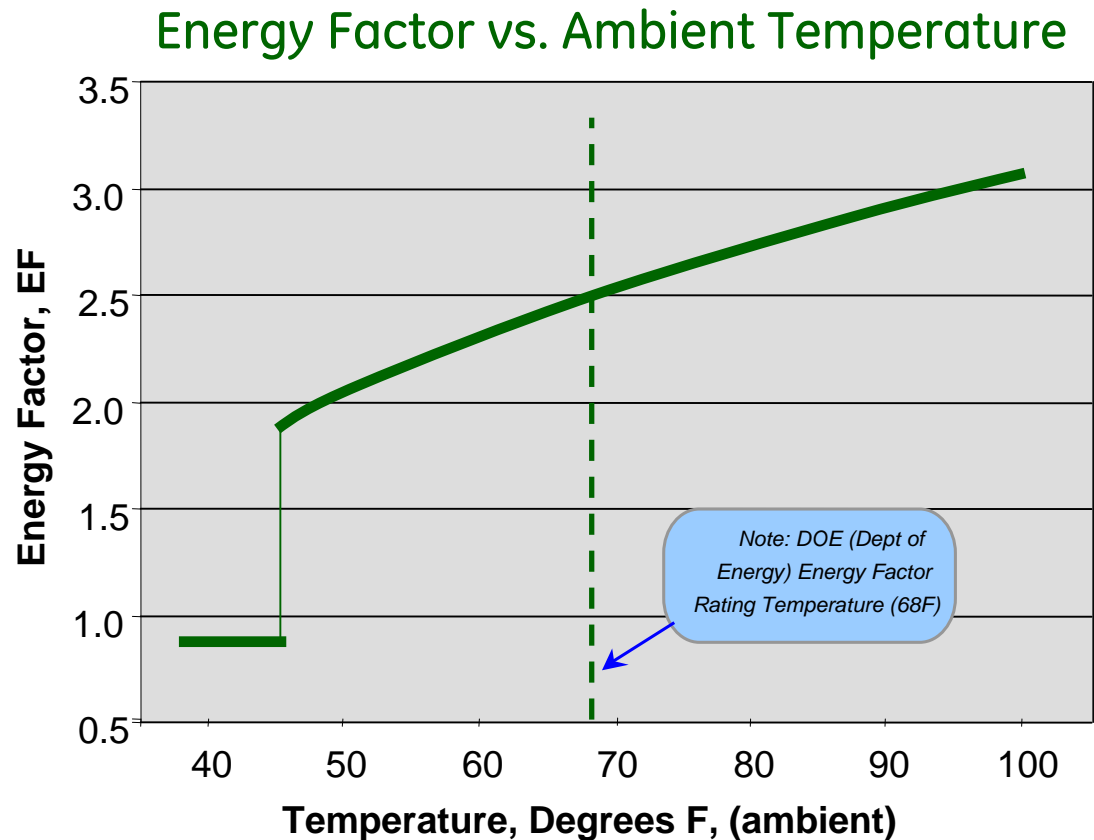


- **Manufacturing Expertise** - GE manufactures and distributes millions of sealed systems each year in the form of our refrigerator, air conditioner, zonline, and dehumidifier products
- **Warranty** - Limited 1 year parts and labor, 10 year parts warranty. See warranty for full details.
- **Product Design** - Sealed system coils are external to the water tank
  - Less opportunity for leaks
  - Less opportunity for corrosion
  - Less susceptible to water chemistry issues
  - Better performance in hard water environments
- **Minimum Operating Parts** – no extra systems/parts such as a recirculation pump to operate...fewer working parts = fewer opportunities to fail
- **Design for Six Sigma**
- **Design for Reliability** – Reliability design and testing process to identify and eliminate failure modes prior to production
- **Field Test** – over 100 units on field test





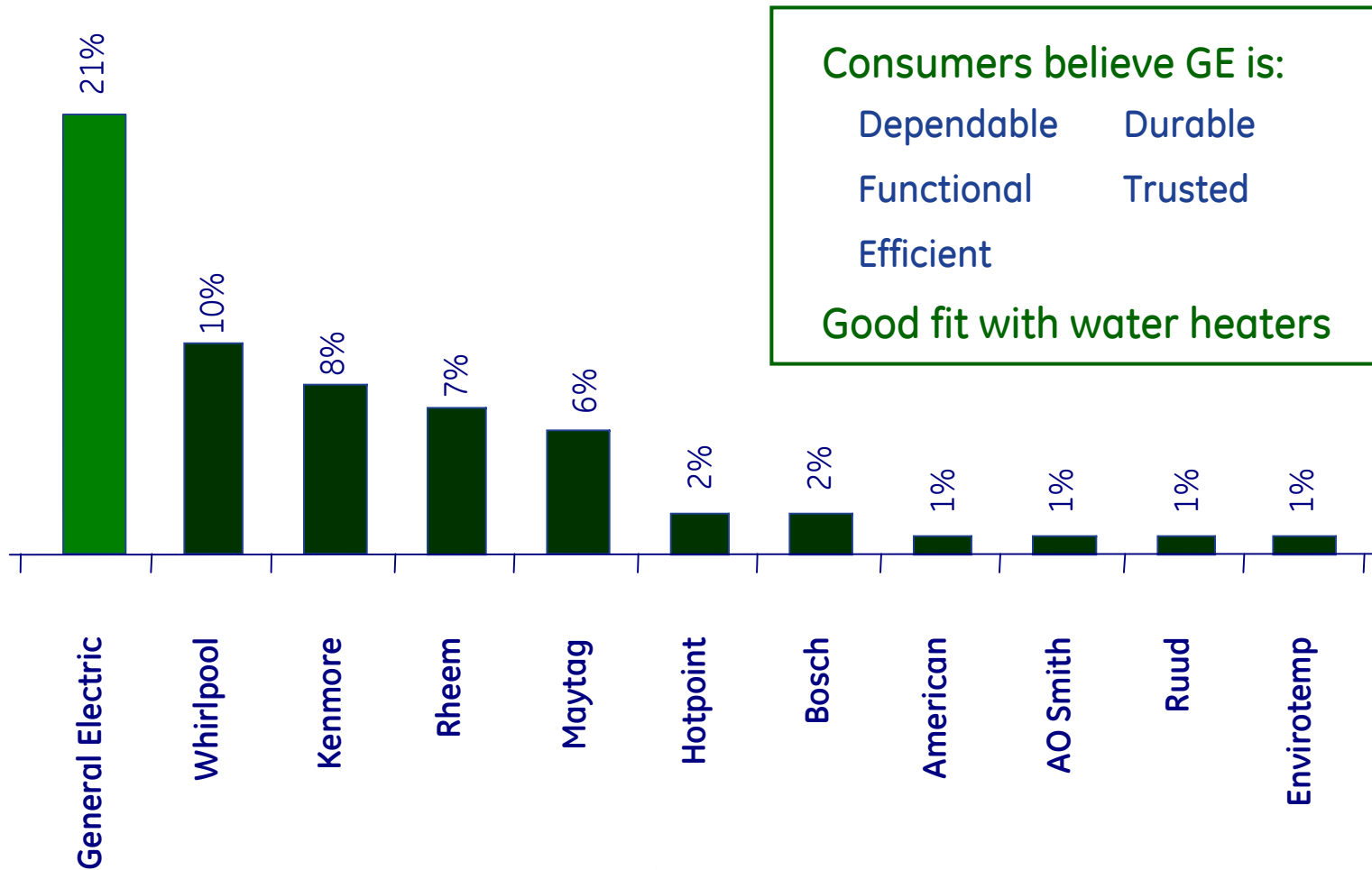
# Address the Concerns – Cold Climate Performance



Source: GE Internal Testing, GeoSpring, 2009

- Even at 45F, still delivering 1.8EF or 50% energy savings over standard electric tank water heaters
- Below 45F, unit switches over to standard electric elements
- Savings claims are based on DOE Energy Guide labeling and therefore, do not address impact to furnace or A/C unit

# Intangibles - Brand Strength



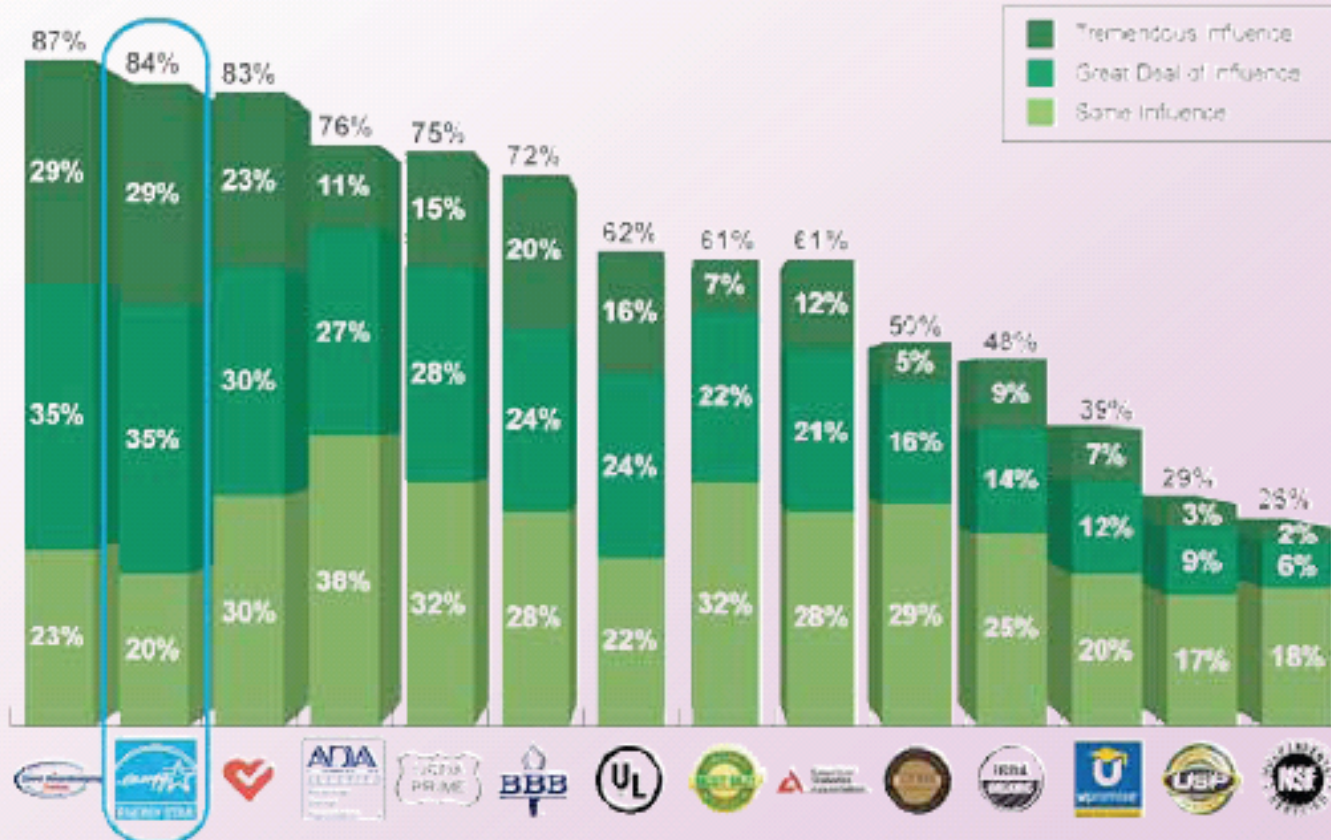
Source: Stevenson and Associates, July 2009, n=2,005



# Intangibles – Awards/Endorsements



# Consumers Trust ENERGY STAR

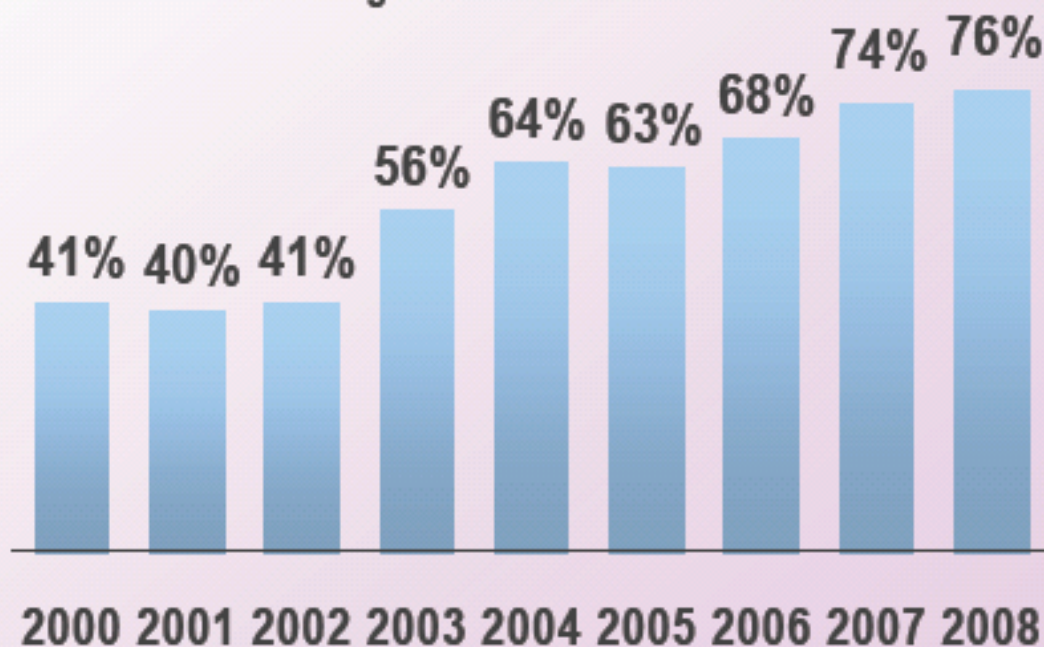


Source: Fairfield Research, Summer 2007



# Consumers Recognize ENERGY STAR

Aided Recognition of ENERGY STAR Label



Source: Consortium for Energy Efficiency Household Surveys (2001-2008). Standard errors vary between 1.5% and 2.2%.

# Marketing Strategies – Tankless Gas Water Heaters



## Highlight the Benefits

- Saves up to 35% in water heating costs compared to standard gas tank water heaters\*
- Provides continuous supply of hot water

## Address the Concerns

- Installation – target new construction

## Leverage the Intangibles

- Even more important due to less apparent product differentiation

\* Based on DOE test procedure, 2007 national average fuel costs, and comparison with a 75 gallon standard gas tank water heater

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