

Efficiency Programs and Distributors: Opportunities to Fully Leverage the Supply Chain for Greater Impacts

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ABSTRACT

This study was intended to: 1) describe the state of the residential HVAC energy efficiency programs, 2) explain HVAC market trends and dynamics related to efficiency, and 3) quantify the opportunity to address the challenges efficiency programs face by working in partnership with HVAC distributors.

The findings of this study establish that leading distributors are already playing valuable roles that can improve the outcomes of residential HVAC energy efficiency programs. This paper describes those roles in detail and provides recommendations for residential HVAC efficiency programs and other efficiency programs that operate within a similar supply chain (manufacturer-wholesaler-contractor-consumer).

Introduction

Energy efficiency program administrators face difficult challenges in achieving their goals of advancing the sale and proper installation of efficient residential HVAC equipment. Three of the most prominent are explained below.

HVAC Sales are Stagnant

Even though residential program budgets in the U.S. have grown by 129% since 2007 (from \$752 million in 2007 to \$1.72 billion in 2010), sales of HVAC equipment have stagnated. Data from the Air Conditioning, Heating, and Refrigeration Institute (AHRI) indicate that shipments of residential central air conditioners and heat pumps dropped by nearly 20% and shipments of residential furnaces dropped by 12% over the same period. While all of the factors impacting decreased HVAC sales are unknown, distributor interviews indicated that the economy was a—if not the dominant—factor and that efficiency program incentives were largely insufficient to overcome consumer hesitation to purchase these big-ticket products.

Program Traction is Limited

Distributors do not believe that efficiency programs have been major drivers of high efficiency product sales to date, especially when compared with the \$1,500 federal tax incentive that was in place during 2009 and 2010. The J.P. Morgan/HARDI 2011 HVAC Review and Outlook asked distributors, “Have you seen any benefits to your business this year from utility incentive programs?” 30% of respondents said yes. While it is unclear how many of those distributor respondents were active participants in their local programs, the fact that programs are not perceived as major sales drivers is a challenge to overcome.

Upcoming Standards will Decrease Savings

Changes to federal minimum standards in 2013 for furnaces¹ and 2015 for central air conditioners and heat pumps² provide a limited window for efficiency programs to capture energy savings from today's technologies. After those standards take effect, programs will need to look to emerging technologies to capture additional savings, or find ways to base program effectiveness in terms of installed penetration rates rather than assumptions of system replacement inevitability.

Research Objectives and Methods

The purpose of this research project was to explore the opportunities for increasing the market acceptance of high efficiency residential HVAC equipment³ through improved collaboration between trade distributor networks and energy efficiency program implementers.

To complete this research, VEIC used a combination of secondary and primary research. Sources used in the secondary research included energy efficiency program web sites, public utility commission web sites, papers and information presented at efficiency industry conferences such as the ACEEE Summer Study and the CEE Industry Partner Meeting.

Primary research included a web-based survey of HARDI member HVAC distributors and phone interviews with both HARDI members and energy efficiency program managers. The web-based survey was fielded in the summer of 2011. HARDI distributed a survey questionnaire via email to 318 HARDI member HVAC distributors. Over a three-week period, 70 usable returns were obtained, yielding a response rate of 22%. As HARDI member distributors comprise 80% of the dollar value of HVAC products sold through distribution, researchers believe that the sample is fairly representative of HVAC distributors as a whole.

VEIC conducted five phone interviews with managers of HVAC energy efficiency programs and ten interviews with senior-level management at HARDI member HVAC distributors. The interviews were conducted October 12-31, 2011 and ranged in duration from approximately 30 to 60 minutes. Efficiency program interviewees were selected based on their high level of experience working with distributors, and vice versa. As a result, the interview results are likely *not* representative of the majority of efficiency programs and distributors, but rather can be seen as leaders from which others can learn.

VEIC received permission from interviewees to use their names in the research report. The individuals interviewed and the territory covered by each company is provided in Table 1.

¹ See the Department of Energy website for more information: http://www1.eere.energy.gov/buildings/appliance_standards/residential/furnaces_boilers.html

² See the Department of Energy website for more information: http://www1.eere.energy.gov/buildings/appliance_standards/residential/residential_furnaces_cac_hp_direct_final_rule.html

³ The authors define "energy efficient" as cooling/heating equipment meeting the ENERGY STAR specifications.

Table 1. Interviewees

Individual Interviewed	Company	Location/Territory
Meena Beyers	Resource Solutions Group	IL
Buzzy Hill	Mingledorff's	GA, AL, FL, MS, and SC
Ann Kirkpatrick	Xcel Energy	CO
Individual Interviewed	Company	Location/Territory
Paul Kylo	Southern California Edison	CA
Jim Mangini	Carrier Enterprises	Nationwide
Layne Miller	Geary Pacific Supply	AZ, CA, NV, and OR
Bob Munch	Munch Supply Company	IL and IN
Bill Newland	Hercules Industries	CO, WY, NM, UT, and AZ
Mark Kell	Hercules Industries	CO, WY, NM, UT, and AZ
Amy Patenaude	Efficiency Vermont	VT
Russell Rhodus	Conservation Services Group	OH
John Richardson	Gorman Industries	NM
Debbie Riley	Riley Sales	PA and NJ
Randy Roberson	Duncan Supply	IN and IL
John Staples	US Air Conditioning Distributors	CA, UT, ID, NV, and AZ

Research Findings

Distributor Research

VEIC's research with HARDI member distributors was intended to describe the role that distributors are playing in supporting residential HVAC programs across the U.S. and to identify the successes and challenges that have arisen from distributor-efficiency program interactions to date. Further, this research attempted to uncover distributors' opinions and preferences with regard to energy efficiency program design and implementation and identify any untapped value that distributors could potentially bring to efficiency programs as part of future collaboration.

About distributors. Respondents to the web-based survey were actively involved in the sale of high efficiency products. However, there was a wide variance in the percent of sales that they attribute to high efficiency residential HVAC equipment, ranging from very little (4.7% of respondents reported 5% or less of such sales) to very high (6.3% of respondents reported 86 to 95% or less of such sales). When respondents were asked for the approximate percentage of residential HVAC sales that represented high efficiency equipment, the most frequent response was 26 to 35%.

Respondents also indicated that they are actively engaged in training programs for their contractor customers. Approximately 92% of respondents offered training programs. Regarding frequency of training, the average number of training programs offered by a distributor was 21 per year. The average number of attendees per training event was 19 people. Training appears to be customized by each distributor. Approximately 60% of distributors developed their own training curriculum for their contractor customers, while 40% used training provided by OEMs and other suppliers. Approximately 56% of distributors offered training in person, with 44% offering training in person and over the web.

Training on efficiency programs appears to be needed, with 58% of distributors who responded to the survey stating that their contractor customers first learn about energy efficiency incentive programs through their training sessions. While this is self-reported data and thus may not

reflect the actual state of contractor knowledge, it is clear that the majority of distributors believe that they are a key source of efficiency program information for their contractor customers. In terms of training on quality installation in accordance with the ANSI/ACCA 5 Quality Installation Specification, less than half (48%) of distributors offered that training. Of those that do, 24% did so with support from local energy efficiency programs.

Experience with efficiency programs. Respondents to the web-based survey also noted that efficiency programs are prevalent in their territories, with approximately 77% of respondents reporting that there is an active efficiency program in their territory. Rebates for residential HVAC equipment were also prevalent. And, while familiarity with local efficiency programs was high, a contingent of distributors did not know if there was an efficiency program in their territory (15%).

In cases where an active efficiency program exists, 100% offer rebates for residential HVAC equipment. Program support for training on quality installation were not found to be prevalent. Approximately 13% of respondents reported that their efficiency program offers support for training on quality installation.

A sizeable portion (64%) of distributor respondents had worked with the administrator(s) of their local energy efficiency program.⁴ Their work included, but was not limited to:

- Coordinating promotions and training
- Developing programs
- Sponsoring programs for interested contractors
- Providing rebate education
- Providing information about efficiency thresholds and price premiums

A majority of respondents (88%) was interested in playing a larger role in promoting high efficiency residential HVAC equipment. The roles respondents were most interested in playing included being eligible for co-op marketing dollars, hosting training about efficiency programs, and assisting in the design of programs.

In response to the question “What would you prefer energy efficiency programs focus their incentive dollars on?” 74% of respondents indicated a preference for rebates to homeowners. Funding for joint efficiency program-distributor marketing was the second most common response, but a distant second at 25%. Ten percent of respondents indicated other preferences including: financing programs for customers, a mix of all of the stated options, and stopping all rebates to allow the industry to sell the true value of more efficient products. The preference for homeowner rebates was echoed in the distributor interviews, where distributors stated that the critical time for decision making about efficiency is when a contractor sits down with a consumer at a kitchen table. Through that lens, the program components that would seem to be most valuable in generating an efficient outcome are: contractor training (including sales training), marketing to prime the consumer, and a consumer rebate to help close the deal.

Efficiency program impacts. During the phone interviews, six distributors commented on the question of whether the efficiency programs operating in their territory were having an impact on their business-as-usual practices. Four of the six distributors commented that the programs were

⁴ Through the web-based survey, researchers were unable to determine whether distributor involvement led to increased customer participation and energy savings. However, the energy efficiency program managers who were interviewed stated that was the case.

not having a large impact. For example, U.S. Air Conditioning indicated that when federal HVAC tax credits were available, they would pair them with a manufacturer rebate and an efficiency program rebate and could make an impact. Now that federal incentives are no longer as robust and the economy is weak, efficiency programs alone are not increasing sales. On the other hand, Duncan Supply offered that the entire HVAC industry was fixated on the federal tax credit because it dwarfed the local utility incentives, but now utility credits are the only thing left. Duncan Supply concluded that if a distributor wants to avoid fighting on lower cost, they need to push the utility incentives more than they ever have.

Distributors also gave examples about the success of promotions around a particular technology during the interviews. For instance, Geary Pacific said that the Pacific Northwest program for ductless mini splits had been a tremendous success due in part to an attractive rebate amount. The product class has grown 50% year over year, which would not have happened without the program. Hercules Industries (located in Colorado) noted that an efficiency program for evaporative cooling was driving a significant number of sales, also in part due to incentives.

These interview responses are consistent with the findings of the J.P. Morgan/HARDI 2011 HVAC Review and Outlook, which asked, “Have you seen any benefits to your business this year from utility incentive programs?” 70% of the respondents said no, a similar number to the 66% of distributor interviewees who stated that they are not seeing large impacts from incentive programs.⁵ One of the reasons J.P. Morgan/HARDI noted in their report was that, compared to the federal tax incentives in 2009 and 2010, energy efficiency programs have tended to be less successful because the incentive size is smaller and because they are more fragmented regionally, making it difficult to achieve widespread awareness.

In addition, the distributor comments on efficiency program success underscore industry trends in terms of decreasing equipment sales over time. For example, in California, shipments of residential air conditioners and heat pumps fell 15-25% year over year from 2007-2010—at the same time that the Consortium for Energy Efficiency estimated that budgets for residential efficiency programs in California rose from \$232 million in 2007 to \$319 million in 2010—an increase of 37.5%.

Distributor influence on contractors. During the interviews, distributors were asked whether they are 100% responsive to what their contractor customers ask them to provide or if they influence their contractors’ ordering decisions at all. All of the distributors who were interviewed said that they do *try* to influence their customers, though some commented that the extent to which they are successful varies. For example, Munch Supply stated that they try to get the contractor to understand that higher profits can result from selling energy efficiency. Munch Supply works to make sure that the contractor understands the benefits to the consumer and knows how to overcome price objections.

Distributor-efficiency program interactions. The interviewed distributors gave several examples of how they are working together with efficiency programs. Munch Supply worked with local energy efficiency programs (Commonwealth Edison, Peoples Gas, North Shore Gas, and Nicor) to host meetings for contractors and give utilities an audience to present on programs.

⁵ It is interesting to compare the distributor perspective about efficiency program success to the perspective of the efficiency programs themselves. While the researchers did not perform an exhaustive analysis, they did ask managers of efficiency programs about their program success during one-on-one interviews. Of the three managers who commented on this point, two noted that they were not currently meeting goals.

Munch Supply had 70 contractors at a meeting, which helped the energy efficiency program enroll contractors. Duncan Supply also hosted meetings for its contractors and the local efficiency programs, making use of its spring marketing meeting to bring a program implementer in to present. Riley Sales invited efficiency program staff to “Lunch and Learn” sessions to present to contractors and then to go to the counter and sign up contractors for the program.

Some distributors have gone further than simply promoting current program offerings. They have helped the efficiency program design new programs. For example, Duncan Supply helped a utility in eastern Illinois develop an air-source heat pump program. The utility already promoted ground source heat pumps and wanted to expand and asked Duncan Supply for help in learning about the technology and market barriers. Geary Pacific worked with Southern California Edison to develop a program for school classrooms. Geary Pacific went to the utility on behalf of the local school district to ask for a program change, and successfully worked on this initiative over three years. Riley Sales also said they have worked with some efficiency programs to request that new products but that those requests have not yet resulted in changes.

Contractor training. All of the interviewed distributors were heavily involved in contractor training activities. Training topics that they offer include business courses, sales courses, and technical courses. They viewed training as an essential service that they offer to their customers, one that differentiates them from other distributors, decreases warranty claims (in the case of technical training), and increases on-time payment of invoices by contractors (in the case of business basics training).

Some distributors have mandatory trainings for their employees (e.g., Mingledorff’s employees have specific requirements annually with most managers obtaining 40-50 hours of continuing education per year) or for their authorized dealers.⁶ The majority of the distributors interviewed also included energy efficiency information in both sales and technical trainings. However, providing training on general energy efficiency concepts was not prevalent. Rather, distributors included energy efficiency aspects of equipment in technical trainings and stressed how to upsell a customer to a more efficient product in sales trainings.

Training specific to *energy efficiency programs* was fairly common among the distributors interviewed, with 62% of distributors interviewed incorporating information on rebates into their training curricula. For example, U.S. Air Conditioning indicated that they include available rebate programs in both sales and technical trainings and has invited representatives from efficiency programs to those events with good results. On the other hand, Geary Pacific has not done formal trainings on efficiency program rebates. The reason is that distributing information on rebates is done by Geary Pacific’s Territory Managers, who reach out to local contractor customers and train them in a one-on-one setting.

⁶ Dealers are a subset of contractor customers who meet certain requirements and receive special pricing, training, and other benefits.

Emerging technologies. Even working outside of efficiency programs, distributors have provided a link between manufacturers and customers who could benefit from new technologies. For example, Mingledorff's described their work with a research laboratory to evaluate their air distribution and venting system. The lab was venting a significant amount of conditioned air to the outside from the exhaust hoods over work stations and Mingledorff's identified that as a significant savings opportunity. They found a manufacturer who was able to modulate the flue and reduce the venting, saving the customer money on cooling.

Specification and incentive levels. Gorman Industries noted that most incentives they see are in the range of \$200 for 14 SEER equipment, which is not enough to get a consumer's attention. They recommended that efficiency programs increase the incentive amounts, promoting higher efficiency equipment if needed to offset incentive costs. Munch Supply picked up on this point as well, noting that a lower incentive at a lower specification level has less of an impact on decision making than a higher incentive at a higher specification level.

Distributors were also asked how large incentives need to be to influence decision making. They responded to this question in two ways. Some responded in terms of the percent of incremental cost that needed to be covered, and these responses ranged from 25-75% of incremental cost. Others responded with a specific dollar amount, stating that incentives need to be at least \$300 (Riley Sales) or between \$500-\$750 (Gorman Industries). U.S. Air Conditioning commented that since the recession, higher rebate amounts are needed to change behavior.

Marketing efficiency programs. Larger incentives are not the only recommendation distributors have for efficiency programs. Carrier Enterprise suggested programs increase their marketing efforts directed at distributors and contractors. They felt that rebate dollars should be focused at the customer level, but the distributor and contractor are the ones who need to sell the program to the consumer. General efficiency program marketing to the public is not effective given HVAC is not thought of until a system breaks and needs replacement.

Other distributors agreed that marketing of HVAC programs could be more effective. Gorman Industries said that the utilities in their territory rely too much on bill inserts and that billboard, radio, and television promotions are needed also. Riley Sales suggested that programs create a portal on the web where contractors can go to find out about program status and changes. In addition, mailing postcards to a contractor mailing list would inform those that are not web savvy. Hercules Industries noted that efficiency programs could educate customers to better understand their utility bills because contractors who attempt this have limited success.

Energy Efficiency Program Research

In 2010, according to the Consortium for Energy Efficiency, energy efficiency program administrators across the U.S. and Canada spent \$7.5 billion on electric and natural gas efficiency programs, which offer a variety of services and rebates to promote more efficient equipment and behaviors. While the bulk of this spending was directed at electric efficiency opportunities, of the \$7.5 billion, \$1.2 billion was spent on natural gas efficiency programs. This is an increase of 21% over 2009 spending.

According to the Energy Information Administration, heating and cooling accounts for 53% of residential energy consumption in 2010. This share is expected to increase through 2030

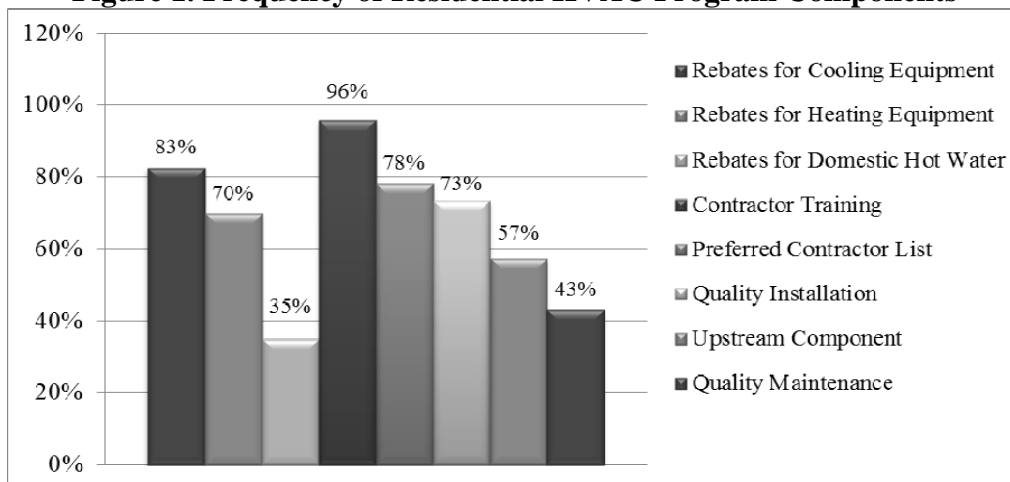
to a total of 59%. This makes addressing heating and cooling loads a high priority for efficiency program administrators, many of whom do this through HVAC focused programs.⁷ Table 2 presents a snapshot of how common HVAC rebates are among efficiency programs promoting electric and natural gas measures, based on Consortium for Energy Efficiency data from 2010.

Table 2. Prevalence of HVAC Efficiency Programs

	Percent of <i>Electric Programs Offering Rebates</i>	Percent of <i>Gas Programs Offering Rebates</i>
Gas and oil furnaces with efficient furnace fan	-	81%
Boilers	-	73%
Central air conditioning and ductless mini-splits	64%	-
Room AC	38%	-
Air source heat pumps	76%	-
Domestic hot water	29%	73%

Program components. VEIC researched 23 efficiency programs from across the U.S. and gathered information to define the typical characteristics of residential HVAC programs. These included type of fuels and products covered, equipment rebates offered, prevalence of contractor training, use of a contractor pre-approved list, and whether quality installation and quality maintenance were promoted. (The definition of quality installation and maintenance were not examined as part of this study.) The frequency of these program components is given in Figure 1.

Figure 1. Frequency of Residential HVAC Program Components



Program success. To answer the question of whether residential HVAC efficiency programs are successful, VEIC examined the market penetration of high efficiency products both nationally and in areas with efficiency programs. In this analysis, assuming appropriate specification levels are promoted, high market penetration (e.g., over 50%) would indicate that programs have made significant inroads.⁸ Moderate market penetration (e.g., between 25-50%) would indicate that the programs are indeed successful in influencing the sale of high efficiency equipment. Low market

⁷ Other approaches to address heating and cooling include building shell programs (e.g., air sealing and insulation), or whole house efficiency programs.

⁸ In areas where free ridership is an issue, efficiency programs with market penetration of over 50% would likely need to ramp down or increase specification levels.

penetration (e.g., less than 25%) would mean that there is still significant potential for efficiency programs to garner additional savings through more effective program design and implementation. It should be noted that the downside associated with this approach is that it is difficult to tease out the impacts of other factors that influence market penetration, such as federal tax incentives, from the impacts of the efficiency programs themselves.⁹

Table 3 below shows EPA’s estimates of national market penetration of various types of ENERGY STAR qualified HVAC equipment. The data, from 2010, are the most recent available, though they do include sales made due to the influence of the \$1,500 federal tax incentive, which expired at the end of 2010. Even with the tax credit, these data indicate that there is still significant opportunity to promote ENERGY STAR central air conditioners and water heaters. The higher market penetration of ENERGY STAR heating equipment is not surprising given EPA has announced upcoming changes to the specification levels. Once those specification changes take effect, it is expected that market penetration for heating products will fall.

Table 3. ENERGY STAR HVAC Market Penetration, 2010

Product Category	2010 Estimated Market Penetration Specification
Residential Oil Boilers	61%
Residential Gas Furnaces	61%
Residential Gas Boilers	52%
Geothermal Heat Pumps	47%
Air-Source Heat Pumps	46%
Residential Oil Furnaces	36%
Central Air Conditioners	27%

In addition to examining national market penetration, VEIC also estimated the market penetration in New England. For six programs, the estimated market penetration in 2008 ranged from a high of approximately 10% in Connecticut to a low of 0.5% in Vermont. This analysis used program data, utility account population data, and central air conditioning saturation and housing information from the Residential Energy Consumption Survey and estimates of annual market opportunities based upon the average lifetime of central air conditioning equipment and the total population of equipment in the region.

Value of working with distributors. Leading efficiency programs have already begun to experience the benefits of working with distributors. Each of the five efficiency program managers interviewed stated that they got significant value out of working with distributors. Xcel Energy noted that the relationship between the utility, OEMs/distributors, and contractors is a triangle that requires connection on all sides. Though they reach out to all contractors, Xcel understands that top tier contractors have relationships with OEMs and distributors, through which they get discounts, training, etc. As a result, the program needs to have relationships with OEMs/distributors also so that they can leverage the benefits.

In addition, Resource Solutions Group stated that each distributor relationship has been essential to the program it administers in Illinois. The relationships are essential because each

⁹ Sales data from HARDI members indicates that the impacts of the \$1,500 federal tax incentive were significant. Leading up to the phase out of the tax incentive, sales were up 24% and 17% in November 2010 and December 2010, respectively, as compared to the previous year.

company represents different product lines and helps the program understand different technologies and products. Also, the connections to contractors they provide are invaluable to program success. In particular, when working in a large service territory, like Nicor's which covers the northern one-third of Illinois, the program would not have the geographic reach or penetration with contractors if it was not involved with distributors.

Conservation Services Group agreed, stating that distributors are a great place to reach many contractors at once. Because distributors are already doing what they can to make their contractors competitive, the efficiency programs are appealing to them. Working with distributors has allowed the program to access contractors effectively and resulted in access to higher level information about forecasts to match against contractor sales estimates.

Southern California Edison cited that influence on contractors is a significant benefit of working with distributors. They said that distributors have a huge influence on contractors regarding what products to buy, including efficiency level.

Efficiency Vermont commented that it looks to distributors to provide technical expertise to contractors and end-use customers in its commercial HVAC program. Before working directly with distributors, the program was challenged because end users do not have the technical expertise to understand paperwork or program requirements, and contractors are reluctant to spend their time filling out paperwork. Distributors helped address those issues.

The efficiency program interviews also showed that these program managers have established effective working relationships with HVAC distributors. Their work most commonly fell into the following categories: encouraging contractors to participate in the program, training contractors on efficiency issues, promoting the program, stocking efficient equipment, providing sales trend data, and providing input on program improvements.

Recommendations

Based on the secondary research and the distributor and efficiency program interview responses, suggestions for efficiency program managers on how to improve program results are provided below. While these recommendations are the result of research into the residential HVAC market, they can be applied to efficiency programs that operate in any similar supply chain (manufacturer-wholesaler-contractor-consumer).

Work with Distributors Early in the Program Design Process

Nearly 90% of distributors who responded to the web-based survey were interested in playing a larger role in promoting high efficiency residential HVAC equipment. Involving those distributors as plans are being made (not after the program is fully established) is a key to success. Southern California Edison recommended working with distributors as early as possible in the program design process because it is important to get input and feedback up front, incorporate it to the extent possible, and then share the program design again. This makes distributors more supportive of the program at the launch.

Get an External Perspective on Program Changes

Xcel Energy recommended getting external perspective and asking how program changes look from a distributor and contractor perspective. Since trade allies are the main contact to customers, it behooves the program to understand how they perceive the program and whether any tweaks are needed. Xcel Energy has found that this interaction results in helpful feedback and enables distributors to provide value to their contractor customers by positioning them as an efficiency program expert that can answer questions once changes are announced. In another example, Efficiency Vermont gathered input on the ease of submitting program paperwork and as a result of feedback, moved to an online system to ease the burden on participants.

Efficiency programs should pay special attention to distributor and contractor perspectives when they are contemplating program elements that could be considered duplicative or competitive to a role already played by the industry. For example, given that contractor training is a nearly universal service offered by distributors, efficiency programs would be well served to talk with distributors before setting up their own training efforts to make sure that they are leveraging resources already in place rather than competing with them.

Leverage the Distributor's Training and Sales Events

Most efficiency program training is focused on contractors, and distributors can play a large role in getting the right training to contractors at the right time. This research found that the vast majority of HVAC distributors (92%) offer training to contractors, including sales, technical, and business basics courses. Further, 58% of distributors who responded to the survey stated that their contractor customers first learn about energy efficiency incentive programs through their training sessions.

Comments by Geary Pacific and Munch Supply indicated that training is needed to help contractors overcome price objections and move toward features/benefits/value based selling. When approaching distributors about working together on training events, efficiency programs should pitch sales training events focused on upselling to efficiency and competing successfully against low-price bids, because it would address this barrier while benefiting both the program and the distributor.

Ask for Sales and Market Trend Insights

Resource Solutions Group stated that they have found value in attending distributors' sales meetings or territory meetings to learn about products and sales trends that could impact its programs in Illinois and about specific barriers that exist for different products that are promoted. Xcel Energy also gained insight into what products would be introduced in the short term and which product classes would grow in popularity. For example, when their program started in 2009, 2-stage HVAC equipment was not widely installed. It is now very common in their service territory, with the implication that Xcel needs to more closely examine the AHRI product certificate to determine qualification. Distributors helped Xcel prepare for that trend. HARDI and other distributor trade associations offer industry sales reports, trends, and market forecasts to which energy efficiency programs should subscribe to better understand their installed bases.

Get Distributor Help with Program Promotion

Because distributors are viewed as “trusted sources” of information by contractors and influence their ordering decisions (at least to a degree), distributors can be very helpful in securing contractor participation in efficiency programs. Both the distributor and efficiency program interviews yielded recommendations that efficiency program managers simply ask for help with program promotion.

For example, Xcel Energy routinely asks distributors to put program related events on their calendars, put signs at their counters, send email blasts out to their customers, etc., and has achieved good results through this approach. Conservation Services Group recommended that efficiency programs ask to attend the distributor’s “counter days.” Most distributors have counter days, where they provide contractors with the option of coming in and placing orders. An efficiency program in the Midwest has attended counter days (often with donuts and coffee) to provide contractors with information about the program. This has been very time efficient, allowing program staff to access upwards of 50 contractors in one day.

Conclusion

This study has established that HVAC distributors play valuable yet generally under-recognized roles that can improve the outcomes of residential HVAC energy efficiency programs. Specific areas ripe for partnership between efficiency programs and distributors include: program promotion, stocking efficient equipment, contractor outreach, contractor training, understanding sales trends, and providing program input. By recognizing distributors as a crucial part of the manufacturer-wholesaler-contractor-consumer supply chain, efficiency programs can best leverage those partnership opportunities and achieve their objective of increasing the sale and installation of efficient equipment.

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