Mystery Shopping for Water Heaters: Market Mechanics Revealed

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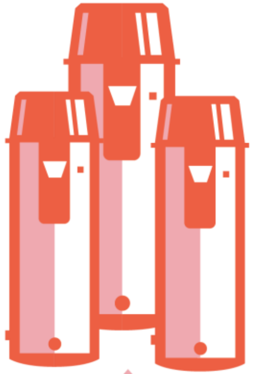
Presented at: *2019 ACEEE Hot Water Forum*

D+R International

Heat Pump Water Heater Sales Barriers

High upfront cost



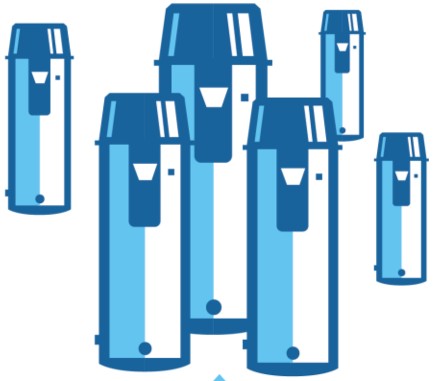
Limited supply channel availability

A lack of motivated installers

Limited consumer awareness & demand

Transformed Market

Same (or lower) first cost



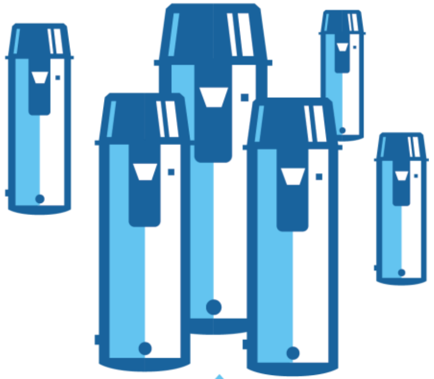
Universally available

Enthusiastic installers

Confident customers

Transformed Market

Same (or lower) first cost



Universally available

Enthusiastic installers

Confident customers

“When [installers] recommend a HPWH, customers will end up going with that choice 30 to 50 percent of the time.”

Cadeo, Northwest Energy Efficiency Alliance (NEEA), “Northwest Heat Pump Water Heater Initiative Market Progress Evaluation Report #4, ”September 27, 2018, p. iii

MYSTERY SHOPPING

JUNE-AUGUST 2017

Key Research Questions

- What is the emergency water heater replacement sales process?
- What is installer familiarity, knowledge, and overall attitude to HPWH?
- How actively are water heater installers selling HPWH?
- What is the price premium on HPWH vs standard?
- How are sales practices impacted by installer certification and utility program design?

6 States 192 Installers (% Certified)

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WA
31 (52%)

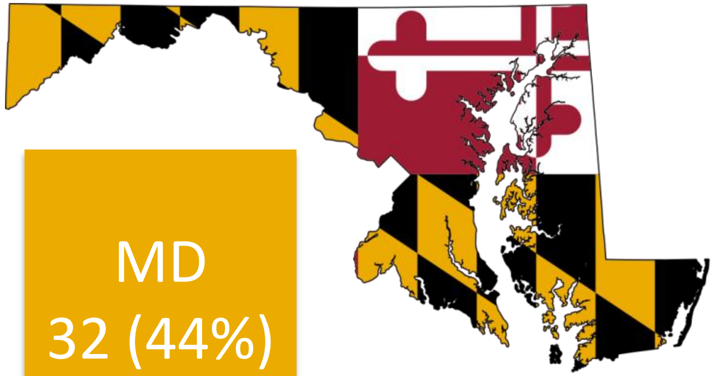
VT
31 (53%)

ME
32 (53%)

OR
30 (53%)

FL
36 (NA)

MD
32 (44%)



Southeast Market (2017)

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Maryland

- EmPOWER MD $500 Mail-in/Online
- 75,000 ERWH annually

Florida

- Orlando Utilities $500 mail-in/online
  - No programs outside Orlando
- 302,000 ERWH annually

Source: D+R International, 2017

Northwest Market (2017)

Washington

- NEEA Hot Water Solutions $200 upstream
- 33 utilities $500-$800 mail-in/online
- 87,700 ERWH annually

12+ distributors, 160+ branches, 6,000+ installers

Oregon

- NEEA Hot Water Solutions $200 upstream
- Energy Trust $300, + local mail-in/online
- 42,000 ERWH annually

Source: D+R International, 2017
Northwest Energy Efficiency Alliance, MPER #4, 2018

Northeast Market (2017)

D+R International

Vermont

- Efficiency Vermont $500 Instant Rebate
- 6,000 ERWH annually
- 35 certified installers

60% HPWH

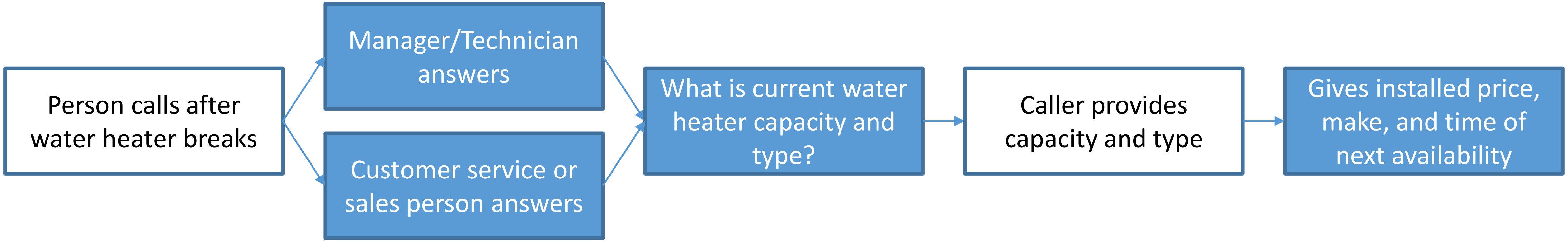
Maine

- Efficiency Maine $750 Instant Rebate
- 19,000 ERWH annually
- 166 certified installers

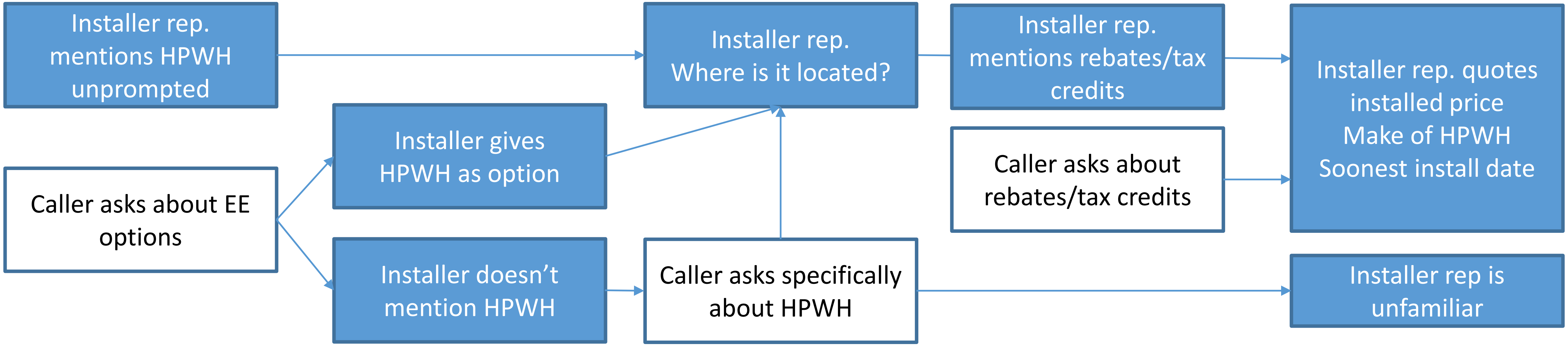
Source: D+R International, 2017

What did we find?

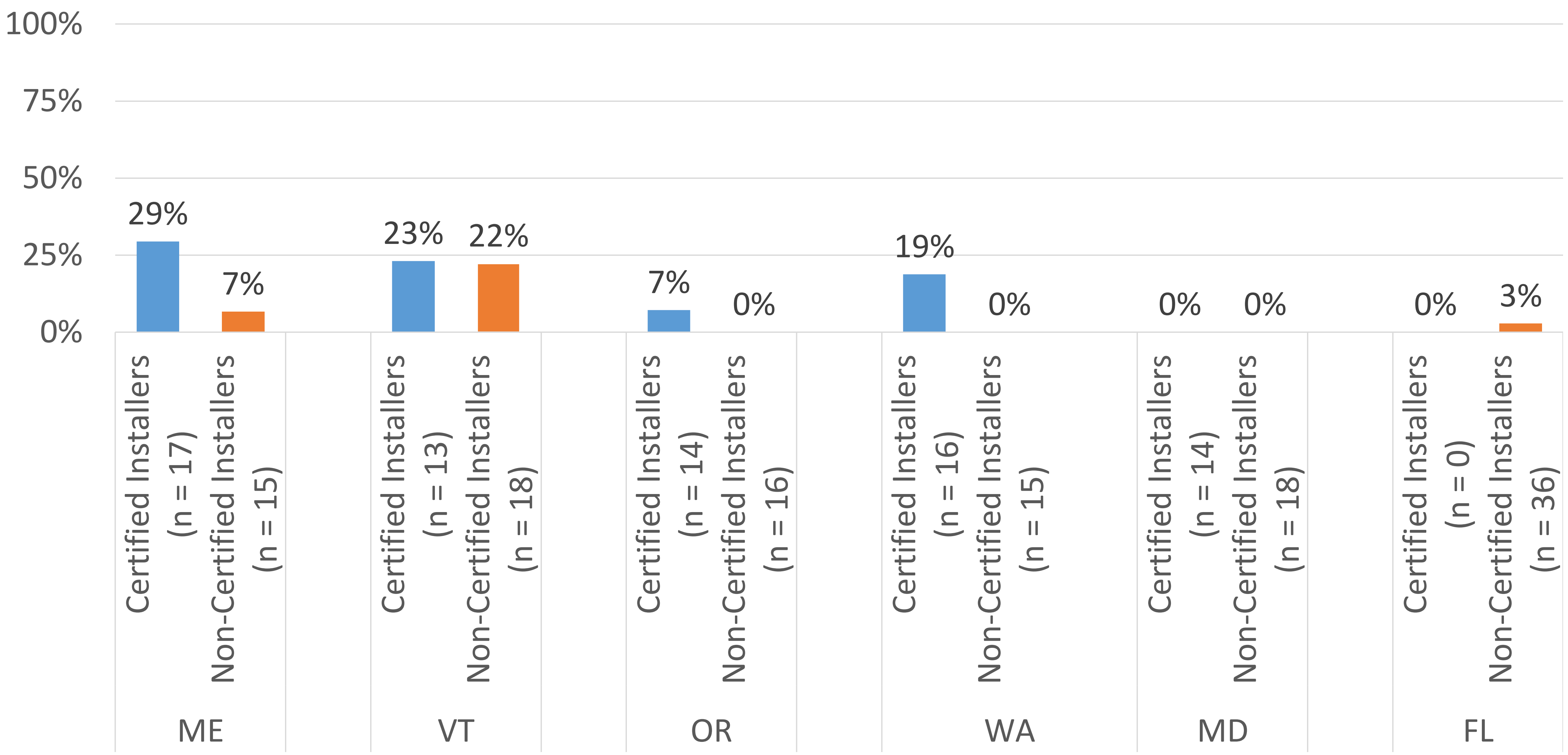
The Typical Installer Sales Process



Sales Process When EE Option is Requested



Mentioned HPWH Immediately



Suggested HPWH Or Asked Where It Is, When Asked "Are There Any More Energy Efficient Options?"

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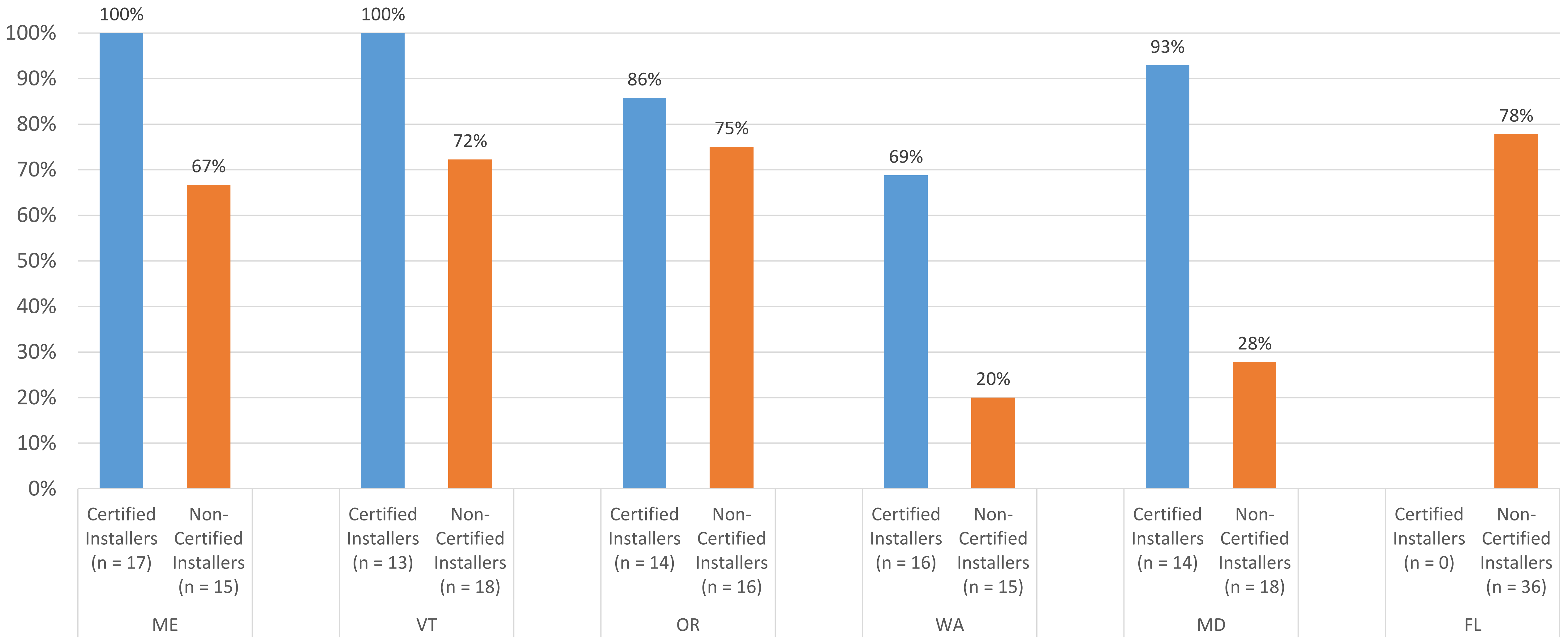
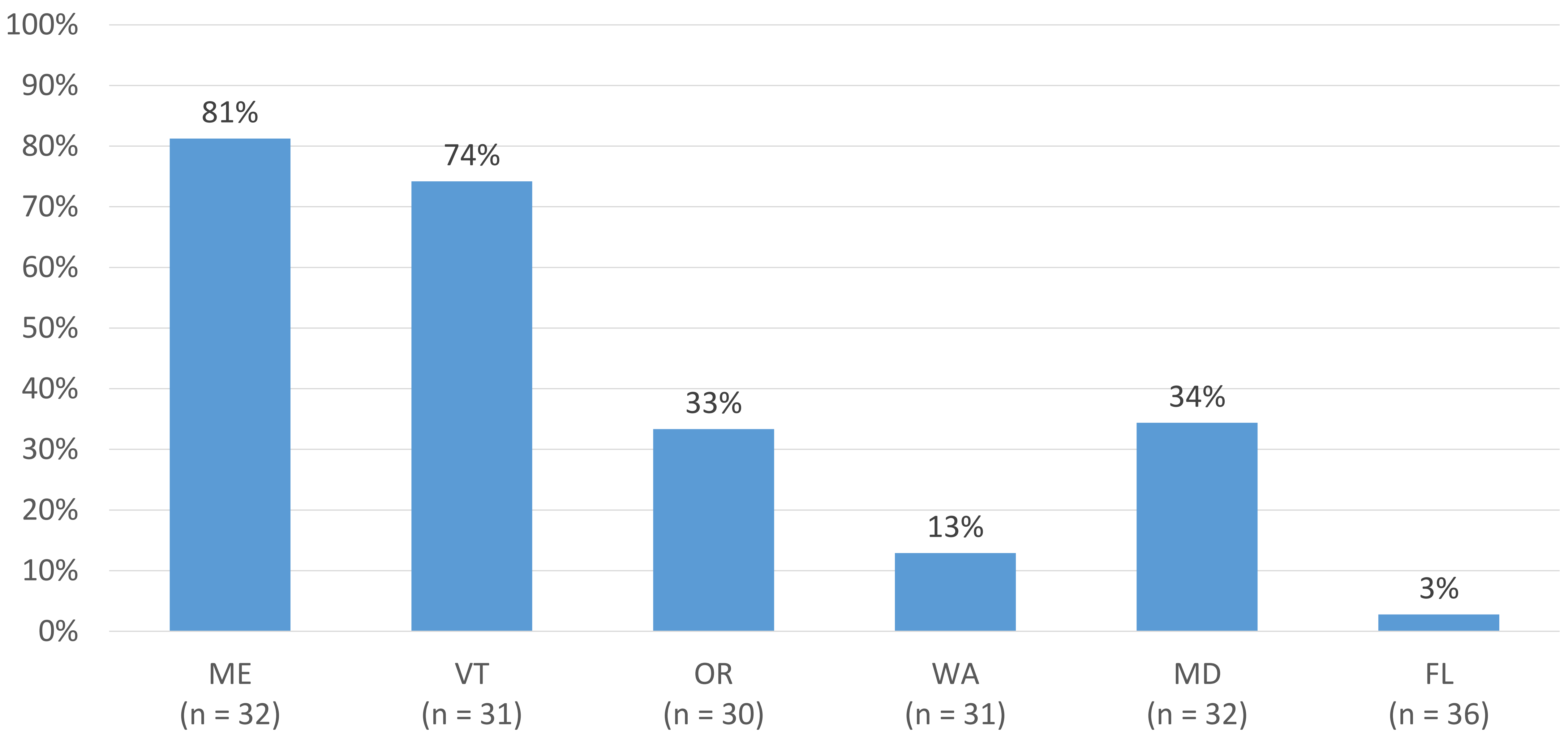
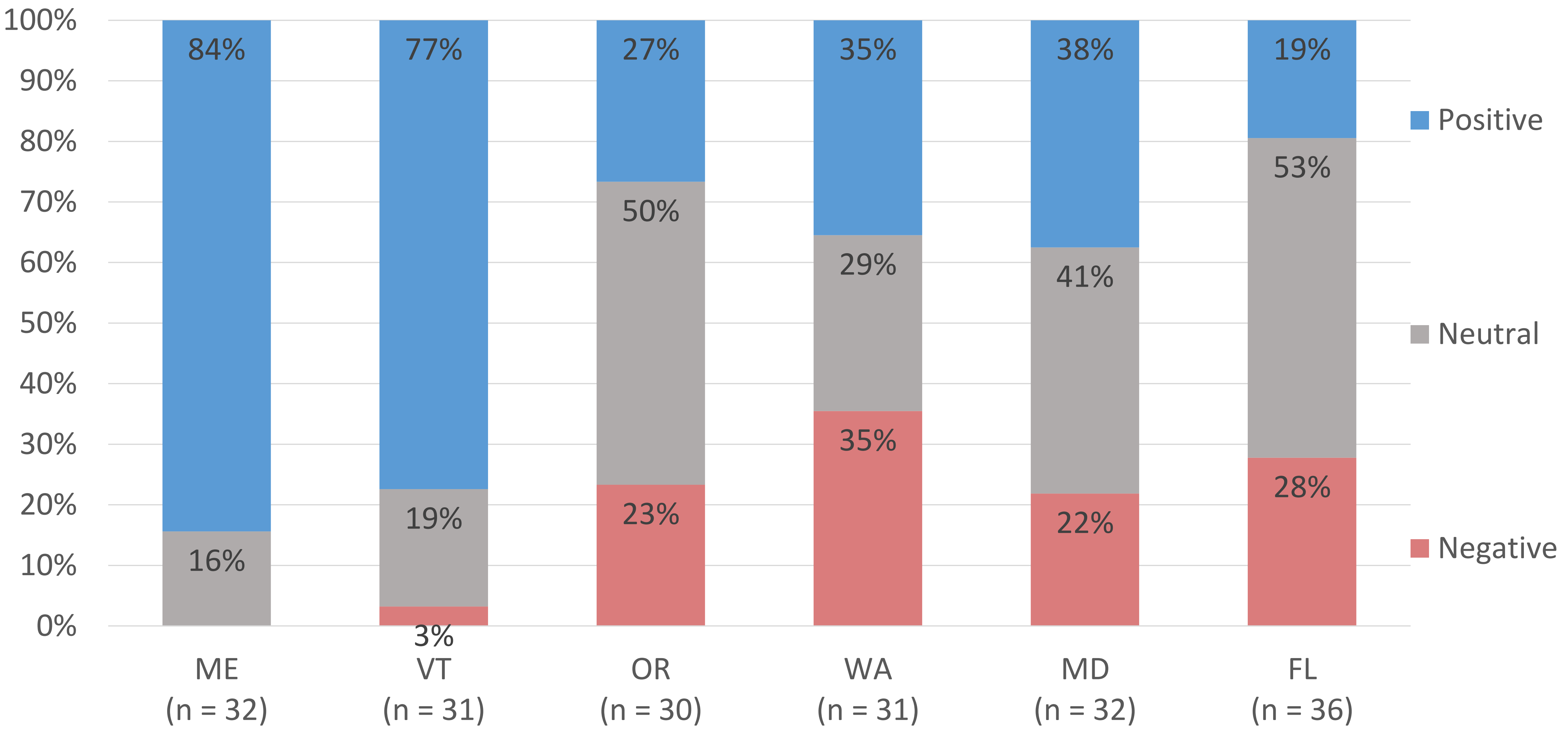


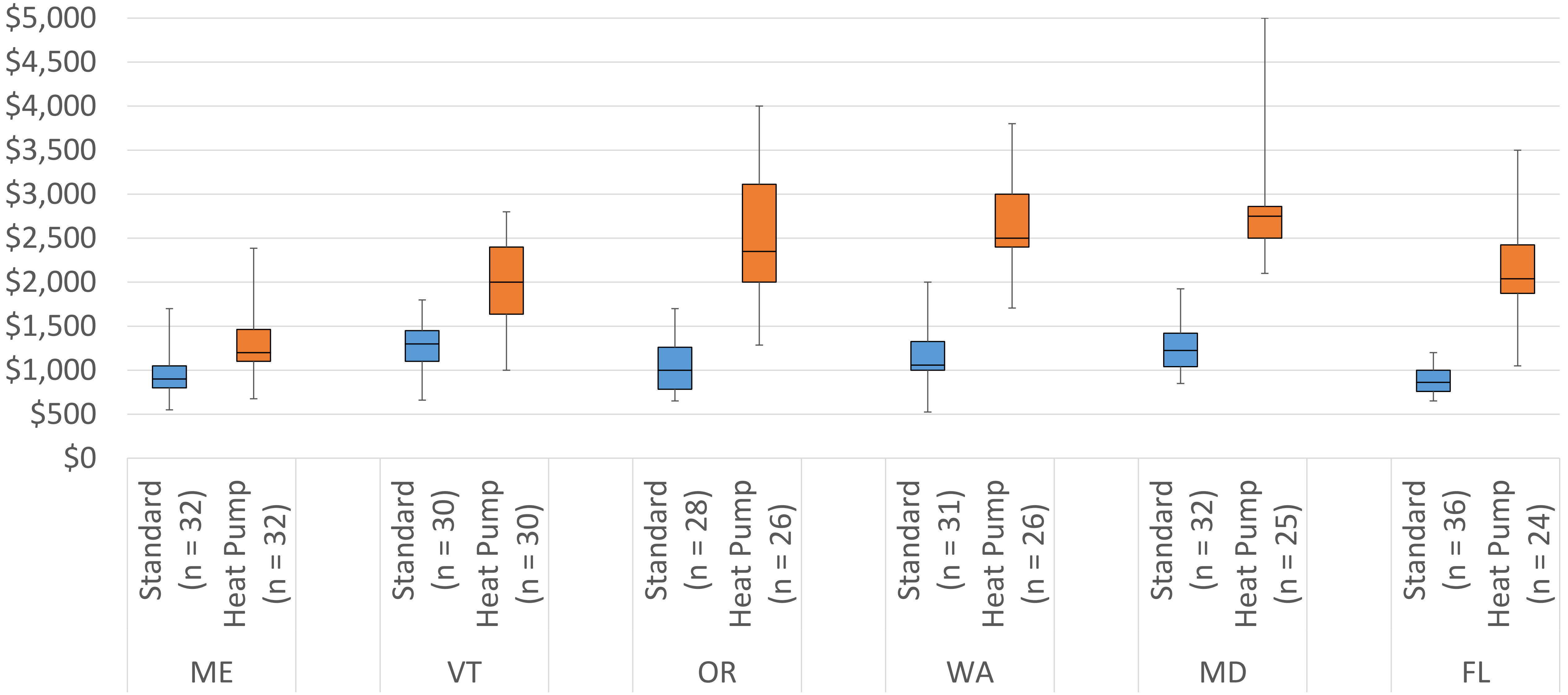
Correctly Named Rebate Provider or Rebate Amount



Installer Framing of HPWH Option



Quoted Prices



Installers That Could Install New WH Within Two Days

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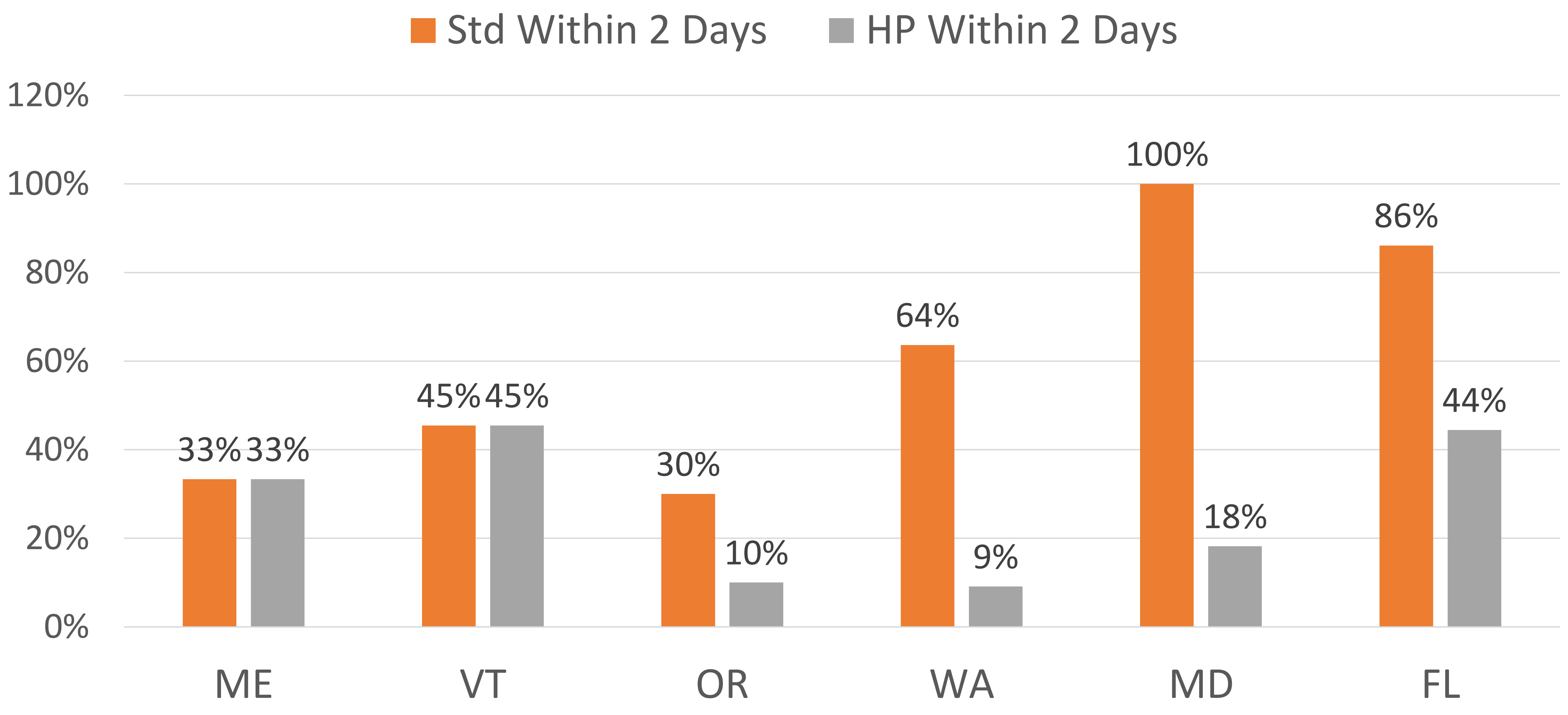


CONCLUSIONS

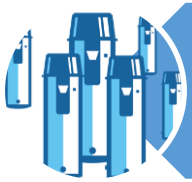
Midstream instant rebate programs impact behavior

Offer HPWH unprompted

Have a positive attitude about HPWH

Know and use HPWH selling points

Quote lower prices for HPWH



Give same installation timeframe regardless

But instant rebates alone aren't the answer

Direct engagement with installers and distributors is essential to align programs with business models and get buy-in

Few companies install more than 5 WHs per month; it is hard to adopt processes and dedicate training when the sale is very infrequent

Volume installers are incentivized on volume and resistant to complex installs and sales

Distributors won't discount price up front if they need to wait for data or if installers don't know to expect a discount

The more utility programs, distributors, and installers in a market, the harder it is to establish consistent messaging

Reduce administrative burden by providing admin fee, automating processes, and coordinating messages as much as possible

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ACEEE 2019 HOT WATER FORUM
NASHVILLE, TN
TUESDAY MARCH 12, 2019, 1:30 PM - 3:00 PM

PANEL 2D INNOVATIVE PROGRAMS: WHERE ARE WE TODAY?

PRESENTER: BRIAN BOOHER
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