
**Market Transformation?
Resource Acquisition?
Not Really. It's Market share!**

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**We are, after all,
marketers.**

Our Program Implementation Goals

- Acquire kWh, therms or cubic feet of gas, & kW (Resource acquisition)
- Convince consumers & businesses to always make the efficient choice (Market Transformation)
- Goals often considered mutually exclusive from the viewpoint of program design

What's the Issue?

- Implementation contractors seeing RFPs for one program with both resource-acquisition & market-transformation goals
- But only goals specified are resource-acquisition goals
- Market transformation left to implementer & basically ignored!
- Is it possible to do both with one program?

Why Is This an Issue?

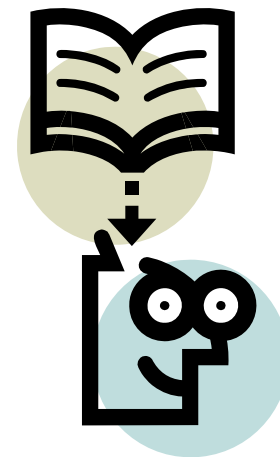
- Four circumstances are driving today's programs:
 - High energy costs
 - Energy reliability / electricity transmission constraints
 - Energy security
 - Climate change

Why It's an Issue (Cont'd)

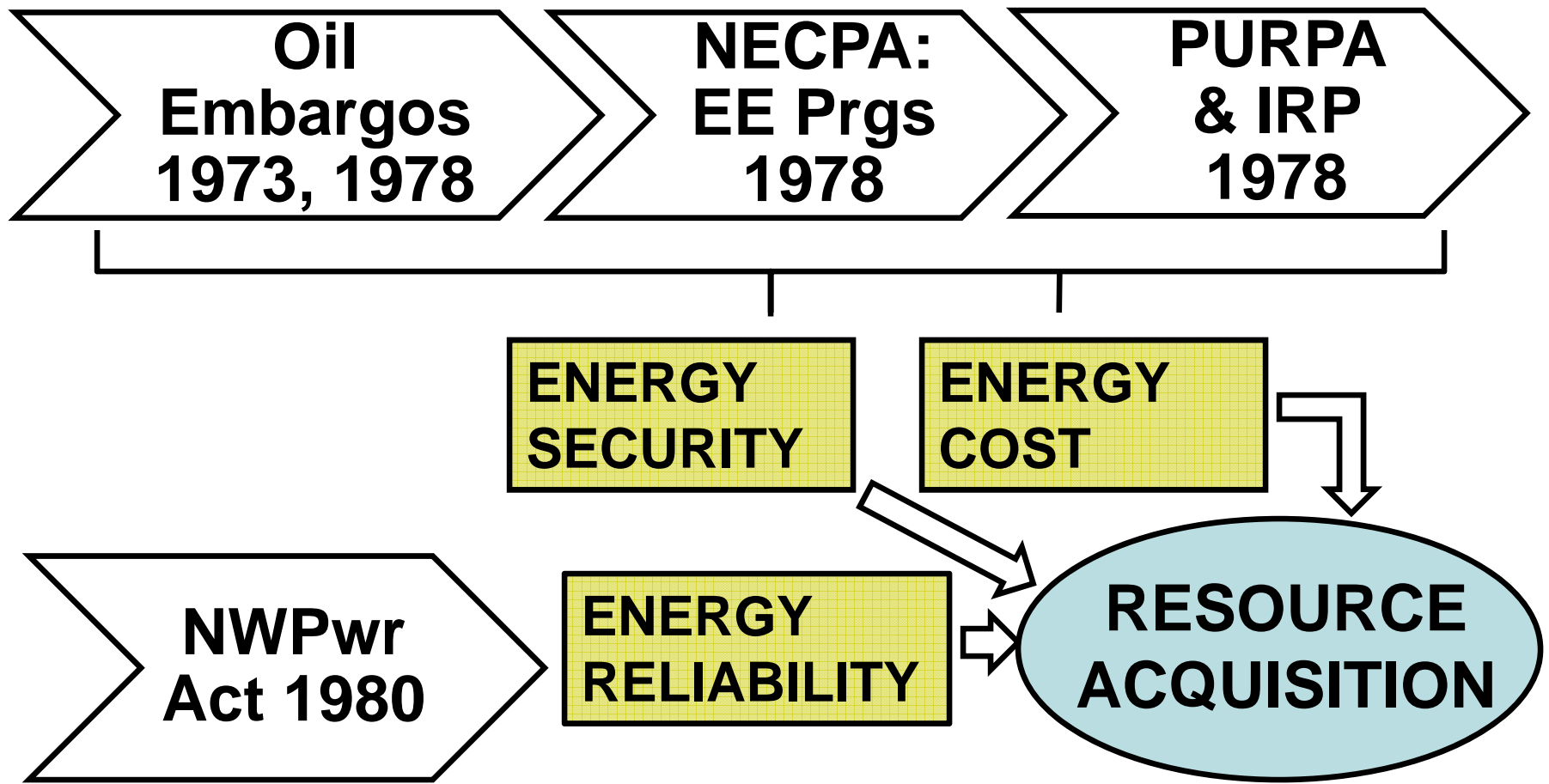
- Our contribution to the social response to these circumstances is major!
- BUT only if we design our programs right!
- Right now, believe we are not doing so
- We need a different perspective

Role of Historical & Political Circumstances

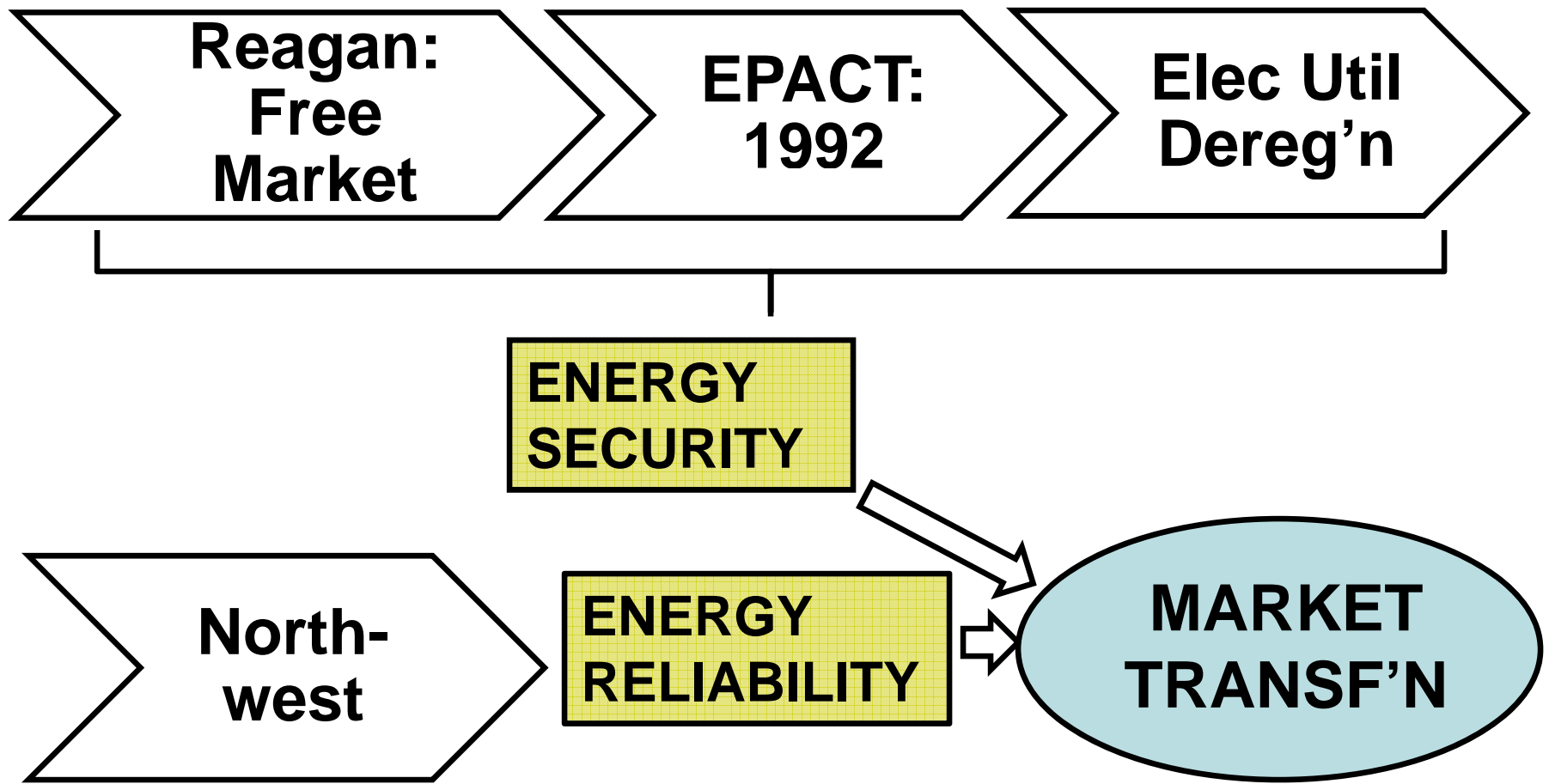
- Resource-acquisition and market-transformation as program goals are products of historical & political circumstances
- Get out the history books:



Circumstances → Resource Acquisition



Circumstances → Market Transformation



But, What Is Market Transformation?

- Shel Feldman, quoting Ralph Prahl:
- *“A big warm fuzzy beast that every likes, but nobody can identify.”*



Source: AESP *Strategies*, 1995

Definition of Market Transformation

- Strategic efforts to intervene in market . . .
- causing beneficial, lasting changes in the function of the market . . .
- leading to increases in the adoption of energy-efficient products, services . . .
- with the changes being *lasting* changes beyond the revision or discontinuation of the intervention.

Source: Keating, et al. 1998

Why Goals Are Often Perceived as Exclusive

- Resource Acquisition: Goal is purchase of megawatts in a specified time period
- Market Transformation: Goal is changing market structure such that market continues to produce megawatt purchases permanently
- The implementation strategies and tactics to achieve each are perceived to differ

Today's Circumstances

- For the first time in history four circumstances have strong traction as program drivers . . .
- High energy cost
- Constrained electricity availability & reliability (Energy reliability)
- Reliance on foreign oil (Energy security)
- Climate change

How Implement for All Four?

- How do we attack these with a single program?
- What do resource acquisition and market transformation implementation have in common?
- Increase the market share for energy efficient products & behavior

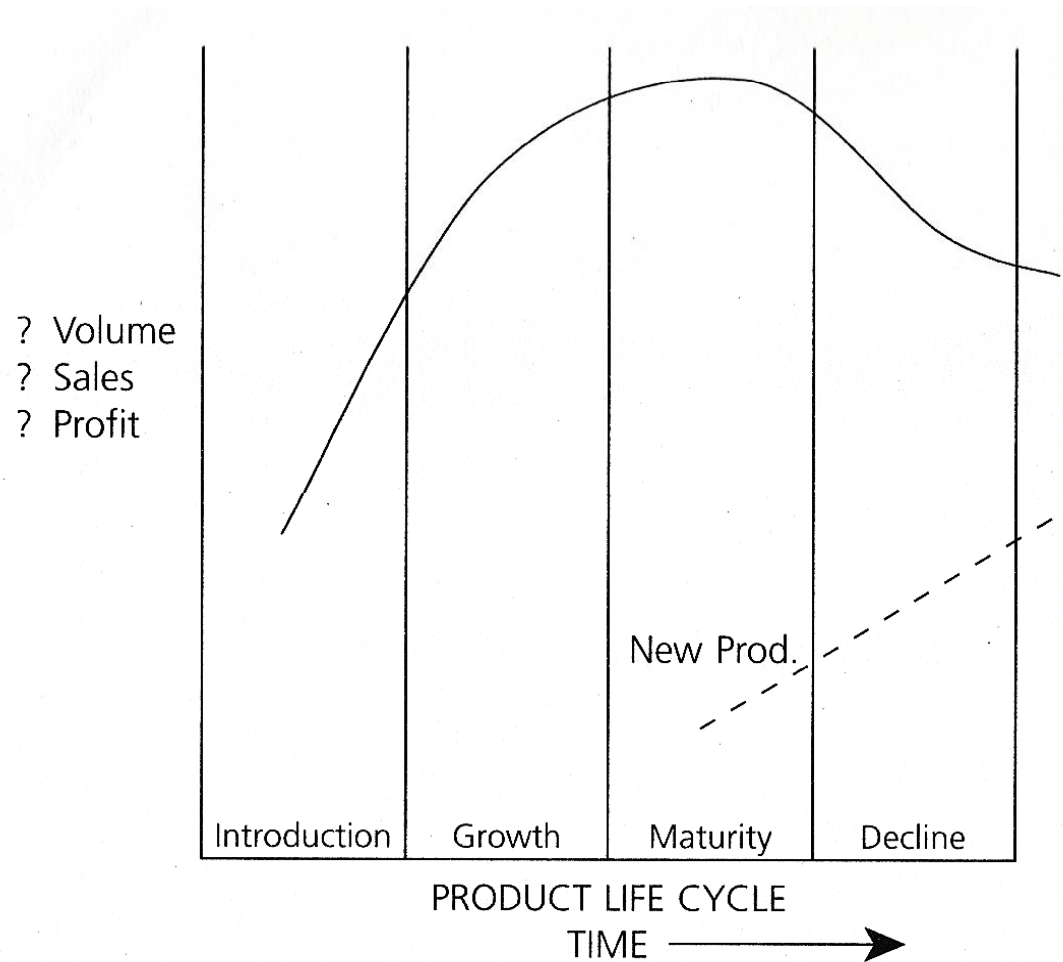
Implementation Goal:

**Goal of traditional
marketing → build and
maintain *Market Share***

Implementation Strategies/Tactics:

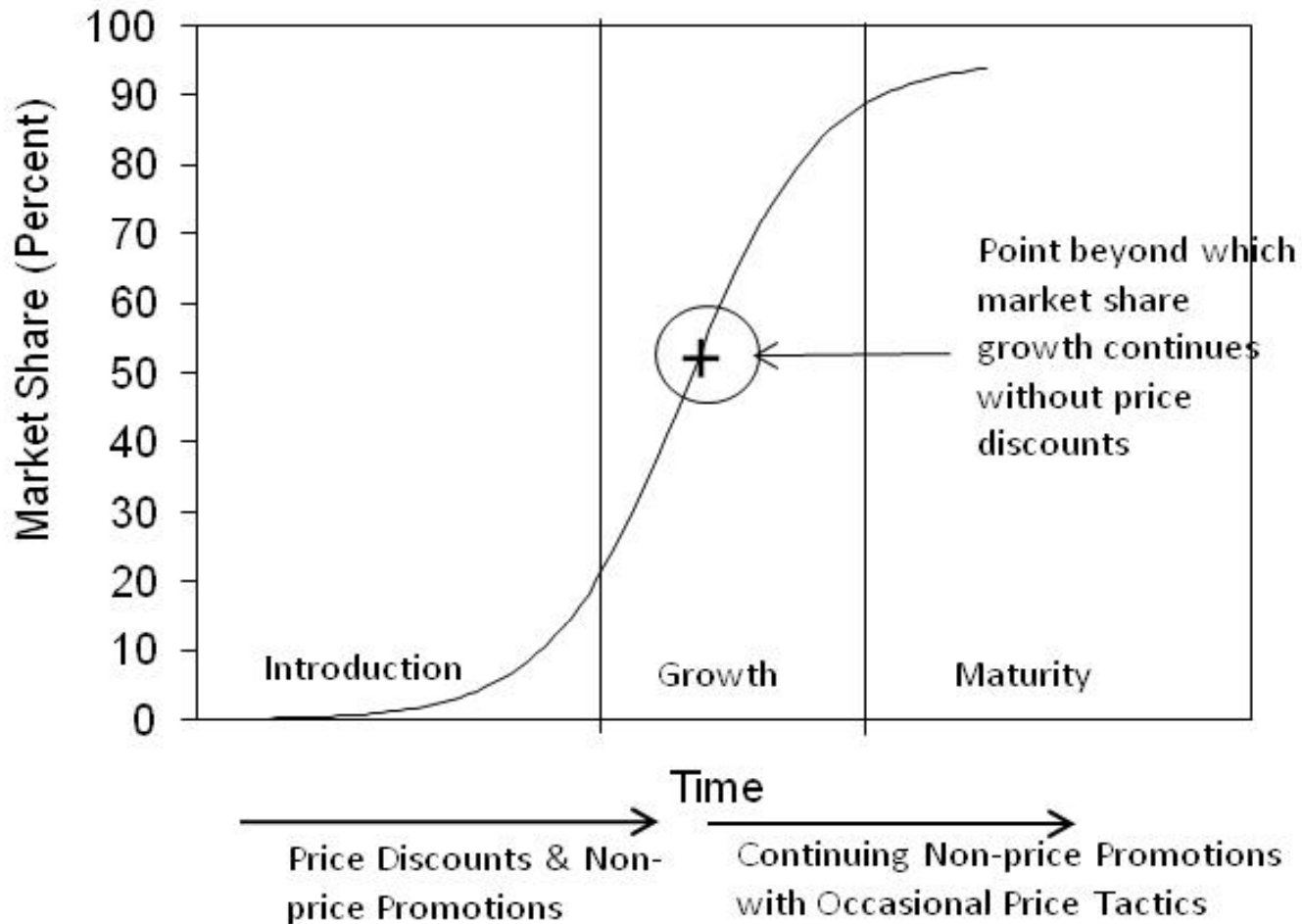
**Strategies/tactics of
traditional *Product Life-
Cycle Marketing* adapted to
public sector**

Product Life-Cycle Marketing



Source: Morse, 1998

Life-Cycle Market-Share Growth



Selected Life-Cycle Marketing Contributions to EE

- Flexibility
 - Adjust marketing strategies & tactics as needed to maintain share
- New knowledge
 - Expand our search for understanding
- Persistence
 - Continued marketing support

Flexibility

- If a marketing strategy or tactic is not producing desired results, change it
 - Add advertising
 - Change advertising messages
 - Change incentive tactics
 - Enlist community support
 - Increase social marketing emphasis

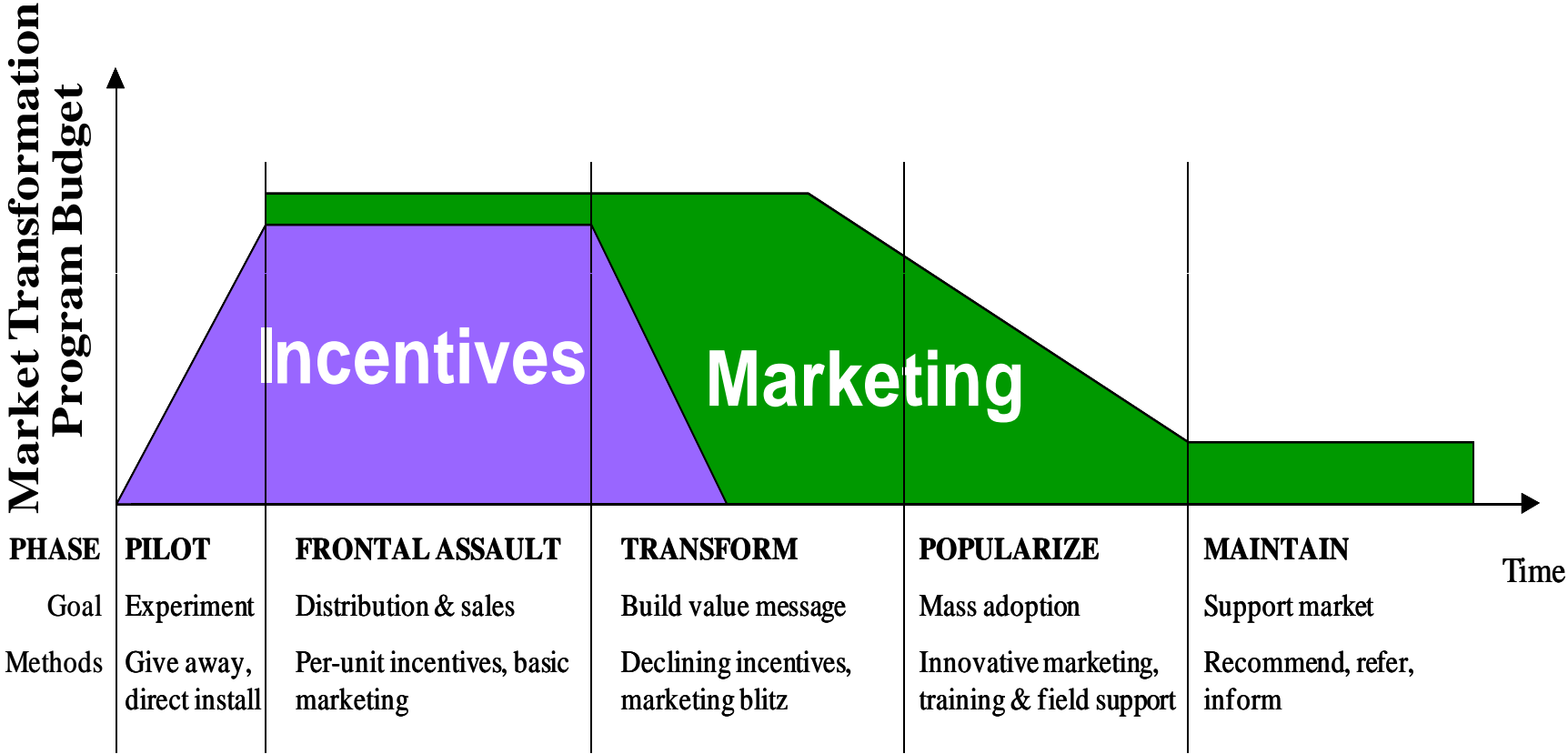
New Knowledge

- Look to large body of literature on product life-cycle marketing to expand our knowledge of how to market EE.
 - Take-off literature: 11 years & 16% market penetration to widespread acceptance
 - Innovation-diffusion literature
 - But: this literature is also almost entirely limited to *product substitution*
 - What about *product upgrade*?

Product Substitution vs. Upgrade

- Substitution: a new technology replaces an existing technology
 - Technologies are “completely” different
- Upgrade: an existing technology is improved to be more efficient
 - Basic technology remains the same

Persistence



Source: Natural Resources Canada, 2005

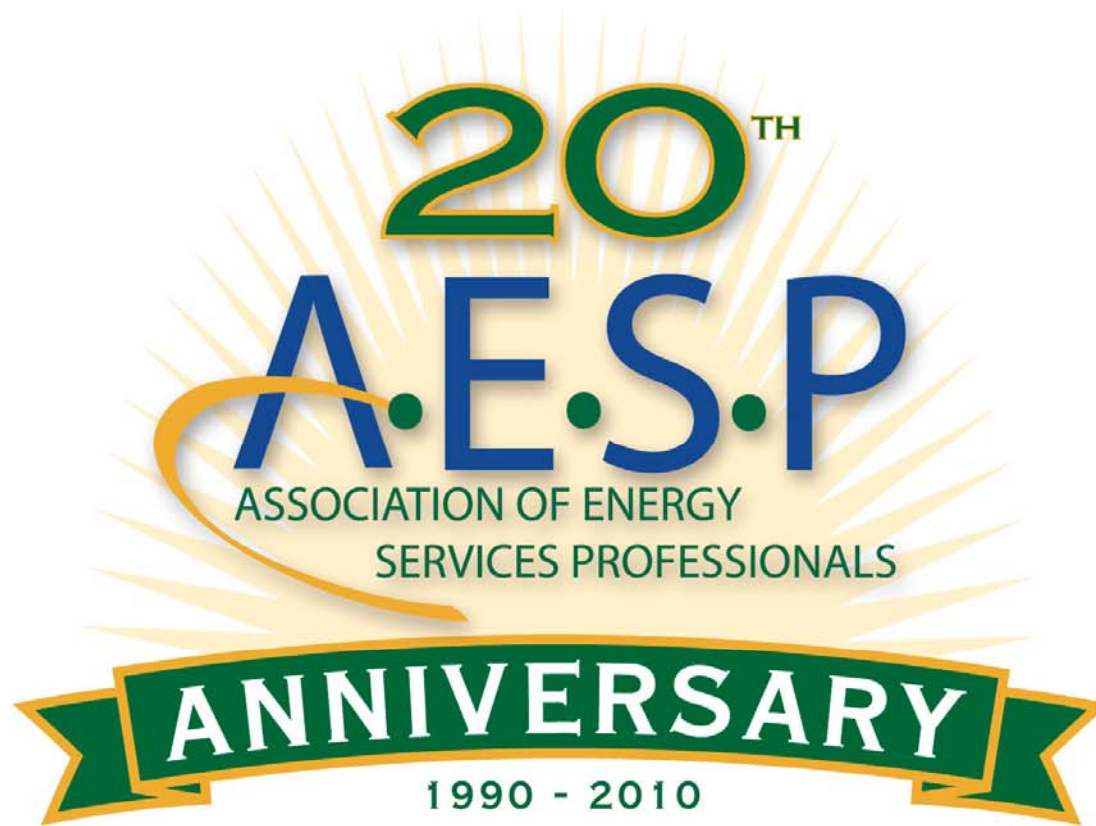
Persistence vs. Subst/Upgrade

Type of Technology	Efficient Technology	Replaced Technology	Feasible to Sustain High Market Share at Current Energy Prices w/out Continued <u>Public</u> Marketing Support?
Substitute	CFL	Incan- descent	YES
	T8/ elec ballast	T12/ mag ballast	YES
Upgrade	Efficient clothes washer	Federal standard CW	NO
	Premium efficient motor	Standard motor	NO

Concluding Thoughts

- We can address both goals with one program if we consider the goals phases of traditional product-life-cycle marketing
- We should focus on efficiency market share as our program goal
- Looking at our job like commercial product managers look at theirs will open new perspectives on marketing strategy and tactics

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marketers.**



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Accountability

