Commercial Midstream Energy Efficiency Incentive Programs

Guidelines for Future Program Design, Implementation, and Evaluation

Energy Systems Division

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EXECUTIVE SUMMARY

Many electric utilities operate energy efficiency incentive programs that encourage increased dissemination and use of energy-efficient (EE) products in their service territories. The programs can be segmented into three broad categories—downstream incentive programs target product end users, midstream programs target product distributors, and upstream programs target product manufacturers. Traditional downstream programs have had difficulty engaging Small Business/Small Portfolio (SBSP) audiences, and an opportunity exists to expand Commercial Midstream Incentive Programs (CMIPs) to reach this market segment instead.

Between 2013 and 2015, Argonne National Laboratory provided third-party technical guidance on the design and implementation of two midstream pilot programs with the following goals: (1) identifying the barriers and challenges that have prevented wider penetration of midstream programs, (2) identifying best practices to support the implementation of nationally replicable programs for a wide range of EE products, and (3) demonstrating the potential of these programs to cost-effectively spur energy efficiency improvements in the commercial business sector. The two pilots were conducted in the United States Northwest and Midwest regions. Different products were used to test several innovative program design features, including, for example, salesforce training and incentives, and marketing approaches. More specifically:

- The first program ran from October 2013 through June 2014, for five distributors of low-wattage T8 fluorescent lamps in the Northwest. This program increased the relative market share of efficient low-wattage lamps by 56%.
- A second program ran from mid-late 2015 through early-2016, in Ohio, for two distributors of notched (or cogged) v-belts used in commercial motor-driven applications. Sales of notched v-belts by the first distributor increased by 133% in locations where incentives were offered and by 8% in locations where incentives were not offered. Sales by the second distributor increased by 4% in locations where incentives were offered and by 48% in locations where incentives were not offered. This second result is likely due in part to the highly variable natural sales patterns of v-belts; however, additional evaluation over a longer incentive period would be required to draw any definitive conclusions.

This report describes the processes that are required to design, implement, and evaluate successful midstream incentive programs. It also presents lessons learned from the two pilot programs, and additional best practices that should be considered by utilities, distributors, and third-parties when developing midstream incentive programs. Key findings are summarized below.

Engage third-party partners: Third-party partners may include Regional Energy Efficiency Organizations (REEOs), product manufacturers, or local trade groups with knowledge of products and the marketplace. Initial contacts with REEOs were crucial starting points for both pilot programs in identifying suitable regional EE products and connecting utilities with potential distributor partners.

Engage program partners early: Utilities should consider including program partners—namely utilities and distributors—in the product selection and program design process, rather than presenting partners with a prescribed program. In addition, third-party partners may have unique insights into the market for various prospective products, and distributor management may have valuable insights into how incentives could be structured to effectively align incentives and communication.

Support pre-program training: Early staff training is a valuable means of building product awareness and generating motivation. Distributors should hold trainings for customers to discuss the EE product and improve customer understanding of proper product installation and maintenance.

Consider examining and potentially changing default practices: Midstream programs should be designed to motivate changes in distributor ordering systems, sales processes, salesforce training, and stocking practices to encourage the EE product as a default selection. If default selection practices are changed, market transformation can be achieved, with EE sales persisting even after incentives are removed.

Design incentives around sales growth: By offering incentives to distributors based on sales growth above historical levels, program implementers can mitigate free-riders and focus on developing sustained sales growth.

Design simple incentive programs: A simple flat per-unit incentive structure is recommended to make it easier for distributors to project their anticipated incentive payments. This reduces risk for distributor management and enables them to allocate their resources accordingly.

Offer stipends to generate buy-in: Offering additional small stipends and bonuses to distributors to defray program-related marketing, training, and administrative costs can reduce initial distributor concerns of program costs outweighing potential incentive payments.

Allow distributors latitude in how to motivate staff: Distributor management is in the best position to decide how incentive payments are allocated (e.g., salesforce bonuses, marketing materials, system upgrades, and trainings). Such latitude empowers managers to develop innovative and effective strategies that are aligned with their business practices. This also generates distributor buy-in by allowing them to invest in long-term sales tools that may be also be effective for future midstream incentive programs.

Select products with low existing market shares and potential for growth: This will maximize the impact and energy savings achieved by the program. Both pilots leveraged recent industry studies and local contacts to identify high-potential EE products in respective regions.

Obtain mid-program feedback: Mid-program feedback from distributors on local market trends or competing programs offers important insights into sales growth opportunities and/or need for mid-program adjustments. Monthly conference calls with distributors were effective in gaining market insights to guide program implementation.

Consider seasonal sales patterns: Program planners should consider aligning incentive programs with seasonal sales peaks or manufacturer marketing programs to achieve the maximum sales impact. Seasonal sales patterns must also be considered during the incentive design process to ensure that appropriate sales baselines are utilized.

Minimize point-of-sale data requirements: Utilities may be tempted to request extensive point-of-sale data on intended product end-use in order to calculate achieved energy savings. However, customer representatives that make purchases typically do not have access to this information. In fact, customers often purchase products to restock their maintenance supply (i.e., not for a specific energy efficiency application). Distributors noted burdensome point-of-sale data requirements to be challenging throughout the pilot program.

Minimize incentive turnaround: Many distributors noted that long delays between product sales and incentive reimbursement increased perceived risk and hindered their ability to make forward-looking investments.

Anticipate sales variability in evaluation practices: Products sales are naturally highly variable, and monthly sales volumes for a small distributor can be heavily influenced by a single sale to a high-volume customer. It is therefore difficult to isolate and assess the impact of incentive programs over a relatively short period of time. More data from longer-term incentive programs is needed to properly identify and quantify the full program impacts.

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1 COMMERCIAL MIDSTREAM INCENTIVE OVERVIEW

Many electric utilities in the United States operate energy efficiency programs that provide financial incentives to consumers who adopt specific measures to reduce their electricity consumption. Utilities choose to offer these programs because they provide a cost-effective means of meeting consumer needs, and, in some cases, satisfying state mandates. Energy efficiency is now recognized as a valuable resource for any utility system, and energy efficiency gains have grown steadily over the past several decades throughout the United States and around the world. Building on this success, efficiency targets are continuing to increase, and utilities are now looking for new and innovative approaches to capture energy savings that have thus far gone unrealized.

Utility incentive programs are typically segmented into three broad categories—“downstream,” “midstream,” and “upstream.” Downstream programs provide incentives directly to end consumers via point-of-sale discounts, or rebates have traditionally been the most common form of incentive program. Midstream programs provide incentives directly to distributors in the middle of the product supply chain, thereby motivating salesforces to sell more energy-efficient (EE) products to their contractors or self-install customers. Upstream programs pay incentives directly to product manufacturers, which encourages them to develop and manufacture EE products.

Downstream utility energy efficiency programs have had challenges engaging Small Business/Small Portfolio (SBSP) audiences to achieve high-potential EE improvements, particularly, in finding innovative ways to encourage EE technology as the default choice. However, midstream incentive programs offer utilities new avenues to promote increased sales of EE products to SBSP consumers by leveraging the expertise of distributor salesforces who can make the business case for EE products to their extensive customer bases of contractors and installers.¹ Such programs may also include salesforce education and training and can be structured to give distributor managers the freedom to determine how to allocate incentives. For example, managers may choose to provide award payments to motivate the salesforce via promotions, contests, and other bonus mechanisms, or, alternatively, they may choose to pass incentive payments to end consumers via reduced prices.

Midstream programs can be designed to foster a collaborative relationship between utilities and distributors as early-stage partners in developing salesforce training on EE product benefits and in identifying effective sales tools to promote growth in EE product sales beyond the incentive program. The ultimate goal of such programs is to impact consumer behavior so that increased EE sales persist even after incentives are removed. This report reviews the experiences and lessons learned from two midstream incentive programs that were implemented between 2013 and 2015.

¹ Quaid, M., and Geller, H., 2014, “Upstream Utility Incentive Programs: Experience and Lessons Learned,” Southwest Energy Efficiency Project, May. Available at http://www.swenergy.org/data/sites/1/media/documents/publications/documents/Upstream_Utility_Incentive_Programs_05-2014.pdf.

1.1 TWO UTILITY MIDSTREAM INCENTIVE PROGRAMS

Argonne National Laboratory (Argonne) provided third-party technical assistance in the development and implementation of two Commercial Midstream Incentive Program (CMIP) pilots with two primary goals:

1. Better understand the potential for midstream incentive programs to cost-effectively spur energy efficiency improvements in the SBSP sector.
2. Identify best practices for program design, implementation, and evaluation to minimize programmatic costs and lead times while maximizing cost-effective reductions in electricity consumption.

The two midstream distributor incentive pilots were conducted in separate regions of the United States and with different products to understand how programs can be effectively replicated under different market conditions and regulatory constraints.

- The first program ran from October 2013 through June 2014, for five distributors of low-wattage T8 fluorescent lamps in the Northwest. Since the program was implemented, participating distributor branches increased the market share of their efficient lighting products by 56% (from approximately 6% to 9% of total sales).²
- A second program was launched in Ohio in June 2015, for two distributors of notched (or cogged) v-belts, which can increase the efficiency of heating, ventilation, and air-conditioning (HVAC) and other motor-driven systems by up to 3% compared to traditional v-belts. Sales of notched v-belts increased by 4% and 133% above baseline for the two participating distributors in locations where incentives were offered. Sales also increased for both distributors in locations where incentives were not offered, by 48% and 8% for each distributor, respectively.³ Program results from the Midwest, in particular, support this finding as the observed market shift differed dramatically between distributors and also between treatment and control locations

This report presents the best practices for the development and implementation of a midstream incentives program that were determined from experiences during the two pilots and feedback from utility and distributor partners following the pilots. We also discuss lessons learned regarding technology selection, incentive structures, and distributor engagement. Future

² Opinion Dynamics, 2015, *Reduced Wattage Lamp Replacement Market Test Assessment Report*, Report #E15-322, Oct. 13. Available at <http://neea.org/docs/default-source/reports/reduced-wattage-lamp-replacement-market-test-assessment-report.pdf>.

³ Navigant Consulting, 2016, “Commercial Midstream Incentive Project Cogged V-belt Pilot Program Evaluation,” May 5, p. 422–469. Available at <http://dis.puc.state.oh.us/TiffToPDF/A1001001A16E13B10805D00064.pdf>.

midstream incentives programs can draw upon these best practices and lessons learned to streamline design and implementation and enhance their ability to transform markets for a wide range of EE products. This report does not attempt to analyze the quantitative results of each pilot program, as in-depth quantitative analyses are provided in the evaluation reports for each program.^{2,3} We instead review the numerous qualitative best practices and lessons learned that were identified during these programs and that can be drawn upon to guide the development and implementation of future midstream incentive programs.

1.1.1 Program Partners

Midstream incentive programs require four main roles—program coordinator(s), utility partners, distributor partners, and utility-hired evaluators. Any one of these program partners could initiate a midstream incentive program and subsequently seek out the other program partners. In the two pilot programs, Argonne partnered with two Regional Energy Efficiency Organizations (REEOs)—the Northwest Energy Efficiency Alliance (NEEA) and Midwest Energy Efficiency Alliance (MEEA)—to coordinate pilot planning. In the Northwest pilot, an energy consultant, D&R International, also played important planning and pilot implementation roles.

The four main roles are identified below and summarized in Figure 1.

1. *Program Coordinator*: provides guidance on pilot steps, coordination of pre-pilot planning stages, development of pilot documentation to secure data, and payment mechanisms.
2. *Utility Partner*: sponsors the incentive pilot, pays incentive awards and bonuses, engages distributors, and evaluates pilot results.
3. *Distributor Partner*: develops training programs, determines sales promotions and other programs to motivate their salesforces during the pilot, and allocates the distribution of incentive and bonus payments to reward salesforce performance. Distributor partners provide valuable feedback and data to pilot evaluators to learn best practices for next-stage incentive programs.
4. *Utility Evaluator*: evaluates end-of-program results to analyze EE product sales volume and other sales details and measures potential energy savings from the sale of the EE products. Utility evaluators are not part of the program planning team and are hired directly by the utilities via bilateral agreements between the utility and evaluator.

FIGURE 1 Summary Description of the Four Main Roles in a Midstream Incentive Program

1.1.2 Innovative Program Features

Midstream incentive programs provide incentives directly to commercial product distributors to reward them for selling more EE products. In contrast to traditional downstream programs, this enables utilities to interact directly with distributors as early-stage program partners and develop long-standing relationships. Working directly with product distributors also makes it easier for utilities to reach SBSP consumers, with whom they have traditionally struggled to engage through downstream programs. The two CMIP pilots were designed to include several innovative features to focus incentives on sales growth and engage distributors as early collaborators and salesforce motivators.

Focusing incentives on sales growth

By offering incentives to distributors only for EE product sales above historical levels, program implementers were able to focus on developing sustained long-term sales growth. Utilities also benefited from limiting incentive payments to sales growth above historical levels, rather than paying for a broader per-unit rebate program traditionally offered to retail customers. This approach keeps midstream incentive programs focused on transforming markets and affecting the changes in stocking practices needed to support long-term shifts in market share.

Offering stipends as salesforce motivators

Small stipends were provided, in addition to sales incentives, to defray some program-related marketing, training, and administrative costs. These stipends covered customer training sessions conducted by distributors to showcase the benefits of EE products to the

contractor/installer customers. Additional stipends were provided to offset data collection costs and address the concern that distributors who did not achieve meaningful sales growth could become disinterested and cease data collection. These stipends also reduced the distributors' initial concerns that program implementation costs could outweigh potential incentive payments.

Engaging distributors as partners with flexibility in awarding their salesforces

Many distributors who were not directly participating in traditional retail rebate-driven EE programs can play a more active role in designing and implementing effective midstream incentive programs. By partnering with distributors at an early stage, program planners gain valuable feedback on incentive design, stipend/bonus needs, marketing and training approaches, and important pre-launch steps for the program. Feedback from distributors is crucial in identifying whether incentives and stipends are sufficient motivators to salesforces. Distributor managers can identify best approaches to communicate and generate buy-in among their salesforce during the incentive program. The CMIP pilots paid incentives directly to the distributors and allowed distributor managers to determine how to distribute incentives and bonus payments to their salesforces. This gave managers the freedom to develop creative ways to motivate their salesforces via sales contests, promotions, and bonus targets. The salesforces were also provided with pre-launch training to help them develop new and innovative sales pitches, as well as tools to help present the business case for EE products to customers.

Giving utilities new options to build distributor relationships

Midstream incentive programs give utilities opportunities to work with distributors in determining effective sales approaches to sell more EE products. The CMIP pilots were designed to encourage early collaboration between utilities and distributors to gather feedback on incentive design and EE program implementation. The utilities, therefore, are given new opportunities to forge relationships with distributors by jointly developing sales training and marketing brochures, and determining effective sales contests, promotions and other sales tools. Utilities draw upon these lessons learned to find cost-effective ways to launch new midstream incentive programs to broader regions or promote more EE products.

1.2 WHAT'S IN IT FOR YOU? – BENEFITS OF MIDSTREAM INCENTIVE PROGRAMS

Midstream incentive programs provide distributors and utilities with new marketing tools and a roadmap to drive growth in sales of EE products. The benefits of a midstream incentive program can continue well beyond the initial incentive program phase. Overall program benefits as a function of time are summarized in Figure 2 and include:

- *Near-term:* Utilities and distributors refine their training approaches, sales tools, and marketing materials throughout the program implementation period to help extend EE product sales beyond the initial incentive program phase. This includes opportunities for recurring sales via annual maintenance and service contracts.

- *Mid-term:* Within 1 to 3 years of program completion, utilities can draw upon lessons learned on program design and implementation to expand the midstream incentive program to broader regions or to promote sales of other EE products.
- *Long-term:* Distributors may adjust their ordering systems, sales processes, salesforce training, and maintenance service practices to promote continued sales of EE products as the default option. This could fundamentally transform distributor market sales and stocking practices for EE products over the long term.

FIGURE 2 Summary of the Midstream Incentive Program Benefits at Different Stages of the Program

Figure 3 summarizes the program benefits for the utility and distributor partners, which are described in detail in Sections 1.2.1 and 1.2.1.

Utility Benefits	Distributor Benefits
<ul style="list-style-type: none"> • First-hand experience • Build distributor relationships • Test for market transformation • New stocking practices • Sales without incentives • Cost-effective model to expand to new regions or products • Energy savings potential 	<ul style="list-style-type: none"> • First-mover advantage • Early stage input on pilot design • Head-start in training and sales • Build skills for new EE programs • Foster utility relationships

FIGURE 3 Summary of Benefits to Utility and Distributor Partners

1.2.1 Utility Benefits

Utilities reap additional benefits from midstream incentive programs beyond near-term EE product sales growth and related energy savings. By working directly with product distributors, utilities receive first-hand experience on how to design, launch, and evaluate midstream incentive programs; potentially lowering planning and execution costs for future programs. Utilities may find midstream programs to be particularly rewarding in building relationships with distributors that have not been active in previous EE programs. In contrast to retail rebate-based programs, a midstream incentive program will allow utilities to reduce marketing costs by targeting distributor salesforces as opposed to the general public. Utilities can also reduce both program engagement and customer outreach costs by leveraging the distributors' well-established customer bases. A trained distributor salesforce can then educate a variety of industrial and commercial customers to promote EE product sales and potentially drive recurring sales via annual maintenance or service contracts. Amid tightening utility budgets, midstream incentive programs could also lower costs by limiting incentive payments to sales growth above historical levels. Testing new regions with a midstream incentive program will provide utilities with additional experience that can be used to address unique regional market challenges.

1.2.2 Distributor Benefits

Midstream incentive programs give distributors opportunities to work with utilities in determining effective approaches to sell more EE products. These programs ensure that distributors play an active role in promoting EE product sales by working with utilities to jointly develop marketing brochures and sales training events, and by providing early-stage feedback on incentive design and other bonus features. Distributor managers have the freedom to allocate incentive/bonus awards and devise sales promotions, contests, and other motivators to reward salesforce performance. Since the incentive program rewards distributors for good marketing ideas via incentives for sales growth above historical levels, distributors can determine which sales approaches and training tools are most effective. This gives them a head-start in building sales tools to succeed in future utility programs. By working closely with utility partners in midstream incentive programs, distributors can enhance their relationships with utilities for future EE programs.

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2 BEST PRACTICES FOR DESIGNING AND IMPLEMENTING A MIDSTREAM INCENTIVES PROGRAM

A number of discrete steps and actions are required to develop, launch, and evaluate a midstream incentive program. These fall into three main project phases: (1) pre-launch, (2) implementation, and (3) evaluation, as summarized in Figure 4.

FIGURE 4 Summary of Midstream Incentive Program Steps

2.1 PRE-LAUNCH STEPS

Program planning requires several early-stage design and planning steps, including: finding utility and distributor partners, identifying targeted EE products, designing incentive and bonus options, collecting sales data before and during the pilot, and determining payment and other administrative logistics. A checklist outlining pre-launch program tasks is provided in Appendix A.

2.1.1 Identify Program Partners

Midstream programs can be developed from multiple starting points, including: (1) a REEO seeking to support midstream EE programs, (2) utilities seeking to promote growth in targeted EE product sales, or (3) manufacturers seeking to boost sales of their EE products. A REEO, or other similar third-party entity, can be a valuable first partner to serve as a program planner and a valuable source of networking connections to regional utilities and industry associations. After an initial partner is identified, the next steps involve recruiting other program partners by holding webinars and in-person presentations to introduce the basic structure and benefits of a midstream incentive program.

2.1.1.1 Utility Partners

Utility partners play the key role of the midstream pilot sponsor and are responsible for issuing incentive and bonus payments to distributors. Utilities also play a leading role in designing and approving incentive and bonus options, selecting the targeted EE product, conducting outreach to find distributors and EE product manufacturers, and participating in all facets of the pilot planning and implementation process. This includes determining the invoicing and payment processes between utilities and distributors. Utilities may also assume the program coordinator role and lead pilot planning, development of data collection and security processes, pilot implementation, sales and incentive analysis, and post-pilot evaluation.

2.1.1.2 Distributor Partners

Securing distributor participation is a primary challenge for program planners. This step typically occurs after the EE product has been selected and a basic incentives framework has been determined; however, distributors can also be identified earlier to help inform this process. Identifying the appropriate correct representative at a particular company and communicating a complex pilot model can be difficult. Potential participants are likely unfamiliar with not only midstream models, but also the concept of focusing incentives only on product sales above a historical baseline. Outreach should be conducted along several pathways. One effective approach is to contact distributors through manufacturer representatives who have strong existing relationships with senior sales managers and an effective means of communicating program goals. Utilities can also explore their business networks to secure introductory meetings with additional distributors.

Distributors can play an important early-stage role in the program by providing feedback on incentive and bonus options and implementation logistics. After participants agree on non-disclosure terms to protect proprietary distributor data, distributors should provide historical sales data and product usage details to establish historical baselines that will be used to calculate sales growth during the incentive program period. Distributors have the freedom to allocate incentive and bonus awards among their salesforces and to devise sales promotions, contests, and other motivators to reward salesforce performance. Distributor managers may also offer feedback to program planners on successful and unsuccessful approaches that were implemented to generate new sales of the EE product.

Distributor selection criteria

The planning team should search for distributors operating in the utility partners' service area that:

- Express a strong willingness and ability to participate in the incentive program.
- Are willing to offer feedback on program design and planning.

- Have no conflicting utility programs.
- Have the necessary resources to provide the requested data.
- Are willing to execute program agreements and non-disclosure agreements (NDAs).
- Are able to track sales by individual branch location.
- Are willing to provide data at the requested frequency and historical period of time.
- Are willing to participate in post-program interviews and evaluation.
- Are able to identify a single point of contact to interface with other program partners.
- Have multiple branch locations that cover different areas of the utility service territory.
- Conduct business in a variety of locations with a broad range of customer groups, customer firm sizes, and sales volume levels.

In the early stages of program development, the program lead should provide the distributor with a list of data requirements, a proposed timetable, and NDAs to protect proprietary sales volume data provided before and during the pilot. Distributors should, in turn, provide a list of potential branch locations for both a treatment and control group (if desired), approximate sales volumes of the targeted EE product from each branch location, and potential dates for salesforce trainings.

2.1.2 Identify EE Product

Selecting the EE product for the pilot is a crucial step that must be undertaken before determining the incentive framework and typically before determining distributor partners. The ideal product needs to satisfy three main concerns:

1. Is there potential for growth in market share?

The EE product should satisfy utility goals for achieving energy savings, and ideally would have a low existing market share to ensure that there is potential for increased sales. Industry market studies on potential energy savings from EE products can serve as springboards to draw interest from utilities in launching a midstream incentive program. For example, a Northwest lighting market study prompted interest in incentivizing sales of low-wattage

fluorescent lamps.⁴ A study highlighting the energy savings potential of cogged v-belts for motors drew interest from several Ohio utilities.⁵ In both programs, market shares of the EE products were low, but growing, giving utilities the opportunity to boost sales by engaging distributors in an incentive program.

2. Can the EE product be sold within the pilot's time frame?

The length of the pilot may limit the technologies that are appropriate for a midstream incentive program. The EE product should have simple-to-explain features to encourage customers to shift purchases to the more efficient product. Ideally, the EE product would seamlessly replace an existing product so that customers can purchase the EE product without adjusting their supporting infrastructure or requiring education on how to install or use the new product. For example, in the Northwest incentive program, the switch to low-wattage 28-W linear fluorescent lamps from less-efficient 32-W lamps could be made without installing new light fixtures or ballasts. One distributor illustrated how there were no discernable differences between the 28-W and 32-W lamps by installing both lamps in the same light fixture. In the Midwest program, cogged v-belts easily replaced smooth v-belts on existing motors. This allowed salesmen to focus on the performance and energy-savings benefits of the EE products. Customers could therefore decide to purchase the EE product immediately following customer training sessions, and well within the time frame of the incentive program.

3. Is there potential for market transformation?

The EE product should be sold across multiple regions and customer market segments to facilitate expansion of the incentive program to new markets. This could drive distributor changes in stocking practices and other measures that would lead to longer-term market transformation. Distributor salesforces in both the Northwest and Midwest programs had multiple opportunities to sell the products through multiple different channels, including maintenance contracts and over-the-counter sales to contractors and installers across a wide range of small commercial, retail, institutional, and industrial applications. Once the initial EE product is installed, customers may adjust their standard practices to purchase the EE product in recurring maintenance visits. This can result in broader changes to inventory stocking practices and customer ordering practices, leading to longer-term market transformations.

The selection criteria for EE products are highlighted in Figure 5.

⁴ Northwest Energy Efficiency Alliance, 2013, *2012–2013 Northwest Residential Lighting Market Tracking Study*, prepared by DNV KEMA Energy & Sustainability, June 10. Available at <https://neea.org/docs/default-source/reports/2012-2013-northwest-residential-lighting-market-tracking-study.pdf?sfvrsn=10>.

⁵ Sever, F., Mohammed, A.Q., Ritchey, S., Seryak, J., 2017, “Deemed Power Savings of Cogged V-belts versus Smooth V-belts,” *Energy Engineering* 114:39–62. Available at <http://www.tandfonline.com/doi/abs/10.1080/01998595.2017.11810160>.

Potential for sales growth?	Sellable within program time frame?	Potential for market transformation?
<ul style="list-style-type: none"> • High-priority EE product for utility • Largely untapped EE market for distributors • No pre-existing midstream incentive program • Opportunity to enhance utility/manufacturer relationships 	<ul style="list-style-type: none"> • Marketable upsell features to justify switching to EE product • Short sales cycle • Frequent opportunities to pitch EE product • Limited decision-making needed – easy to compare specs 	<ul style="list-style-type: none"> • Potential to boost market share of EE product • Behavior change potential (i.e., stocking practices) • Scalable to broader market

FIGURE 5 EE Product Selection Criteria Summary

2.1.3 Determine Incentive Structure

After selecting the targeted EE product, program planners need to examine the market and competitive landscape of the EE product to design appropriate incentives and sales goals. While multiple incentive structures and bonus programs can be considered, program planners should ideally identify a small number of concrete incentive and bonus options that are easy to communicate and market. Early feedback from distributors and manufacturer representatives will be integral in striking a balance between offering sufficient incentives to motivate distributor salesforces and the need to limit utility costs. The incentive design structure should be relatively simple and straightforward so it can be easily communicated to the salesforce, and the same incentive/bonus structure should be offered to all distributor partners.

Other key considerations when designing an incentive structure include:

- Incentives should be sufficient to make potential payments meaningful to product distributors.
- Incentives should be appropriate in the context of the energy savings that will be achieved.
- Incentives design should consider seasonal sales patterns, particularly for programs lasting less than 1 year.
- The target markets for the incentives should be considered when designing the framework.
- Utility partners should keep potential incentive budget caps in mind.

The Midwest pilot illustrated the importance of these incentive design factors. To “keep it simple,” pilot partners decided to offer an incentive for each cogged v-belt sold by distributors above their historical baseline. The challenge was to find an incentive amount per belt that was sufficient to motivate distributor sales efforts while satisfying utility sponsor’s needs to balance incentive costs against energy savings. Early-stage discussions with the first distributor partner were instrumental in providing utilities with sufficient data to estimate potential sales volumes and incentive payments over the 6-month incentive program. This allowed utility partners to develop preliminary budget estimates and secure internal approvals for the incentive program.

2.1.3.1 Performance-based Stipends

One challenge with a baseline-based incentive structure is the potential for periods where sales of the EE product do not exceed historical baseline levels and no incentives are awarded. Distributors who fail to increase sales of the EE product above their historical baseline and receive no payment may become discouraged and cease participation. Furthermore, distributors incur non-zero costs to satisfy sales reporting requirements cost, even when no incentive payments are awarded. To alleviate this concern, additional stipends may be offered to keep distributors motivated throughout the incentive program. Monthly stipends may be considered that are contingent upon timely data reporting, and a fixed stipend may also be provided directly to help defray the costs of salesforce training associated with the midstream incentive program.

Data Stipends

Monthly data stipends compensate distributors for the administrative costs associated with gathering and transmitting the data to program partners. Early feedback in the Midwest program indicated that these encouraged distributors to continue participating, even if sales did not initially exceed the baseline. They also enabled distributor managers to motivate their sales staff with a participation-based reward system or contest during or at the end of the incentive program.

Training Stipends

Training stipends motivate distributors to conduct in-house training for their high-value customers to highlight potential energy and cost savings of the EE product as well as any important installation and maintenance concerns. Distributor partners in the Midwest program suggested that even a small motivator (e.g., covering the cost of lunch) would help salesforces encourage their high-volume customers to attend such trainings. This is an important tool to convert key decision-makers of high-value customers into recurring buyers of the EE product beyond the incentive program.

2.1.4 Collect Data and Perform Baseline Calculations

Data collection is required at multiple stages to determine historical baseline sales levels, incentive payments, bonus awards, and end-of-pilot evaluation by utility-sponsored evaluators. Signed NDAs are a crucial first step to protect any proprietary sales data from participating distributors.

Sufficient and reliable data are needed:

- Before the pilot to determine historical monthly sales levels to set baseline levels,
- During the incentive program to determine:
 - Monthly sales volumes of the EE product above baseline levels during the pilot
 - Monthly incentive payments and bonus/stipends (if any).

Additional sales data may be needed to:

- Attribute EE product sales to a utility partner's service area, and
- Support utility evaluators' end-of-pilot analysis of estimated energy savings associated with pilot sales of EE products.

2.1.4.1 Secure NDAs

NDAs will be required to protect proprietary sales data from distributors, and it can take time to obtain the necessary approvals and satisfy multiple rounds of revisions. We recommend having a sample NDA ready at the outset of program planning and initiating NDA discussions with program partners as early as possible. Data privacy issues can be mitigated by implementing a secure, online, password-protected file-sharing system through which program partners and distributors transmit and view confidential sales data and other information.

2.1.4.2 Establish a Baseline

After NDAs are signed, the program planners need to collect historical sales data for the EE product to determine baseline sales volumes, as well as for the non-EE product if desired for control purposes. Historical data should be collected for a sufficient period of time to ensure that any seasonal sales patterns are reflected. In many cases, this means collecting at least 1 year of historical data; however, if it is known that sales do not vary significantly throughout the year, less data may be acceptable.

Program planners should request historical sales data from all participating distributors that is typically collected at the point of sale, including branch location, date sold or shipped, model number, quantity sold, and price per unit sold.

The Northwest and Midwest pilot programs developed two different methods for calculating monthly sales baselines that were designed to account for potential seasonality of EE product sales. Program planners can give distributors the option to choose between different baseline calculations, or they can make the decision themselves. The baseline option should generally be chosen before launching the incentive program and should not be changed after program implementation. This provides distributors with stability and enables them to plan their sales strategies accordingly; it also minimizes any potential confusion during the program. The baseline calculations that were used for the two pilot programs are outlined below, though other approaches that can account for seasonal sales variations may be considered as well.

- *Option 1:* For each distributor location, calculate the average monthly sales volume of the targeted EE product over the preceding 12 months. Use that monthly average as a constant baseline for each month during the incentive program period. At the end of each month, determine the quantity of units sold above that average monthly baseline and calculate any earned incentive payments. For post-program analysis, planners can collect and calculate comparable sales data for control locations and for the current non-EE product.
- *Option 2:* Calculate the monthly sales volume of targeted EE product per distributor location for *each* month during the preceding 12 months. Measure each distributor location's monthly sales volume of the targeted EE product against the sales for the corresponding month in the previous year. Determine for each distributor location, the quantity of units sold above the corresponding baseline month to determine any earned incentive payments. For post-program analysis, planners can collect and calculate comparable sales data for control locations and for the current non-EE product.

2.1.4.3 Establish Data Collection Process

Incentive program planners will need to standardize the historical data collected for the baseline calculation and the sales data collected at the end of each month during the incentive program. Ideally, month-end data collected from distributors' participating and control locations should mirror the data used for the baseline calculation to facilitate before-and-after analysis of sales for the EE and control products (see Table 1).

In programs with multiple utilities funding incentive payments, additional data collection may be needed to attribute EE product sales to a specific utility service area. For example, the Midwest pilot involved two utility partners, and it was necessary to determine the specific utility service territory where sales occurred so that incentive payouts could be allocated between utilities.

Product data may also be required to translate EE product sales to potential energy savings for each utility. It is challenging to design a sales data collection process that fulfills these goals without placing an undue burden on the customer at the point of sale (see Table 2). Because distributors often sell products to installation contractors and not the end-use customer, many purchasers will not have knowledge of the intended end-use application for the EE product. It is therefore important to balance the need for detailed end-user data against the ability to collect the data at the point of sale. Additional considerations that can help to meet this challenge include:

- Reaching out to the manufacturer's representative early in the pre-launch planning phase to gather knowledge on typical sales practices and customer interactions at the sales counter.
- Working closely with distributors and manufacturer representatives to understand what data can be collected easily on a standard point-of-sale purchase order or via a brief conversation.
- Understanding what data may be difficult to obtain due to either a customer's lack of knowledge (they are not the product end-user, but the installer) or their unwillingness to share information that they consider confidential.
- Working closely with utility partners to simplify data collection protocols to make it easier for distributors to collect the additional data at the sales counter. For example, using multiple choice boxes to identify type of end-user equipment and facilities where the EE product will be installed.
- Working with distributor partners to determine ways to gather the data, such as: (1) creating a short paper form, or (2) generating a computer screen pop-up on an ordering system with additional questions for the salesperson or customer.

TABLE 1 Overview of Types of Data Needed for Utility Attribution and Motivation for Their Collection

Data Objectives – Commercial Midstream Incentive Pilot				
Pilot Phase	Data Requirement	Purpose	Type of Data	Challenges
Pre-Launch	Historical sales	Determine and approve prior year's average monthly baseline sales	Historical sales volumes for both the EE and non-EE product in all treatment and control locations	Data may not be available if EE product is new. Data should be sufficient to reflect any seasonal sales patterns.
Implementation	Monthly sales	Determine sales growth above baseline and calculate incentive payments	Monthly sales volumes for both the EE and non-EE product in all treatment and control locations	Data should be provided in a consistent format across all locations and participants to streamline the process.
Implementation	Installation location	Determine the utility service territory where installation will occur	Location of intended installation	The purchaser may not know where the product will be installed or may not wish to provide the information.
Implementation	Energy savings potential	Determine energy savings for utility reporting purposes	Model No., equipment type, end use application, usage profile, etc.	Purchaser may not know how the product will be used.
Implementation	Contact information	Enable distributor to follow-up with the purchaser with questions and requests for feedback	Purchaser name, company name, address, phone number, email address, etc.	Purchaser may not wish to provide this information. Actual purchaser may not be the optimal target for follow-up.

TABLE 2 Overview of Data That Should Be Collected at Point of Sale

Basic Sales Data	<ul style="list-style-type: none">• Branch location• Date sold/shipped• Model No.• Number of units sold• Price per unit sold (optional)• Customer contact information
Data for Calculating Energy Savings	<ul style="list-style-type: none">• Product end use application• Facility type
Data for Programs with Multiple Utilities	<ul style="list-style-type: none">• Installation location

2.1.5 Establish Payment Process

Program designers must also determine how incentive awards and stipends will be paid by utilities to distributors. If utility partners have an established centralized invoicing/payment process, incentive, bonus, or stipend payments can be made directly from the funding source to each distributor on a monthly basis. Otherwise utilities and distributors will have to establish invoicing and payment processes.

The invoicing and payment process is initiated at the end of each month after monthly sales data has been analyzed and incentive payments have been calculated. Planners should anticipate that this payment process will take longer in initial months due to the setup requirements, but ideally can be streamlined in later months.

2.1.6 Establish Data Transfer and Storage Security Protocols

After securing NDAs among all partners, a secure data transfer protocol should be established to transmit historical and program sales data from distributors to utilities. Using secure or encrypted online services that require password entry proved effective for both pilot programs. All parties will also need to agree to policies that specify how data will be deleted, or retained and stored, after the program has terminated.

2.2 PROGRAM IMPLEMENTATION

Program implementation includes three primary phases.

- *Launch* – Distributors, utilities, and/or manufacturer representatives conduct salesforce training and incentive program kickoff meetings.
- *Mid-month* – Distributor salesforces are active in sales efforts, conducting customer training meetings and collecting additional sales data. Distributor managers may launch sales promotions or contests to engage their salesforce and seek feedback on what is working and what needs additional marketing support.
- *Month-end* – Distributors submit monthly sales data to program planners who then calculate incentives/bonuses/stipends earned, conduct utility and distributor feedback meetings, and notify distributors/utilities to activate invoicing/payment mechanisms.

Figure 6 presents a summary of the implementation phases. A checklist outlining implementation tasks is provided in Appendix B.

FIGURE 6 Summary of Three Primary Implementation Phases

2.2.1 Launch Phase: Salesforce Training and Kickoff Meetings

Pre-launch webinars can be conducted for distributor salesforces to generate initial interest and commitment from the salesforce. Salesforce training meetings should highlight the benefits of the EE product and can also provide training on the proper installation and maintenance of the EE product. During the two CMIP pilots, it was valuable to include a manufacturing representative in salesforce training meetings as they were able to provide technical guidance on the EE product attributes and proper installation techniques. Including speakers from the utility partners also helped to validate the program to promote the sale of the EE product. Staging incentive program kickoff webinars with senior distributor management is crucial in getting top-down support to motivate salesforce performance. Distributor managers can also use the incentive program kickoff meetings to highlight special marketing campaigns or sales promotions and contests during the incentive program.

2.2.2 Mid-Month Phase: Active Sales

Program planners should seek periodic feedback during the incentive program to identify successful sales approaches and opportunities to further motivate the distributor salesforce. Mid-pilot training and sales contests can be a very effective means of maintaining interest and commitment through the incentive program. During the two CMIP pilots, distributor managers introduced new sales contests and promotions throughout the programs and adjusted incentives for their salesforce in response to results and feedback. Special customer-level training meetings for high-value contractors and installers were also found to be a highly effective sales tool. Program planners will benefit greatly from periodic mid-month discussions with distributors to transfer successful sales approaches between locations and resolve any roadblocks.

2.2.3 Month-End Phase: Sales and Incentive Analysis

At the end of each month during the incentive program, sales data should be collected from all participating distributor branches to determine potential incentive awards and stipend payments. Similar data should also be collected from any control branches that will not receive incentive payments.

Program coordinators should work with each distributor manager and utility partner to:

- Identify a primary contact at the distributor who will transmit the monthly sales data.
- Determine the most effective and secure way to transmit monthly sales data from the distributor to program coordinators (e.g., via a password-protected data storage application).
- Set a time frame for transmission of sales data from the distributor to the program coordinator (e.g., within 2 weeks after month-end).

- Set a time frame for program coordinators to analyze data and calculate incentive awards and stipends.
- Communicate the monthly results with distributor manager contacts.
- Determine how to activate the invoicing/payment mechanism between each utility and each distributor in their service territory.

Program coordinators should analyze sales data, determine incentive/stipend payments, and then communicate the monthly results to utility and distributor partners via email or conference calls. Holding monthly conference calls with distributors to discuss incentive/stipend results is recommended as a valuable way to gain insights into what worked during the month and what factors may have influenced the market such as seasonal sales patterns, promotions for competing products, changes in local economic market factors, or new market challenges from competitors.

2.3 PROGRAM EVALUATION

A comprehensive program evaluation should be conducted at the end of the incentive program to obtain detailed feedback from distributors on which sales tools were effective in driving sales growth. The evaluation includes two primary phases: (1) analyzing monthly sales data collected during the program to evaluate market results, and (2) interviewing distributors to gather qualitative data on best practices to guide future programs. A checklist outlining post-program tasks is provided in Appendix C.

2.3.1 Evaluate Post-Pilot Results

Program coordinators and utility partners should analyze detailed monthly sales data for both the EE product and any non-EE products for each of the distributors' participating and control locations. This provides a unique opportunity to determine several market insights, including:

- A comparison of sales growth in active locations and control locations to determine if the incentive program increased sales above and beyond any broader market trends.
- An analysis of sales patterns in participating and control locations to identify overall market trends, seasonal sales impacts, ordering trends, and the impacts of large orders from major customers.
- Additional information from distributor locations that experienced unexpected sales growth or declines to better understand why the program was or was not successful.

2.3.2 Collect Distributor Feedback

It is important for program coordinators to hold post-program feedback sessions with distributor managers to better understand program successes and challenges to guide future programs. Program coordinators and utilities will obtain valuable insights into competitive market factors and effective sales approaches, including:

- How the incentive program impacted the EE product market.
- Which factors drove sales gains, both at local distributor locations and in the overall market (e.g., salesforce incentives, salesforce training, customer training, and manufacturer).
- Which factors supported customers' decision to switch to the EE product (e.g., energy savings, cost savings, and ease of installation).
- Which sales promotions and sales pitches were most effective in each distributor location.

2.3.3 Continue Data Collection

Continuing data collection after the incentives have been removed can help to determine the ultimate potential for market transformation. This requires agreements between utilities and distributors prior to program launch to include data collection for a period of time after the incentive program has ended.

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3 LESSONS LEARNED TO GUIDE FUTURE MIDSTREAM PILOTS

A number of key lessons learned and best practices were developed from the experience and feedback obtained during the two pilot programs. The feedback from distributor and utility managers was overwhelmingly positive, and there was broad interest and support for future programs. These findings can be used to guide future midstream incentive programs.

3.1 FINDING UTILITY PARTNERS

Third-party coordinators are a valuable resource. It can take a significant amount of time and effort to identify potential utility partners and obtain their commitment to participate in the program. An impartial third-party partner with an interest in increasing the market penetration of EE products can be a valuable resource for navigating the market landscape. The two CMIP pilots leveraged local REEOs to help identify program partners through their extensive contacts with potential utility partners, major distributors, EE-product manufacturers, and industry trade organizations. The REEOs were also integral in marketing the pilots to their membership, which helped promote the program to potential utility partners. They also hosted several webinars to introduce midstream pilot program features and benefits to potential partners. REEOs are particularly strong partners because their primary mission is to increase energy efficiency through membership engagement within their region.

Market studies can be used to generate interest. It can be challenging to find utilities with an interest in sponsoring midstream incentives programs, particularly if they have not been involved with them in the past. In the Northwest and Midwest pilots, program planners identified utilities that were interested in exploring the midstream approach and in testing a novel program framework. We recommend leveraging recent market studies to generate interest among utilities for a specific EE product. This was particularly valuable in the Midwest pilot where the program was designed around a relatively novel product (notched v-belts) unfamiliar to many partners.

3.2 FINDING DISTRIBUTOR PARTNERS

Securing a distributor partner can be challenging. Securing distributor participation is a primary challenge for program planners. Outreach should generally be conducted after the EE product has been selected and a basic incentive framework is in place. This enables program coordinators to make a clear and concise pitch to potential distributor partners and eliminates confusion and the need for decision-making on their part. Identifying the correct representative at a particular company and communicating a complex pilot model can be difficult. Potential participants are often unfamiliar with not only midstream models, but also the concept of focusing incentives only on product sales above a historical baseline. Outreach can be conducted through several channels until the appropriate contact is identified.

Manufacturers should be engaged early. Manufacturer representatives can help to identify distributor partners as they have a vested interest in seeing increased sales, have strong existing relationships with senior distributor sales managers, and can communicate program goals. Utilities can also explore their business networks to secure introductory meetings with additional distributors. In the Midwest pilot, early feedback from a manufacturer representative helped to determine an appropriate incentive level and structure, so that incentives would be sufficient to motivate distributor sales managers. The representative also advised on sales strategies, training needs, and data collection opportunities during the sales process between distributors and customers. This helped planners develop the pilot's incentive framework, bonus structure, and data collection protocols. The manufacturer representative also provided valuable contacts with managers of distribution companies, which enabled pilot partners to introduce the pilot program and find distributors for the pilot.

3.3 LESSONS LEARNED ON PROGRAM DESIGN AND RECOMMENDATIONS

Keep incentive design simple. Program planners should try to design simple-to-follow incentive measures such as a fixed payment for each sale above baseline. Early planning efforts in the Northwest focused on developing a more complex tiered incentive structure; however, this primarily created confusion and did not significantly enhance the program. A simple-to-communicate incentive design can quickly generate buy-in from distributor managers. A simple structure also enables distributor managers to easily estimate potential incentive payments from sales gains and develop creative sales promotions and contests to motivate their salesforces and reward high performers.

Keep the playing field level. Distributor feedback from pilot programs clearly identified the need to maintain consistency between distributor partners. Distributor managers want to know that they are being provided with the same incentive opportunities as their competitors. Consistent incentive measures will also facilitate end-of-pilot comparisons between different distributors. If mid-program incentive adjustments are needed, we recommend offering revised incentives to all locations.

Seek early feedback during the pre-launch planning stage. Obtaining feedback and support from an early project champion, such as an initial distributor partner or manufacturers' representative, can shorten the planning phase considerably. This provides program planners with valuable insights into the sales process and challenges in altering purchase decisions. In addition, once early support has been obtained from one partner, it will be easier to recruit additional partners.

Stipends are important. Stipends can be provided to help defray costs associated with data collection at the point of sale. We recommend offering small data stipends, especially when utilities require data beyond what is typically collected at the distributor point of sale. This is typically a minor expense in the context of the broader program and was a valuable tool in generating interest from distributor partners.

Data collection requirements must be manageable. It is typically not challenging to collect basic sales data from pre-existing invoicing forms. However, collecting additional sales data was very challenging and often unsuccessful. Utilities may desire detailed data in order to verify the installation location, usage patterns, and energy savings achieved from each EE product sold. However, a balance must be struck so that an undue burden is not placed on the distributors. Therefore, we recommend utilizing simplifying assumptions as much as possible when determining energy savings; for example, estimated usage profiles based on a broad characterization of the purchaser (e.g., commercial building, industrial facility, school, and hospital) as opposed to the more specific end-use application.

Salesforce training is essential. Salesforce training helps to generate salesforce buy-in prior to launching the incentive program and provides salesforces with the tools they need to develop customized sales approaches. We recommend including a manufacturer's representative or technical sales representative as part of the training to provide details on EE product benefits, proper installation techniques, and other features. The salesforce can then incorporate these details into their sales pitch to convince decision-makers to switch to the EE product.

Customer training is also highly effective. In-house training sessions can be provided to attract and educate high-value customers on the energy savings benefits, proper installation, and maintenance practices of the EE product. This will support future sales as contractors begin to specify the EE product as part of recurring maintenance contracts. Distributors can optionally be provided with a small stipend (e.g., providing lunch for participants) to encourage customers to attend these trainings.

Incentive program timing can be critical. Program planners should determine if there are seasonal sales patterns for EE products and implement the incentive program during peak buying seasons or maintenance cycles. In order to obtain the greatest sales shift, we recommend timing the incentive program to coincide with seasonal peaks or during manufacturer marketing programs. The historical sales baseline should also be calculated to properly account for these seasonal effects.

Mid-program feedback and adjustments can be valuable. Discussions during the incentive program provide valuable insights into which sales approaches are successfully convincing customers to purchase the EE product. Such discussions can also help to determine which internal sales contests and promotions were most successful in motivating distributor salesforces. We recommend monthly or bimonthly conference calls (as opposed to emails) with distributors to review incentive awards, discuss successes and challenges, and to determine if any program adjustments or expansions are warranted.

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4 CONCLUSIONS

Between 2013 and 2015, Argonne provided third-party technical guidance on the design, implementation, and evaluation of two CMIPs for EE products. Both pilots were focused on understanding the potential for midstream programs to increase the market share of EE products by targeting incentives directly to product distributors. These pilots were intentionally designed to cover two distinct geographies and two very different EE products. The first pilot took place in the Northwest, involving five distributors of low-wattage linear fluorescent lighting and a single utility, Bonneville Power Administration. The second pilot took place in the Midwest, involving two distributors of notched, or cogged, v-belts and two utility companies, AEP Ohio and Dayton Power and Light. In each case, the utility companies provided a financial incentive to distributors for each EE product that was sold above an established historical baseline. Additional stipends were also provided to support salesforce and customer training programs, and to encourage timely and accurate data reporting.

During the Northwest program, the market share of efficient lighting products increased by 56% relative to the historical baseline in participating distributor locations. The relative sales of EE products also generally increased as the incentives programs progressed. This implies that distributors may have continued to improve their sales techniques for EE products throughout the course of the program.

In the Midwest program, results differed somewhat significantly between the two participating distributors. The first distributor experienced a 4% increase in notched v-belt sales from branch locations where incentives were offered, but a 48% increase in sales from locations where incentives were not offered. The second distributor experienced a 133% increase in sales from its location where incentives were offered, compared to an 8% increase in locations where incentives were not offered. It is not immediately clear why the control location outperformed the incentive location for one distributor; it is likely due at least in part to the highly variable natural sales patterns of v-belts. These results suggest that notched v-belts are gaining market share even in the absence of incentives, though program partners were also optimistic that additional incentive programs could help to accelerate this process by encouraging more rapid shifts in default stocking practices.

All incentive programs have unique characteristics and factors that must be strongly considered during program design. However, through developing and monitoring two pilots in different geographies and with different EE products, we were able to obtain insight into the program design and implementation strategies that can help to ensure success across a variety of scenarios.

Both pilots benefitted significantly from early engagement with third-party partners. The REEOs in each region—NEEA and MEEA—were both instrumental in conducting outreach with potential utility and distributor partners and also in helping to promote the pilots and refine program design. Additional outreach with trade organizations and product manufacturers helped to identify promising EE products, provide a deeper understanding of the market landscape, and identify optimal incentive levels.

Both pilots also found pre-program training programs for the distributors' salesforce and high-volume customers to be very successful. These trainings were focused on educating participants on the potential energy and financial savings that would result from installing the EE product. They also provided information on any new installation and maintenance requirements that were specific to the EE product. This knowledge provided the salesforce with additional tools that they could use to promote and sell the products and also generated interest throughout their customer base.

While utilities may at first be hesitant to provide funding that is not directly tied to increased EE product sales, the trainings were generally perceived to provide a strong return on investment for all parties involved. Furthermore, providing distributor management with full discretion in how their incentive payments were allocated internally empowered them to provide the appropriate motivation to their salesforce and do what they do best, sell products. This also enabled them to make longer-term investments, such as enhancing data systems and developing promotional materials.

The natural high variability of sales patterns can make it difficult to assess the impact of incentive programs over short time periods. Qualitative findings based on interviews with program partners suggest that the incentives programs successfully influenced sales practices to promote the EE product. Future incentive programs should ideally be implemented and evaluated over longer time frames to more accurately quantify the long-term impacts of changing business practices on product sales. These programs should also focus on refining and testing the replicability of the guidelines put forth in this document.

Additional work could explore launching programs farther upstream by providing incentives directly to product manufacturers and developing similar guidelines to understand how such upstream programs may differ from or be similar to midstream programs. We will also continue to engage new program partners to gain a better understanding of the lasting effects of these pilots and refine program guidelines in order to reduce the overhead costs associated with program design and implementation. Finally, we hope to expand engagement to reach new stakeholders in order to increase awareness of the energy savings potential of midstream incentive programs among utilities and product distributors throughout the country.

APPENDIX A: PRE-LAUNCH CHECKLIST

Table A-1 is a checklist outlining the tasks required prior to program launch.

Task Category	Task No.	Task	Program Planners	Utility Partners	Other (Distributor, Manufacturer)
Administrative	1.1	Identify project utility partners	x	x	
	1.2	Obtain letters of utility support	x	x	
	1.3	Convene regular calls with utilities	x	x	
	1.4	Convene regular calls with Argonne	x		
Incentive Design	2.1	Communicate lessons from other midstream incentive programs	x	x	
	2.2	Determine participating products	x	x	x
	2.3	Evaluate baseline product pricing	x	x	x
	2.4	Evaluate incentivized product pricing	x	x	x
	2.5	Determine product incentive levels	x	x	x
	2.6	Determine manufacturer participation bonus categories	x	x	x
	2.7	Determine manufacturer participation bonus level	x	x	x
Technology and Energy Savings	3.1	Identify technology/measure	x	x	
	3.2	Determine cost differential	x	x	x
	3.3	Determine energy savings potential	x		
	3.4	Determine market potential	x	x	x
Distributor/Manufacturer	4.1	Identify distributors/manufacturers	x	x	x
	4.2	Communicate project goals with distributors/manufacturers	x	x	x
	4.3	Obtain distributor/manufacturer commitment letter			
Data	5.1	Determine utility data needs and requirements	x	x	
	5.2	Determine research data needs and requirements	x		
	5.3	Develop data collection protocol procedure	x	x	
	5.4	Develop data collection procedure	x	x	
	5.5	Communicate data collection roles	x		
	5.6	Obtain signed non-disclosure agreements to protect proprietary data	x	x	x

Task Category	Task No.	Task	Program Planners	Utility Partners	Other (Distributor, Manufacturer)
Launch Logistics	6.1	Determine project duration	x	x	
	6.2	Communicate project rules and procedures for partners	x	x	
	6.3	Develop incentive payment protocol and procedure	x	x	
	6.4	Develop marketing strategy	x	x	x
	6.5	Develop marketing timeline	x	x	x
	6.6	Conduct stakeholder (Ohio Manufacturers Association [OMA], etc.) outreach	x		x
	6.7	Develop distributor training content	x	x	x
	6.8	Develop distributor training schedule	x	x	x
	6.9	Develop feedback collection procedure	x		
	6.10	Develop feedback collection timeline	x		

APPENDIX B: IMPLEMENTATION CHECKLIST

Table B-1 is a checklist outlining the tasks required during program implementation.

Task Category	Task No.	Task	Program Planners	Utility Partners	Other (Distributor, Manufacturer)
Program Launch	1.1	Confirm distributor sales counters are set up to collect sales and customer data	x		x
	1.2	Confirm distributor reporting systems are set up to collect month-end sales data	x		x
	1.3	Determine procedures to verify data for training and data stipends, other bonuses	x		x
	1.4	Confirm distributor-utility invoicing and payment mechanisms	x	x	x
	1.5	Conduct pre-launch salesforce training	x	x	x
	1.6	Convene program kickoff meeting for distributor salesforces	x	x	x
Early Program Tasks	2.1	Distributor managers communicate sales promotions or contests to salesforce			x
	2.2	Distributor managers distribute EE product marketing materials			x
	2.3	Distributors discuss with EE product manufacturers on joint marketing/training options		x	x
	2.4	Distributor salesforce begins selling EE product attributes and secure orders/sales			x
	2.5	Distributor salesforce gathers sales and data details for EE product orders/sales			x
	2.6	Distributors host EE product training meetings with high-value contractor customers		x	x

Task Category	Task No.	Task	Program Planners	Utility Partners	Other (Distributor, Manufacturer)
Mid-Month Tasks	3.1	Distributor managers seek feedback from salesforce on effective sales approaches			x
		Project team conducts periodic mid-month discussions with distributors to transfer successful sales approaches between locations and resolve roadblocks			
	3.2	Distributor managers determine the need to adjust marketing or sales promotions			x
	3.3	Distributor salesforce seeks opportunities to host high-value customer training			x
	3.4	Project team determines adjustments to incentives, stipends, bonuses, if needed	x	x	x
	3.5	Distributor managers hold mid-program training and sales contests to re-invigorate salesforce	x	x	x
Month-end Procedures	3.6	Project team looks for ways to further engage EE product manufacturers or suppliers	x	x	x
	4.1	Distributor collects and delivers sales and detailed data via secure data filing system			x
	4.2	Project team analyzes sales data to quantify incentive awards, stipends, and bonuses	x		
	4.3	Project team reviews sales results and incentive/stipend awards with utilities	x	x	
	4.4	Utilities approve incentive/stipend awards to distributors		x	
	4.5	Project team conducts distributor feedback meetings	x	x	x
	4.6	Distributors/utilities activate invoicing/payment mechanism		x	x

APPENDIX C: POST-PROGRAM CHECKLIST

Table C-1 is a checklist outlining the tasks required after completion of the program.

Task Category	Task No.	Task	Program Planners	Utility Partners	Other (Distributor, Manufacturer)
Post-Program Data Analysis	1.1	Evaluate sales data for EE product and control product in participating locations	x	x	
	1.2	Compare sales growth in active versus control locations to identify market trends	x	x	
	1.3	Analyze month-to-month sales patterns for seasonal impacts, ordering trends	x	x	
	1.4	Evaluate unexpected sales surges or large orders impacted by major customers	x	x	
	1.5	Evaluate unexpected sales declines to identify barriers or challenges	x	x	
Distributor Feedback Interviews	2.1	Prepare detailed distributor interview questions	x	x	
	2.2	Allow distributor managers to preview questions to gather salesforce insights	x	x	x
	2.3	Conduct discussions with distributors for feedback and market insights	x	x	x
Post-Program Evaluation of Sales Approaches	3.1	Identify distributors' effective sales approaches	x	x	x
	3.2	Determine impact of incentives/stipends/bonuses as salesforce motivators	x	x	x
	3.3	Identify successful and innovative salesforce sales contests and promotions	x	x	x
	3.4	Determine impact of salesforce and customer training	x	x	x
	3.5	Determine impact of manufacturer support (e.g., pricing options, training)	x	x	x

Task Category	Task No.	Task	Program Planners	Utility Partners	Other (Distributor, Manufacturer)
Post-Program Evaluation of Market Factors	4.1	Identify competitive market factors in local versus regional market	x	x	
	4.2	Identify factors supporting customers' decisions to switch to EE product	x	x	
	4.3	Determine impact of energy savings, cost savings, ease of switching to EE product	x	x	
	4.4	Identify existing market trends versus impact of incentive programs	x	x	
	4.5	Identify examples where customer changed maintenance or inventory stocking practices in favor of EE product	x	x	
Continuing Data Collection	5.1	Continue collecting sales data to determine sales growth after the program	x	x	
	5.2	Determine if market share change is sustained without incentives	x	x	
	5.3	Identify markets for potential scale-up of program to non-participating locations	x	x	
	5.4	Test new incentive or bonus features in new locations or distributors	x	x	
Post-Program Evaluation	6.1	Analyze sales growth data and sales details for utility-hired evaluators		x	
	6.2	Determine how to attribute potential energy savings to EE product sales		x	
	6.3	Evaluate program data for attribution to utility service areas		x	
	6.4	Determine potential energy savings per utility service areas		x

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