

Market Progress Evaluation Report **Executive Summary**
WashWise, No. 2

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**A Second
WASHWISE
MARKET PROGRESS
EVALUATION REPORT**

Final Report

Prepared For:

The Northwest Energy Efficiency Alliance

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Executive Summary

This report presents a second review of the market for resource-efficient clothes washers (RECWs), the progress and trends in that market, and the influence of the Northwest Energy Efficiency Alliance's *WashWise* program to date. The primary focus is on the status of the market and the impact of *WashWise* on that market. This report is designed to provide information and data that will help inform program design direction, and serve as a base for understanding and measuring indicators of program-induced market effects.

Summary of Research Activities

To produce this report, Pacific Energy Associates, Inc. (PEA) developed and either conducted or analyzed market research from several sources. Larger telephone and intercept surveys were conducted by The Gilmore Research Group. PEA also interviewed the program implementers, Portland Energy Conservation, Inc. (PECI) staff, as well as staff for the Consortium for Energy Efficiency (CEE). Market research specifically conducted for this project included the following:

- υ A telephone survey of 400 participants/purchasers of RECWs as part of the *WashWise* program.
- υ A telephone survey of 402 general consumers to determine buying habits and preferences, and knowledge of RECWs.
- υ An intercept survey of 43 consumers actively in the market for laundry equipment (i.e., shopping at an appliance dealer).
- υ Telephone interviews with 14 of the largest appliance retailers in the region.
- υ Telephone interviews with all major clothes washer manufacturers or importers of European products.
- υ Telephone interviews with 4 large national or regional retail chains.

Summary of Key Findings and Highlights

A large amount of data was developed and summarized for this report. Several key findings or trends stand out:

- υ From July 1, 1997, to June 30, 1998, the marketshare of RECWs in the Northwest was approximately 12%. *WashWise* weathered the reduction in consumer rebate amounts – from \$130 to \$75 – quite well. Retailers continued program participation and sales have nearly returned to the \$130 rebate level, reaching 15% in June 1998.
- υ Program participants/customers continue to show very high satisfaction rates with RECWs. A major field study in Bern, Kansas confirms high satisfaction rates with RECWs, and documents significant energy and water savings.
- υ RECWs are now well established throughout the Northwest, and are beginning to be established across the country. The national marketshare for RECWs is probably in the 5%-to-6% range. Retailers and manufacturers expect the marketshare to grow considerably over the next five years.
- υ Advertising still reaches only a minority of buyers or possible buyers. The cost of media for marketing campaigns is high and the program marketing budget is modest. The vast majority of clothes washer shoppers are very much dependent on the retailer for information. Word-of-mouth referrals have grown substantially.
- υ Manufacturers are introducing new products or updating versions of old products. While there have been no dramatic new entrants since the first *Market Progress Evaluation Report (MPER#1)*, there is a greater variety of products and they are becoming more efficient, primarily in reducing the remaining moisture content prior to drying. European manufacturers will soon have new products in the U.S. market that will have prices and/or features to compete better with the U.S. models.
- υ Neither GE nor Whirlpool will disclose product plans or timing regarding their entries into RECW manufacturing, however, there is evidence that both are working on products. (GE currently markets a GE-labeled Frigidaire unit.) Some announcements may be timed

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so as not to interfere with the *Federal Appliance Standards* process for clothes washers.

- The Department of Energy will shortly be publishing the *Advance Notice of Proposed Rulemaking* regarding Federal Appliance Standards for clothes washers. The most critical time for public comments will be August and September.

Clearly, the *WashWise* program has successfully accelerated the introduction of RECWs. Now, the most important question facing *WashWise* is how to transition to a program that does not rely on rebates to drive the market, a change that is planned to occur in October 1998. It is clear that rebates have been important to manufacturers, retailers, and consumers in developing a solid market for RECWs in the Northwest. Given limited financial resources, how can the *WashWise* program maintain the gains made in marketshare and move towards a more sustainable market? Some findings from the market research which may help address that question, include:

- A majority of higher-volume retailers believe that the marketshare of RECWs will not drop substantially in the absence of rebates.
- First-cost is still a major barrier. The average RECW price has not dropped since *MPER#1*, and most consumers are unwilling to pay for future savings. However, there are still other local utility rebate programs in the Northwest, as well as a substantial tax credit for Oregon residents, to help overcome the first-cost barrier. Most consumers surveyed consider a utility rebate on a clothes washer an endorsement of that product. About one-third of consumers said that a utility rebate would make them more likely to buy an RECW, even if it were more expensive.
- A RECW program in New England is now underway. The budgets, rebate amounts, and customer base are similar to *WashWise*. From a national perspective, this should help increase the marketshare of RECWs and encourage additional manufacturers to participate.
- As consumers approach the point at which they will need to buy a new clothes washer, their openness to purchasing RECWs increases. A major source for consumer information about appliances, *Consumer Reports*, now ranks the Frigidaire and

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Maytag RECWs higher than any top-load clothes washers. *Consumer Reports* also spent considerable time discussing the differences between the two types of washers, which certainly adds to market support.

- Manufacturers and retailers meet a possible move of *WashWise* to *ENERGY STAR*[®] with cautious approval. *ENERGY STAR*[®] is still more of a concept than a strong selling point for products and will require utility partners and ally support to succeed. However, more consumers know about *ENERGY STAR*[®] than know about *WashWise*.

Conclusions

PECI and the Alliance staff are well aware of the challenge that lies ahead in transitioning to a program without rebates. Attention to marketing has already increased, and planning steps to ease the transition are scheduled.

Based on interviews with retailers and manufacturers, PEA expects that the RECW market can be maintained at about the 10%-to-12% level in the Northwest over the next year in the absence of consumer rebates, but with a strong marketing and education effort and retailer support. This is about twice the national marketshare.

Nationally, the market for RECWs appears to have gained the first level of sustainability. Manufacturers are improving and diversifying product lines, and sales nationally have grown at double-digit rates. The remaining U.S. manufacturers without a RECW product appear to have committed (internally) to producing such a product within two years. Continued attention to the RECW market in the Northwest will likely pay dividends, either by speeding the rate of increase in marketshare for RECWs, and/or by supporting the development of *Federal Appliance Standards* that require higher levels of efficiency in clothes washers.

Recommendations

To foster the sustainability of the market progress to date, and to further the RECW technology in the marketplace and ultimately to a federal efficiency standard, PEA has the following recommendations for the *WashWise* program.

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- 1. Develop and implement a detailed plan for supporting and influencing the Federal Appliance Standards setting process.**
- 2. Continue to support a regional marketing and education program for RECWs.**
 - a. Focus the continuing program efforts on engaging and supporting the retailers.**
 - b. Continue to identify ways and venues to inform consumers of the benefits of RECWs.**
 - c. The *ENERGY STAR*[®] *Home Appliance Program* should be considered as a vehicle to help sustain the market position of RECWs in the Northwest and raise the profile of energy-efficient appliances.**