

BetterBricks Grocery Initiative

Market Progress Evaluation Report #2

EXECUTIVE SUMMARY

PREPARED BY

Research/Into/Action

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Final Report

BetterBricks Grocery Initiative Market Progress Evaluation Report #2

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March 20, 2007



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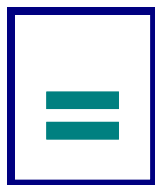


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EXECUTIVE SUMMARY

The BetterBricks Grocery Initiative (Grocery Initiative) was approved by the NEEA Board of Directors in July 2005; it works directly with regional grocery wholesalers and larger chain operators (greater than five and less than 35 locations) to change energy-related business practices. Efforts with national chains are also planned, but have not yet been fully identified. The independent chains that are the initial target represent a substantial portion of the Pacific Northwest regional grocery market.

This second Market Progress Evaluation Report (MPER #2) documents the progress and activities of the BetterBricks Grocery Initiative (formerly Smart Markets Program), between October 2005 and September 2006, which includes the first nine months of the current three-year funding cycle that began January 2006. Research Into Action, Inc. conducted the research and prepared this MPER. We reviewed program documents, interviewed eleven staff and contractors working on the Initiative, as well as four contacts associated with three regional grocery chains targeted by the Initiative.

SUMMARY OF FINDINGS

The Grocery Initiative now has a full team, including a dedicated manager and contractors to assist in developing appropriate tools and services for the market. The initiative has made progress by developing good relationships with some of the key regional grocery stores and with the key actors in the regional refrigeration industry. Some projects have been undertaken with regional grocery stores as part of these efforts.

Initiative staff and contractors all express belief that the market transformation theory of the Grocery Initiative is valid and will be achieved; however, contacts note that the ramp-up time has been longer than anticipated, it is more difficult to get the attention of grocery store contacts than anticipated, and the development of tools and services is taking longer than planned. The delay affects the market specialist ability to be fully effective as he is not able to provide specific tools to assist implementation when a grocery chain does express interest. Evaluators did not attempt to analyze the validity of the market transformation theory for this report. This topic will be addressed in the next MPER when more data is available.

While the Initiative staff has a high belief that the 2006 project goals are likely to be achieved by early 2007, the status of the activities, and of the energy efficiency tools and services does not fully support this optimism. With only one exception, a benchmarking tool, the tools that are required to gain active involvement by the target chains were still in development as of October 2006:



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- **Energy awareness materials for use with grocery store staff**—among the most important for the immediate future—are not yet in draft form.
- **The business case**, which was expected to be completed early in 2006, was in its third revision as of mid-October, with a fourth undertaken in November.
- **Other tools and services** are similarly behind schedule and are not likely to precede those already noted.
- In terms of activities, only one **EnVINTA Achiever assessment**, used to gain management awareness of and commitment to energy issues, has been held with one chain. The chain, while the most interested in moving forward, has yet to do so.

The regional chains that have been working most closely with the Grocery Initiative market specialist and Initiative manager each report that the communication regarding the intent of the initiative is clear, but they have yet to commit to many concrete actions such as educating staff and establishing energy-cost performance goals.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion 1: The initiative contractors are not fully confident in and knowledgeable of the business case for the BetterBricks Grocery Initiative. The development focus for the business case has been largely internal to initiative staff and not enough has been communicated externally to contractors. The absence of a completed document hampers communication on all fronts.

Recommendation: The business case must be completed. Before completion, feedback should be sought from not just the market specialists but also the product and service contractors already engaged by the Grocery Initiative. Once developed, the business case must be discussed in a team meeting with all the product and service development contractors to ensure that they fully understand and can articulate the message, and can address their tools and materials to accomplish that goal.

Conclusion 2: The tools and materials intended to assist grocery stores in implementing initiative strategies are taking a long time to develop, putting the work the market specialist has done at risk as grocery store contacts have nothing concrete to respond to. As with the business case, the focus on tools and materials has been internal and not enough has been communicated externally. This market does not require sophisticated communication pieces to gain their attention; they are relationship oriented and the risk of losing those relationships should be considered much more important. .

Recommendation: The tools and materials must be drafted and then tested with the market, then revised and finalized. The market is better able to determine the usefulness of the tools and materials than the Initiative staff. The benchmarking tool is a



successful example of taking a rough draft into the field and working with grocery store contacts to use it and improve it. Other tools and services should move into the field in draft stage and be tested and improved with the market.

Conclusion 3: The Initiative, as of October, was not on track to meet its 2006 project goals. As noted in Conclusion 2, development of tools and materials is taking longer than anticipated. In addition, we believe that optimistic timelines may also be a contributing factor. Market barriers may be another contributing factor though it is too soon to tell.

Recommendation: Keep working to get into the field and try these ideas out. The initiative cannot let “perfection be the enemy of the good.” Get out there and do the research in the field to figure out what will and will not work. At the same time it is important to set reasonable timelines, to be honest about what is known and what is not known, and to thus be able to more effectively work with the market to improve everyone’s knowledge and to assure stakeholders that progress is being made. More generally, the initiative should anticipate longer timelines when teams and tools are still in development..



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INTRODUCTION

The Northwest Energy Efficiency Alliance (NEEA) is a non-profit corporation supported by the Bonneville Power Administration, electric utilities, public benefits administrators, state governments, public interest groups and energy efficiency industry representatives. These entities work together to make affordable, energy-efficient products and services available in the marketplace.¹

This second Market Progress Evaluation Report (MPER #2) documents the progress of the BetterBricks Grocery Initiative (formerly Smart Markets Program) between October 2005 and September 2006. The Initiative, targeted to regional grocery stores, is currently funded through 2008 as part of BetterBricks, NEEA's overall commercial sector initiative.²

BetterBricks comprises all of NEEA's commercial sector activities. It seeks to:

Make energy efficiency an integral part of business decision-making. Within targeted vertical markets, change energy-related business practices to achieve energy efficiency in design and construction, and in building and facility operations. Create natural market demand for related trade ally products and services.³

The changes in business practices will result in facilities that achieve reductions in energy-related capital and operating costs. In addition, there are potential non-energy benefits, such as occupant comfort and productivity, and an alignment of design and construction projects with industry best practices.

BetterBricks currently addresses three “vertical” markets (*hospitals and health care, groceries, and commercial real estate*) and two “cross-cutting” markets (*design and construction, and building operations*), as shown in Figure 1. In broad terms, the distinction is between companies that have a demand for services (vertical) and companies that supply services (cross-cutting) across vertical markets.

¹ See the website at www.nwalliance.org.

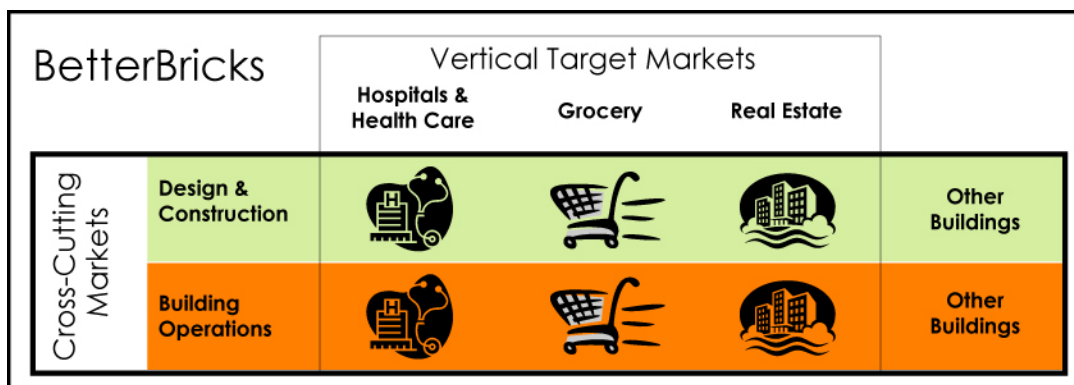
² Northwest Energy Efficiency Alliance. 2006. *Commercial Sector Initiative 2006-2008 Project Description (July 5, 2005)*. Portland, OR.: Northwest Energy Efficiency Alliance, p. 6. See: <http://www.nwalliance.org/proposals/rfps/CSIPProjectDescriptionForRFP.pdf>.

³ Northwest Energy Efficiency Alliance. 2006. *Commercial Sector Initiative 2006-2008 Project Description (July 5, 2005)*. Portland, OR.: Northwest Energy Efficiency Alliance, p. 6. See: <http://www.nwalliance.org/proposals/rfps/CSIPProjectDescriptionForRFP.pdf>.



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Figure 1: BetterBricks



INITIATIVE DESCRIPTION

The BetterBricks Grocery Initiative (Grocery Initiative), approved by the NEEA Board of Directors in July 2005, works directly with regional grocery wholesalers and larger chain operators (greater than 5 and less than 35 locations) to change energy-related business practices. Efforts with national chains are also planned, but have not yet been fully identified. The independent chains that are the initial target represent a substantial portion of the Pacific Northwest regional grocery market.

The ultimate goal of the Grocery Initiative is to transform the regional groceries market so that stores are designed and operated more efficiently. The first phase of this plan is to work with a few selected chains to validate the benefits of changing energy-related business practices and thus to create success stories that can then be used to influence the broader market.

NEEA assigned a manager to oversee the Initiative and contracted with a market specialist to work directly with grocery chains and wholesalers. The Initiative manager has also contracted with several specialty contractors to develop tools and materials that support the Initiative (these are described in Chapter 3), including those designed specifically for refrigeration contractors.

To identify receptive grocery chains, the market specialist meets with corporate contacts at the regional grocery chains and wholesalers who are responsible for financial and operations decisions, as well as with facility management. The market specialist then conducts an assessment of candidate organizations to identify opportunities and from this information creates an account plan for implementing sustainable change at the targeted chains. The market specialist uses the tools and materials developed by the specialty contractors to assist the targeted chains in implementing the account plan. The Initiative manager also has direct interaction with the grocery chains, so there is overlap between the manager and market specialist roles.

The Grocery Initiative is supported by the cross-cutting BetterBricks services. Just as the market specialists implement the Grocery Initiative, technical advisors implement the Building



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Operations and Design and Construction initiatives. Technical advisory services may be used in activities such as troubleshooting an HVAC system or in developing high-efficiency specifications for a new building. They have also played a vital role in conducting studies such as assessing the effects of daylighting on HVAC and refrigeration requirements. This study was done to persuade grocery decision-makers that daylighting could be a net positive. The market specialists are still evolving the role that the technical advisors will play to address the interwoven business and technical needs of grocery stores as the Initiative unfolds. The cross-cutting initiatives intentionally do not include little refrigeration expertise, so the Grocery Initiative is developing its own relationships with refrigeration experts who can be used as technical advisors.

In addition to technical advisors, the Initiative is supported by a marketing team and an Education & Training (E&T) team. The marketing team's activities fall into two main categories: developing materials for use by both market specialists and grocery store staff, and disseminating success stories and lessons learned throughout the grocery store market to speed market transformation. BetterBricks E&T can develop curricula and deliver education and training to both technical and business-related audiences from grocery stores and refrigeration contractors.

INITIATIVE THEORY

The four hypotheses and associated long-term goals, as laid out in the 2005 project description approved by the Board of Directors, are noted in Table 1.

Table 1: Grocery Market Transformation Initiative Hypotheses and Long-Term Goals

HYPOTHESIS	LONG-TERM GOALS
If national and regional grocery chain decision-makers (and their wholesalers) are aware of the benefits available through improving energy-related business practices, then they will initiate and/or support energy management plans and changes in business practices.	Grocery owners and executive decision-makers expect energy-efficient (high performance) buildings and operations, driving changes in energy-related business practices.
If energy managers, store managers, and others have a license to pursue energy management more aggressively, and are given the necessary support, then they will develop and implement plans to do so.	National and regional grocery stores adopt plans to change energy-related business practices, including design and construction and store operations.
If grocery decision-makers request trade ally support to achieve energy efficiency in design and construction, and facility operations, the trade allies will be able and willing to support these efforts.	Energy managers, store managers, and others make energy management an integral part of store operations, resulting in a high level of operating performance.
If trade allies for grocery stores are provided with training and support by BetterBricks Technical Advisors, then they will be able to support grocery facility requests for energy efficiency in design, construction, and facility operations.	Grocery store designers and construction managers effectively apply advanced design and construction practices, resulting in new and renovated grocery stores that are highly energy-efficient.



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The basic initiative logic, displayed in Figure 2, assumes that sustainable changes in business practices and policies (i.e., always considering life-cycle costs, rather than just first-cost for energy-related investments) will result in changes in energy usage. When implemented, these changed business practices and policies make energy efficiency standard in grocery procurement, management and operations, and in construction and design for upgrades and new buildings.

Figure 2 places the Initiative within the context of how the market for energy efficiency appears to operate with and without the Initiative. The boxes to the right of the vertical line titled *Market Process* represents how a typical grocery store facility staff or a wholesaler design and construction staff might conduct a project with an energy efficiency component. If that project were successful, the facility manager or design and construction staff would have an interest in knowing more and would likely conduct additional projects. The Grocery Initiative seeks to intervene with those chains and wholesalers who have completed some projects and are interested in knowing how to apply energy efficiency, both more systematically and more comprehensively, in their business practices.

This point of contact is represented by the *Market Specialist Outreach* oval toward the middle of the figure. Market specialists will seek out those organizations and develop an account plan to assist the organization to transition to more energy-efficient business practices. That process, shown under the *Account Plan Developed* box, suggests that the market specialist will work with the CEOs of the regional chains, with the facility leads for the chains, and with design and construction staff for the wholesalers or architects that supply the chains. Each group becomes aware of the business case for change. The CEOs allocate resources, develop a plan, and provide a directive for the new business practices. The facility leads develop a plan and the new business practices.

During this process, the BetterBricks Technical Advisors and other BetterBricks support services will be providing training and advisory services to trade allies throughout the region. These trade allies will be trained and capable of addressing requests from grocery stores and thus will facilitate the process of achieving long-term sustainable change in the vertical grocery market.

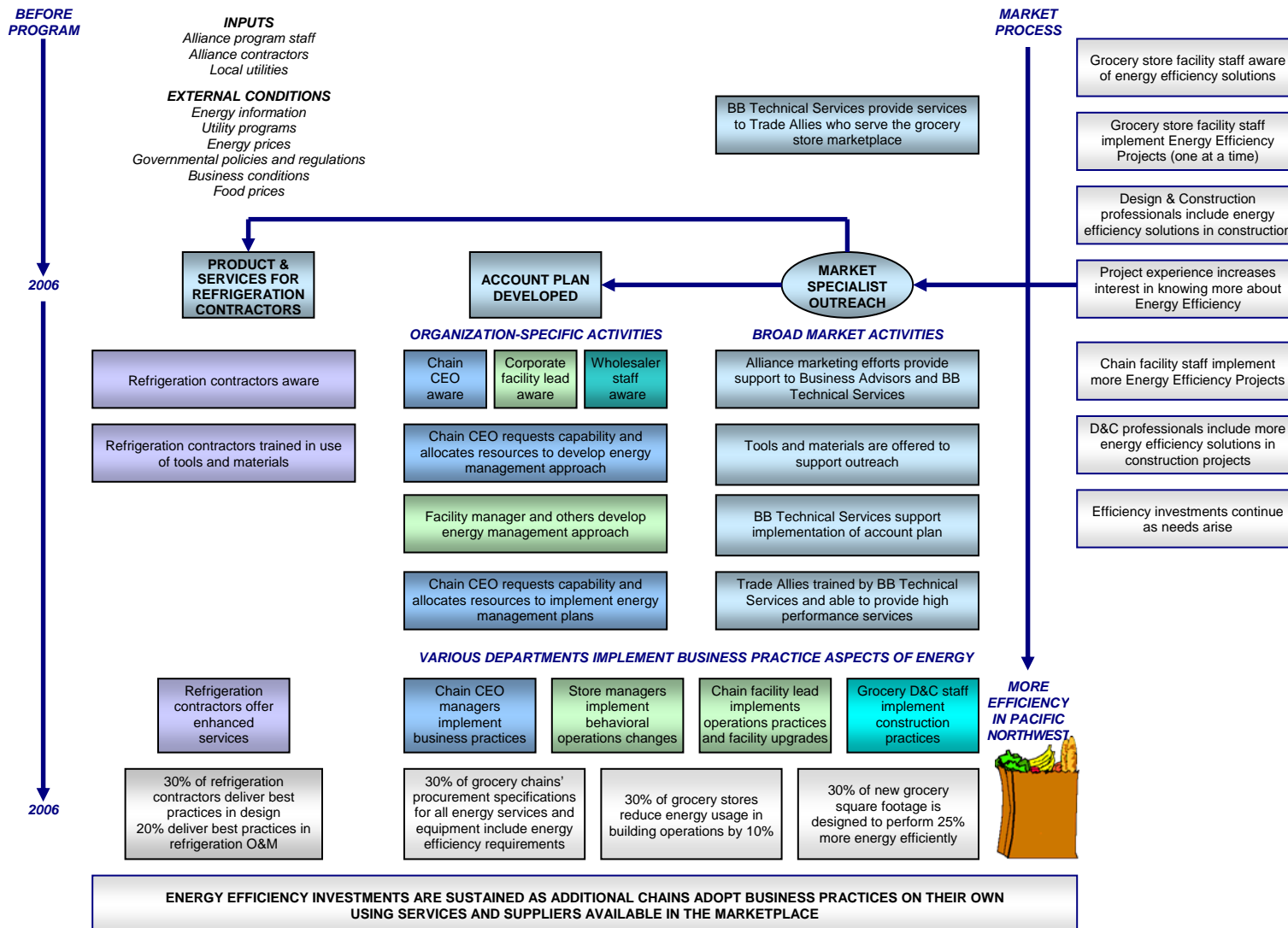
The refrigeration contractors also need to be trained and capable of delivering a service package that addresses the energy efficiency needs of grocery stores that change their business practices. Refrigeration contractors are placed in their own column separate from other service providers in Figure 2 because, unlike other commercial trade-allies who will be reached through the cross-cutting BetterBricks services, the refrigeration contractors will be directly targeted because of their limited role in the commercial market other than with grocery stores.

Finally, and most important from NEEA's perspective, the initiative theory assumes that chains involved in the Initiative will gain competitive market advantages and that other chains will notice this and emulate the business practices on their own. BetterBricks marketing and training activities are aimed at raising general awareness of these advantages in the grocery industry. Transformation will be achieved when chains use the knowledge and capabilities available in the market to implement changed business practices on their own.



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Figure 2: Market Process for Energy Efficiency Improvements with NEEA Grocery Initiative



SYNOPSIS OF FINDINGS FROM MPER #1

The BetterBricks Grocery Initiative was at an early stage of development in October 2005. The planning and transition stages had just concluded, the market specialist and an Initiative manager had just been hired and implementation was set to begin in early 2006. The primary findings reported in the first MPER concern the baseline conditions for the various market actors targeted and feedback from Initiative staff and contractors concerning the planning and transition phase.

The Initiative staff and contractors were generally enthusiastic about the Grocery Initiative goals and the capabilities for the grocery store market. They reported that there are challenges in this approach: grocery stores tend to be action-oriented and may be more attracted to immediate, discrete project activities than to the longer-term sustainable practices.

Baseline Studies

The baseline studies conducted showed that the energy efficiency practices and behaviors promoted by BetterBricks are present to a limited degree in regional grocery store chains. Among facility leads for regional corporate chains, energy management is a familiar term and has been requested and supported by organizational management. Many efficiency solutions are already in place, but the more high performance solutions are done less frequently, and it is these activities that are likely targets for change in business practices.

A similar picture emerged for grocery store managers who oversee the daily operations of the region's stores. Most of the managers review their energy usage and report familiarity with many fundamental operations practices: case-shelf stocking, maintenance of frozen-door seals, controls on parking-lot lights, etc. In general, these practices are implemented by 10% to 20% fewer managers than are familiar with the practice.

Regional wholesaler contacts involved in design and construction decisions also reported strong support for energy efficiency in their organizations, although they report limited application. First-cost was clearly viewed as the most important criteria in financial decisions. However, the reliability of this information for the purposes of establishing a baseline is low, because there are very few regional wholesalers and interviews could not be completed for all of them. Of the total of six regional wholesalers in the area, only three were providing services to regional chains on new construction decisions. Thus, wholesalers are only one of the sources of influence on design and construction practices for regional grocery stores—specialty design firms are also influential.

Refrigeration contractors throughout the Northwest tend to work with regional chains, as well as national chains and convenience stores. Refrigeration contractors interviewed were familiar with the equipment and practices targeted by the Initiative. Several noted that energy-efficient motors have not functioned well in refrigeration environments. These contractors also reported that national chains tend to have more specifications and clearer requirements for energy efficiency, but that regional chains can sometimes be more efficient than the nationals because they target



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niche markets (like organic foods), which require a higher quality of refrigeration equipment. At the same time, there are other regional chains that are focused on low-cost, and thus tend to have much older equipment than do the nationals; they are also much less aware of, or willing to invest in efficient solutions. These differences between regional and national chains were apparent for all aspects of refrigeration contractors' practices and clearly support the argument for improving regional grocery store business practices.

Conclusions and Recommendations

The conclusions and recommendations made in the first MPER are presented in Table 2. Where known, the status of implementation of the recommendation is noted.

Table 2: MPER 1 Conclusions and Recommendations

CONCLUSION	RECOMMENDATION	STATUS
The BetterBricks Grocery Initiative is well on its way to implementation.	Begin to communicate clearly with the Technical Advisors on their roles and responsibilities, as well as with other BetterBricks contractors.	This has been done.
The BetterBricks Grocery Initiative objectives are not well aligned.	Adjust the objectives to make the relationship between awareness and adopting of plans and changes in related business practices more plausible.	This has <u>not</u> been addressed.
The ACE models appear inconsistent with expected program outcomes due to lack of documentation.	Add clear documentation to the ACE model explaining why the 2010 expected program outcomes are not achieved until one to two years later.	This is being done.
Design and construction contacts need to be identified.	Resources should be spent to identify D&C contacts outside of wholesalers.	This is being done.
At least one of the technologies the program seeks to promote appears to require more research.	Work with companies that have experience in the field to identify problems and then work with manufacturers to address the field experiences.	This issue has been discussed, but no actions have been taken.





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EVALUATION APPROACH

This chapter briefly discusses the approach for the second market progress evaluation for the BetterBricks Grocery Initiative for 2006-2008. The first MPER covered the transition period from January 2004 to October 2005; this second MPER covers the period from October 2005 to September 2006.

MPER #2 includes a variety of tasks, which are displayed in Table 3, as are those for the previous and next two planned MPERs.

Table 3: BetterBricks Grocery Initiative Evaluation Tasks

COMPONENTS	MPER #1 JUN 2006	MPER #2 Q1-2007	MPER #3 Q1-2008	MPER #4 Q1-2009
Market Characterization		X	X	X
Assess Logic Model	X	X	X	X
Assess Market Progress	X	X	X	X
Assess Progress Towards Goals	X	X	X	X
Process Evaluation	X	X	X	X
Estimate/Validate Savings Impact			X	X
ACE Model Review			X	X

Table 4 shows the specific activities that will be conducted and the data sources that have been or will be used for each MPER.



Table 4: Activities and Contacts for Grocery Initiative MPERs

ACTIVITY	DATA SOURCES	MPER #1 JUN 2006	MPER #2 Q1-2007	MPER #3 Q1-2008	MPER #4 Q1-2009
Interviews	NEEA Contractors/Market Specialists	X	X	X	X
	NEEA Staff	X	X	X	X
	Market Professionals		X	X	X
	Store/Facility Managers of Grocery Partners		X	X	X
	Utilities			X	X
	E&T Presenters			X	X
	E&T Participants			X	X
	E&T Developers		X	X	
	Tools and Materials Developers		X	?	
	Refrigeration Contractors			X	X
	BetterBricks Marketing Contractor			X	X
	Grocery Staffs (full market)			X	X
	BetterBricks Advisors	X	X	X	X
Surveys	Corporate Facility Leads	X		X	
	Grocery Store Managers	X		X	
	Chain Owners		X	X	
	New Construction Managers	X		X	
	Refrigeration Contractors	X		X	
Document Review	Initiative Documents	X	X	X	X
	Evaluation Forms		X	X	X
	Tools and Materials		X	X	X
	Marketing Materials		X	X	X
	Logic Models, Indicators	X	X	X	X
Database Review	CTS, Initiative Documents	X	X	X	X

DATA COLLECTION

The data collection for this MPER included interviews with Initiative staff, contractors, and target market actors, as well as a review of Initiative documents.

The market specialist began outreach efforts in summer 2005. During 2005 and 2006, he contacted many of the regional chains and reported active contacts with five in his monthly



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reports. Three of these five chains were interviewed for this MPER. In addition to the market specialist, the Grocery Initiative manager, who was hired after the market specialist, hired five contractors to provide support services to develop tools and materials for the grocery market; we interviewed four of these contractors. Table 5 displays the samples for each group. The interviews were conducted between August 3, 2006, and October 16, 2006.

Table 5: Population and Sample MPER Data Collection

TARGET GROUP	POPULATION	INTERVIEWED
BetterBricks Staff	5	4
Market Specialist	1	1
BetterBricks Contractors	5	4
Grocery Store Chains	5	4 people from 3 chains
Utility	1*	1
Utility Program Implementer	1	1
Total Interviewed		15

* Only one utility is currently involved in discussions with the Grocery team; more utilities will be involved in the future as the utility partnerships are fully defined.

DATA ANALYSIS

The data for this MPER are primarily words—the various Initiative documents and the interviews conducted with Initiative staff, contractors, and grocery store contacts—therefore, the data analysis is qualitative. Using the initiative documents and the interviews, we document the progress of the Initiative from the perspective of those involved. We then draw conclusions as to whether progress is being achieved relative to the goals shown in Table 1. No quantitative or market level data were collected for this MPER.



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3

INITIATIVE ACTIVITIES

This chapter discusses the progress made with grocery stores in the four Northwest states and the development of Initiative support tools and materials.

INITIATIVE ACTIVITY BY GROCERY CHAIN

The primary target of the Grocery Initiative is regional grocery chains, with an expectation that some effort with national chains will occur opportunistically, becoming more focused after success with regional chains is achieved. The following describes initiative activities conducted to date with regional and national chains.

Regional Chains

The focus of market specialist activities has been regional grocery stores in Washington and Oregon. Because the market specialist is located in Washington, the NEEA Initiative manager has taken the lead on contacts in Oregon. As of September 2006, limited contacts have been made in Idaho and Montana. The following discusses activities with the six regional chains that are in conversation with the market specialist and Initiative manager.

Community Food Co-op

The Community Food Coop in Bellingham, Washington, is a single-store consumer cooperative with plans for expansion in the near future. The general manager of the Community Food Co-op has requested assistance to review building and equipment plans. The market specialist met with the manager to discuss equipment selection and engineering with the equipment provider, who will review choices and considerations before meeting again. Current Initiative activities are aimed at consulting on the expansion; broader discussions about changing business practices have not occurred.

The Community Food Co-op is smaller than the regional chains targeted by the Initiative. Plans are to work with this store as needed, but it is not a focus.

Lamb's Market

Lamb's Market is a locally-owned regional grocer with five stores in the Portland area. An energy assessment was completed on the Palisades, Lake Oswego, location, where high energy use has been a concern. The report was sent to the store in August and a follow-up indicated that the store was concerned that the recommendations would be difficult for them to implement.



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Further discussions have focused on the value of working with the BetterBricks refrigeration advisor to develop solutions, and that activity is likely to be implemented before the end of 2006.

Preliminary discussions about business changes and commitment have occurred and Lamb's Market is expected to proceed with these over the next couple of months.

New Seasons Market

New Seasons Market is a locally-owned regional chain with eight locations in the Portland area. An assessment was completed with one store and discussions about business practices were held with New Seasons in 2005, but were put on hold in 2006, pending development of tools and materials to support efforts. Expectations are to work with New Seasons in 2007.

Puget Consumers Cooperative Natural Markets

Puget Consumers Cooperative Natural Markets (PCC) has eight stores in the Puget Sound area. PCC's seventh store—opened in Redmond, Washington, in mid-May—was designed with the intent of qualifying for LEED gold. BetterBricks Technical Advisors consulted on the HVAC/refrigeration system design, but independent of the Grocery Initiative. While many advanced features were incorporated into the store, the project design was not an integrated process; the BetterBricks advisors made recommendations that were executed by the architect, mechanical designer, contractor, and manufacturer without sufficient coordination. A review of the system by the market specialist and the BetterBricks advisors focused on how to improve the operation of the heat reclamation system and the general interface of the control system between the refrigeration controller and the packaged rooftop HVAC unit.

Since the design work, the market specialist has become more connected to the store. He has discussed benchmarking with PCC, including obtaining access to account data from Puget Sound Energy and Seattle City Light; however, the facility lead and management are focused on commissioning the new store and are delaying further discussions until that is completed. Expectations are to work closely with PCC in 2007 on business practice changes.

Town & Country Markets

Town & Country Markets is a regional chain, with six stores in the Puget Sound area, which was started in the mid-1950s. There have been several Initiative interactions with Town & Country. The most involved has been working with the facility staff and management regarding its main store, the Poulsbo Central Market. This store has been undergoing a remodel, which was in the design stage when the market specialist first started to work with store management, and was completed with a grand opening in August 2006. Remodeling activities included data logging of the refrigeration mechanical system and rooftop condensers, so that power consumption before and after the remodel can be compared. These data will be compared with daily data from Puget Sound Energy, when available.



Skylights were also retrofitted in the grocery aisle and a heat reclamation system for the refrigeration system was engineered. Daylighting, daylight harvesting, new fixtures with dimmable ballasts, and track-mounted ceramic metal halide spots were all included in the remodel. As of October 2006, they were still testing and commissioning some of the systems. The market specialist role has been to assist in bringing technical services for some of the added high performance measures and the commissioning activities, but generally the design was not significantly affected by this process, as it was underway when the Grocery Initiative commenced.

The Mill Creek store has undergone a lighting upgrade and a review of HVAC and refrigeration operations. There are some energy savings issues (such as HVAC settings that caused excess outside air to be taken in and conditioned) that will be resolved when the Poulsbo store remodel has been completed.

The market specialist has benchmarked all of the Town & Country stores and conducted an EnVINTA *Energy Achiever* assessment session with management staff, which is still pending next steps. The market specialist is working with Town & Country to use these projects as a springboard into a full company energy management plan to be developed in the fall, with the *Achiever* assessment as the basis.

Discussions with Town & Country have progressed the furthest of all chains. Expectations are to begin work on employee awareness activities and other business-change actions in the next couple of months. Efforts will also begin to publicize some of their successes to provide local recognition for their efforts.

Yoke's Fresh Markets

Yoke's Fresh Markets is located in eastern Washington and is part of the URM Wholesale Buying Group. In 2005, as part of the ongoing URM/Yoke's Fresh Markets collaboration with the Grocery Initiative, research was conducted by the BetterBricks Design Lab advisors and Yoke's local utility, Avista, as to what effects daylighting has on HVAC sizing. This design consultation occurred too late to substantially influence the design of the West Richland store, although the final plan included a number of the improvements that were recommended by the Design Lab advisors (i.e., demand controlled ventilation and strategic use of ceramic metal halide spots).

The data-logging studies at another store, discussed in the first MPER, were completed and reviewed. One study was on the HVAC system and the other outlined the advantages of large integrated HVAC systems in comparison to the package units currently specified at Yoke's. The Yoke's facility manager was very interested in the opportunities presented in the reports and said he would review existing operations with their mechanical contractor. Also during 2006, collaboration with Avista Utilities and NEEA occurred to benchmark stores in order to develop an improvement plan. Progress with Yoke's and URM is expected to proceed to work on business practices in 2007.



National Chains

As noted, working with national chains is done on an opportunistic basis; however, the following activities have occurred in during the period from 2005 through 2006.

Albertsons

The first MPER noted that some work had been conducted with Albertsons, and that Albertsons was very enthusiastic about the results. In late 2005, Albertsons was purchased by SUPERVALU, a wholesaler and owner based in Minnesota, but serving as wholesaler to several regional chains in the Pacific Northwest. No additional discussions have been held with Albertson since the merger.

Wal-Mart

Wal-Mart is a national big-box retailer based in Arkansas. Some conversations have been held with Wal-Mart regarding a potential study on controls and daylighting.

STATUS OF INITIATIVE SUPPORT ACTIVITIES

The initiative support activities include a range of tools and materials to support the approach, as well as education and training services and marketing. The seven activities that are planned to support the Grocery Initiative are noted in Table 6 and described in more detail in the section that follows. As can be see in the table, progress has begun on tools and materials, most are still either in development or yet to move into the development process. Speaking with the tools and materials development contractors, most reported that they had worked a very limited number of hours so far on the Initiative; only one had substantial billings over the past twelve months. The E&T and marketing support services in particular, are very limited, pending progress in the development of program strategy and development of the various tools and materials. With regards to E&T, those services are continuing to be assessed.

Comments from contractors and Initiative staff suggest that developing products is quite challenging. Trying to change business practices is a new idea—there is little to build on and all tools and materials, and tools, need to be freshly developed. The Initiative manager noted that, so far, most of the information he has found to work with is about changing equipment out and “some of the information is contradictory.”



Table 6: Grocery Initiative Tools and Materials List

PRODUCT	DESCRIPTION/COMMENT	STATUS
Services Description	An eight-step approach whose individual steps are described in the other products below.	A third version is currently being revised.
Tracking & Benchmarking Spreadsheet	This is for facility managers to compare their stores' energy use to others in the region.	The benchmarking spreadsheet is in use and the database is being populated.
Staff Awareness Portfolio	A best practices/how-to manual for store managers. This has many pieces and several contractors involved. Working with several chains is on hold pending completion of this portfolio of products.	This is in development.
Life-Cycle Costing	This has not been scoped yet.	This has not been assigned to a contractor.
Maintenance Service Package	Some research was conducted with refrigeration contractors to begin the development of these materials.	A contractor to work on this was hired in September 2006.
New Construction Guide	A guide currently under development by other organizations may be used.	Short guides are planned for controls and design of stores.
Energy Action Plan Template	This is the last step in the 8-step process and has not been scoped.	No action plan has been written, nor have any drafts.
Education & Training	Webinar on <i>Energy Morphology of Grocery Stores</i> for Design Lab teams was held in June 2006. Draft curriculum of <i>O&M Best Practices for Groceries</i> was developed.	E&T work is on-hold, pending development of program and materials by the Initiative manager.
Marketing Materials	These will mainly be used to convey the success of the Initiative to other grocery chains	On-hold, pending development by the Initiative manager.

Services Description

The Initiative manager has developed the eight-step approach that the market specialist will use to guide grocery chains to achieve changed business practices. This is a key product being developed to support the Initiative. The eight steps are embedded in a document that lays out the business case for making change to grocery business practices. The market specialist began working on this, along with other products, in the summer of 2005. The Initiative manager took the lead on these once he was hired in September 2005. The current version is the result of a fourth major revision and is expected to be ready for use before the end of 2006. The following eight steps articulate the way in which stores can succeed in meeting their strategic goals:



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1. **Determine the energy cost per square foot** for your stores and compare it with that of other stores in the Northwest.
2. **Establish energy-cost performance goals** for your organization, adopt a plan to meet them, carry out the plan, and track progress.
3. **Educate staff** to become aware of how everyday work habits drive store energy use. Set up an ongoing program to maintain awareness and motivation to keep energy costs down permanently.
4. **Evaluate total cost impact of equipment purchases.** Today's decision based on low first-cost can lock-in tomorrow's higher energy and maintenance costs, eroding cash flow for years to come.
5. **Plan maintenance**—both in-house and contract—from a system-wide perspective to ensure performance while minimizing total cost.
6. Prepare for future expansion by **adopting an integrated approach to the design of new stores**, setting up the opportunity to reduce long-term energy costs in new construction by as much as 30%.
7. **Investigate refrigeration, lighting, and HVAC upgrades and tune-up opportunities**, together with utility rebates to help pay for them.
8. Continue to **improve energy performance with a customized Energy Action Plan.**

The Initiative manager feels very confident that these eight steps will be effective in communicating the Initiative to grocery store management and facility leads. They strive to address a desire, consistently expressed by grocery owners and managers, for concrete actions that are easily implemented. Once actions are in use, it will be possible to determine whether or not they are effective.

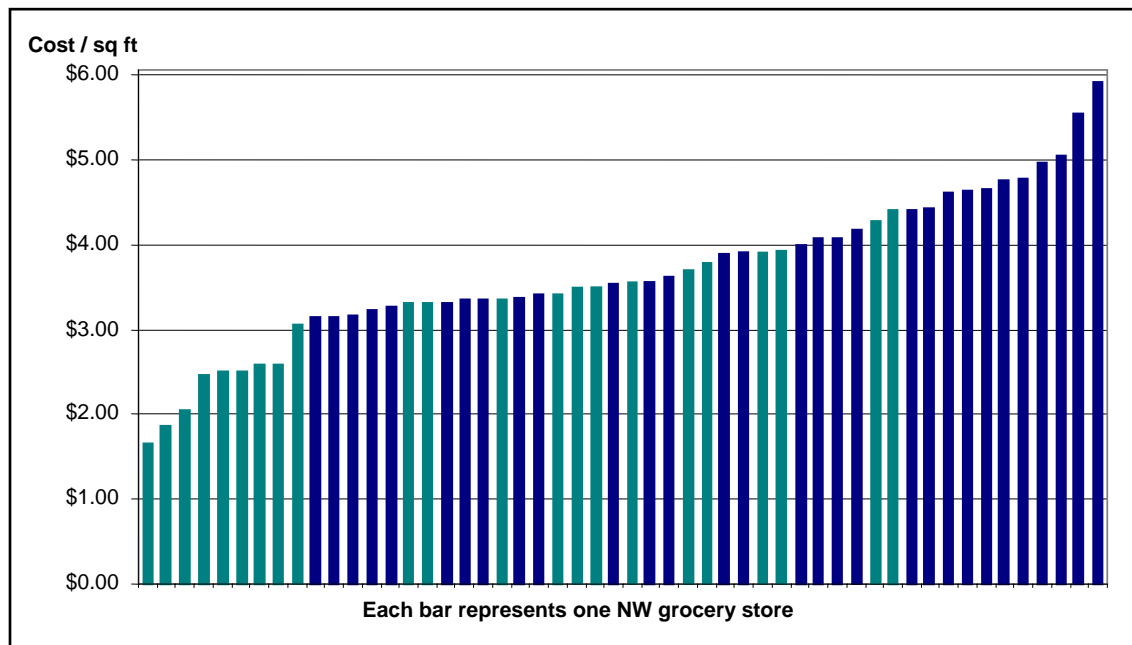
Tracking & Benchmarking Spreadsheet

A tracking and benchmarking spreadsheet supports the second step in the eight-step approach. The market specialist, through his relationships with grocery chains, asks them to allow access to their store utility records. Using these data, he has created a database of nearly 100 local stores and over seven chains—including stores east, as well as west, of the Cascades. Discussions are underway with National ENERGY STAR[®] to include data for other stores ENERGY STAR[®] has worked with in the region as well. The market specialist has been actively providing this benchmark information to grocery store managers throughout much of 2006.



Figure 3 displays the benchmark results for the first 52 local stores that participated, and highlights the wide range of energy costs—i.e., low stores operate at less than a third of the cost per square foot of the high stores.⁴ The benchmarking has shown that even within chains, energy costs can vary dramatically. The goal is to develop the database to the point where there is a web-based tool on the BetterBricks website that can be used by any local grocery store to compare their usage to others in the region.

Figure 3: 2005 Energy Cost for a Sample of 52 NW Grocery Stores, \$ / sq ft



The benchmarking has been very well received. As the market specialist noted:

- ➔ *“The willingness of people to benchmark and then start asking questions about what they can do is even higher than I had expected, but right where I hoped it would be. To date no one has turned us down.”*

Stores that have reviewed the results found it enlightening, although often not heartening. One said it was “a bit embarrassing,” another, “dismaying.” But these responses also led the store contacts to want to learn more about the different conditions at other stores that were performing better, and about what they could do at their own stores to improve their performance. More than an analysis tool at the moment, benchmarking is a communication tool that is helping to reach

⁴ Source is the presentation to the Puget Sound Utility Group, July 12, 2006.



store management, to get their attention, and to begin the process of discussing what can be done to improve store performance.

Staff Awareness Materials

This product supports the third step in the eight-step process. There is very little definition so far of what form the portfolio of staff awareness best practices and how-to materials will take. According to the Initiative manager and market specialist, there are two or three chains that are interested in having the market specialist work with them to increase grocery staff awareness of operations changes staff can make. Development efforts to date have included looking at commercially-available campaigns developed by other organizations and trying to think through the best ways to deliver the information; however, the Initiative manager believes that ultimately he is going to have to develop the materials on his own. He anticipates creating drafts in October and November and finalizing the materials by the end of 2006.

Life-Cycle Costing

This product will support step four in the eight-step approach. The specific product or tool or its focus has not been defined.

Maintenance Service Package

Maintenance is part of steps five and seven. Since October 2005, the Initiative manager has had a contractor complete a series of interviews with refrigeration contractors as part of determining what is needed for a high-performance service package, which would likely include operations and maintenance, tune-ups, and retro-commissioning services. The contractor has been developed the structure and content for a model contract and developing templates for the different service offerings. The goal is to conduct some pilots of the package of services and see what works.

In late September, the Initiative manager contracted with a refrigeration specialist to begin the more detailed development of the service package. As an early activity in October or November 2006, the Initiative manager hopes to conduct a diagnostic service with the maintenance contractor for one of the stores that showed very poor performance on the benchmarking. The goal is to have the refrigeration specialist work with the refrigeration maintenance contractor to problem-solve the reasons for poor performance in the system. The expectation is that the maintenance contractor will learn enough from this session on how to do the problem solving to apply it on his own to other stores in the same chain.

New Construction Guide

This is step six of the eight-step approach. The Initiative manager is currently hoping to avoid developing a BetterBricks Grocery Initiative-specific guide. Currently he is looking forward to



the release of a guide on retail stores being developed through collaboration between the American Institute of Architects (AIA), the American Society of Heating Refrigeration Air-Conditioning Engineers (ASHRAE), the Illuminating Engineers Society of North America (IESNA), and the United States Green Buildings Council (USGBC). This guide may be sufficient, or it may need some grocery-specific information.

As part of the overall effort, there are some case studies on grocery stores in and outside of the region that have been developed for the BetterBricks website, and more will be developed as projects are completed. These case studies will form the basis for communicating successful changes in business practices with chains that are not directly working with the market specialist.

Energy Action Plan

The energy action plan is step eight of the eight-step approach. The interviews for the first MPER indicated that the market specialist anticipated two action plans would be completed by regional grocery chains by the end of 2006. That goal will not be achieved. However, the development of the business case and the eight-step approach places the Energy Action Plan as the last step. Given that, the timing of the development of action plans is now less critical.

The energy action plan has been described by the market specialist and Initiative manager as not necessarily a document or a formal plan, but more likely a checklist and something that suits the needs of the specific grocery chain. As of October 2006, the Initiative manager has a one-page template for what he hopes an energy action plan will look like.

Education and Training (E&T)

The education and training activities are highly dependent on the program strategy and development of tools and materials. A draft curriculum for operations and maintenance was developed, but then tabled because the program strategy and tools and materials approach was still evolving and undeveloped. It also became apparent that it was uncertain generally what role E&T would play in the Grocery Initiative.

An internal roundtable—entitled *Energy Morphology of Grocery Stores*—was brought together by BetterBricks Education & Training. Participants included a panel of experts on grocery store issues and the BetterBricks Lab Network. The panel provided an opportunity for the design lab teams to discuss how merchandising drives the design of grocery stores, among other topics. However, until the market approach/assessment, and tools and materials are more clearly defined, education and training will remain on hold.

Marketing

Marketing supports the Initiative in two ways: 1) support and development of final versions of the products described in this chapter; and 2) taking the successes and learning from the current



targeted efforts with a few chains and using them to demonstrate to other regional chains the benefits of the eight-step approach. The marketing campaign to convey this message will be aimed at the chains not targeted by the program and will enable them to access the Initiative tools on the website and to obtain limited additional support from the Initiative's contractors.

A key approach to this process will be to try to get stores that participate in the pilot phase local recognition for their efforts. This will also provide a resource for the market specialist to use with new contacts. When pertinent, these local stories will give recognition to the utility.

Marketing activities are ultimately dependent on the development of tools and materials, and the piloting of the business-change activities with the targeted firms, so that case studies and the tools can be available when the marketing entices other chains to follow.

GROCERY CHAIN-SPECIFIC GOALS AND INDICATORS

To more concretely track the progress of individual grocery chains, the Grocery Initiative manager developed a set of ten chain-specific indicators. Each indicator includes a detailed definition of when it could be assessed as *Planned*, *Partially Completed*, or *Completed*. The detailed definitions are given in Appendix B.

As is evident in looking at some of the progress indicators, they will occur after several years of working with a chain, while others will occur during the first year or two of contact. As discussed above, the Initiative manager developed progress indicators to assess the level of depth each grocery chain has moved in adopting the business practices targeted by the Initiative. The intention is to be able to assess the status of each chain, as to whether they have completed an indicator or only partially completed it, or whether they are still in a planning stage relative to the indicator. In the case of most of the indicators, the associated tools and products are still in development stage.

Table 7 gives the name of the progress indicators and the status of each. To date, limited progress has been made. The development of the benchmarking database and its use in discussions with grocery chain contacts is the most active of all categories; however, no chain has yet taken the next step and begun to actively track their energy use.



Table 7: Grocery Chain-Specific Progress Indicators⁵

INDICATOR	STATUS
Employee Awareness Materials	The awareness materials are in development.
Organizational Potential Assessment Discussion	One EnVINTA <i>Achiever</i> session was held and the report presented to management.
Goals, Roles, and Plan	No action plans have been developed.
Tracking & Benchmarking	Data from over seven chains are in the benchmarking database. No chain has stated that they will track data on a regular basis.
Operating Procedures	Some best practices have been identified, but no product has been developed.
Service Expectations & Procedure	Some work identifying model contracts and the basis of a refrigeration service package was done, based on interviews with contractors. A refrigeration specialist was hired in late September.
Purchasing Procedures, Criteria	No progress has been identified.
New Construction Guidelines	Two chains have received advice on construction efforts.
Equipment & Facility Upgrades	No progress has been identified.
Follow-Up Assessment Discussion	This will only occur after all other steps have occurred.

SUMMARY

From October 2005 to September 2006, the Initiative manager has focused largely on the development of tools and materials for use with the market. The market specialist has met with contacts at six regional chains and found all receptive to his message. However, the market specialist and Initiative manager have postponed further involvement at most of these chains until current projects are completed. One of the chains has expressed interest and participated in an EnVINTA *Assessment* session (but has been slow to respond to the assessment). At the same time, since the tools and materials are still in development, there has been no need to persuade grocers to move more rapidly.

At this point, the market specialist and Initiative manager have selected two chains with which to work most closely in 2007, as they test the business case and tools and materials. Two or three other chains will then be asked to participate more actively in later 2007 to 2008, once the tools and materials are vetted with the two target chains.

⁵ "Regional Grocery Progress Indicators.doc" April 5, 2006.





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4

MARKET CHARACTERIZATION

The 2001 NEEA target market research found that, through the regional wholesalers and large chain operators, regional grocery chains offered attractive leverage points to achieve energy efficiency improvements in existing store operations and in design and construction for new stores. The research determined that intense competition drives mergers, store development and improvements, and cost containment.

In the first MPER, we identified 24 independent grocery chains that fit the target market of regional grocery wholesalers and larger chain operators (5 to 35 locations). As of October 15, 2006, all 24 chains are still operational. We also identified six wholesalers active in the region. One of these wholesalers purchased Albertson's national grocery chain in 2005 and, while it is still a wholesaler in the region, the purchase further confirms the changing role of wholesalers, who are no longer seen as a major conduit to many of the chains.

NEEA Initiative staff and the market specialist continue to see the same pressures driving grocery chains in the Pacific Northwest. Some of the product and service development contractors and grocery store contacts expanded on these issues or added ancillary issues when asked what market challenges grocery stores face in 2006.

Contractors and grocery store contacts agree that "big box" stores pose a threat to regional chains. The best approach regional stores have developed to counter this threat is to cater to their communities and to niche markets, but as one store contact noted, it is more than that: "Regional stores have to find their customer base and make sure that they meet their expectations." Sometimes that is low price, sometimes it is a particular customer group or ethnic group, but unless the customer base is identified and needs met, no specific format will work.

The market specialist and Initiative staff believe that the strategy to develop niche markets makes stores open to the general theme of the Grocery Initiative as they seek to differentiate themselves. However, as one store contact noted, Wal-Mart (one of the major big box stores perceived as a threat) "is including organics on its shelves, has skylights in its newer stores," and is seeking to be more energy responsible throughout its chain.

In addition to this external threat, independent grocery stores are facing significant internal challenges in dealing with labor. One of the contractors noted that there are increased numbers of non-English speakers and increased numbers of young people who don't "fit in" with the culture of the traditional independent grocery store. The contractor noted that these staffing issues could make it difficult to follow the employee awareness goals to change store operations.



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Along with these internal and external threats, there are limited profit margins and high health care costs. Also, as one contractor noted in terms of management, “They have always been lean,” thus there is little room to change.

A major challenge noted by contractors and Initiative staff is that of getting the attention of management for these chains. This should not be seen as a condition relative to the current market, but one that is more a normal condition of grocery stores and the retail sector in general. It is difficult to accomplish anything that takes time away from the immediate operations of a store (i.e., getting product stocked and then sold). The contractors and staff recognize that the ability of the Initiative to gain the attention and the trust of store management is the critical factor that will ultimately determine if the Grocery Initiative succeeds.



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5 MARKET PROGRESS ASSESSMENT

ASSESSMENT OF ACCOMPLISHMENTS

The Grocery Initiative has developed a series of inter-related goals, objectives, activity indicators, and market progress indicators to provide guidance and determine progress. The long-term goals and 2010 objectives were approved by the Board in July 2005, as part of the 2006-08 funding renewal.⁶ As a supplement to these objectives, the BetterBricks senior manager developed a list of 2006 activity indicators to demonstrate progress toward the attainment of the 2010 objectives shown in Table 7 and in Table 10 in Appendix B; this is outlined in Table 8.

Table 8: Groceries Initiative 2010 Objectives and 2006 Indicators

2010 OBJECTIVES	2006 ACTIVITY INDICATORS	STATUS
<p>1. Sixty percent of Northwest grocery decision-makers are aware of the specific benefits available from new and existing high performance groceries.</p>	<p>Develop a marketing strategy and materials for regional grocery decision-makers. Regional grocery market specialist effectively communicates benefits and opportunities to regional grocers.</p>	<p>Materials are in process. Market specialist is reported to be effective with grocery chain contacts.</p>
<p>2. Grocers representing 30% of the targeted food retail floor space adopt plans that change business practices; they include:</p> <ul style="list-style-type: none"> • One or more national chains with a significant Northwest customer base • One or more regional wholesalers with a significant Northwest customer base • Ten or more regional chains and/or independents 	<p>Define the market approach to changing energy-related business practices. Develop a set of practical tools to support implementation. Two regional chains are engaged in improving business practices. Identify/contact a candidate national grocery chain.</p>	<p>Definition is being developed. Tools are being developed. Discussions are underway with five chains; two are considering committing to engage in improving practices. Work with national chains is still pending.</p>

Continued

⁶ The 2005-2009 NEEA Strategic and Business Plans (http://www.nwalliance.org/research/documents/NEEA_StratBizPlan_20060918.pdf) updates the objectives for 2009. The revised objectives will be used in the next MPER.



2010 OBJECTIVES	2006 ACTIVITY INDICATORS	STATUS
3. Thirty percent of grocery management and staff responsible for design and construction are capable of managing change in energy-related business practices.	Identify and begin to develop/ implement specific products and educational curriculum. Two regional chains are engaged in changes to store prototype designs.	Development is occurring. Regional stores do not have prototypes, so this indicator should be revised.
4. Thirty percent of store and/or facility managers are capable of managing change in energy-related business practices for facility operations, with operations staff capable of providing or obtaining enhanced Operations and Maintenance (O&M) services.	Identify and begin to develop/ implement specific products and educational curriculum. Two regional chains are engaged in changes to facility O&M practices.	Development is occurring. Discussions are underway with two chains who may agree to participate.
5. Northwest refrigeration contractors align their business to deliver best practices in refrigeration design and O&M: <ul style="list-style-type: none"> • Thirty percent deliver best practices in refrigeration design • Twenty percent deliver best practices in refrigeration O&M 	Define the market approach to engaging with refrigeration contractors. Identify and begin to develop/ implement specific products and educational curriculum.	Product developer hired for refrigeration. Some work has begun on developing an approach.

The following provides more detail on the status of each of the indicators in Table 8.

Objective 1: By 2010, 60% of Northwest grocery decision-makers are aware of the specific benefits available from new and existing high performance groceries.

Discussion: There are two indicators for this objective in 2006:

1. Develop a marketing strategy and materials for regional grocery decision-makers.
 - The marketing strategy and the materials are still being developed. The eight-step process—while not yet final—appears to be a significant step toward having the marketing strategy fully developed and is likely to be finalized by the end of 2006.
 - The benchmarking tool has been developed, but has many features yet to be refined. Other products are still in such an early development stage that it is difficult to imagine they will be completed by the end of 2006; however, the Initiative manager believes that additional progress will be made in the remaining two months of the year.
2. Regional grocery market specialist effectively communicates benefits and opportunities to regional grocers.



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- This appears to be occurring—20% of the regional chains are in contact with the market specialist. The grocery store contacts expressed a great deal of satisfaction in their dealings with the market specialist and one expressed strong support for the idea of working on business practices with the market specialist.

Objective 2: By 2010, grocers representing 30% of the targeted food retail floor space adopt plans that change business practices; they include:

- ➔ One or more national chains with a significant Northwest customer base
- ➔ One or more regional wholesalers with a significant Northwest customer base
- ➔ Ten or more regional chains and/or independents

Discussion: There are four indicators for this objective in 2006:

1. Define the market approach to changing energy-related business practice.
 - The business practices that will be changed are still being defined.
2. Develop a set of practical tools to support implementation.
 - The tools are being developed to assist in changing business practices.
3. Two regional chains are engaged in improving business practices.
 - Discussions are underway with five regional chains and one regional wholesaler; two of the regional chains are considering committing to improving practices, but none have committed to engaging in changing business practices.
4. Identify/contact a candidate national grocery chain.
 - Work with national chains is still pending; a candidate has not been identified.

Objective 3: By 2010, 30% of grocery management and staff responsible for design and construction are capable of managing change in energy-related business practices.

Discussion: There are two indicators for this objective in 2006:

1. Identify and begin to develop/implement specific products and educational curriculum.
 - The products are identified but no development has begun and the educational curriculum has not been scoped.
2. Two regional chains are engaged in changes to store prototype designs
 - Regional stores do not have prototypes, so there is no intention to address prototype design and this indicator should be revised.



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Objective 4: By 2010, 30% of store and/or facility managers are capable of managing change in energy-related business practices for facility operations, with operations staff capable of providing or obtaining enhanced Operations and Maintenance (O&M) services.

Discussion: There are two indicators for this objective in 2006:

1. Identify and begin to develop/implement specific products and educational curriculum.
 - Products are being scoped and development is planned before December 2006.
2. Two regional chains are engaged in changes to facility O&M practices.
 - Discussions are underway with two chains who may agree to participate.

Objective 5: By 2010, Northwest refrigeration contractors align their business to deliver best practices in refrigeration design and O&M:

- ➔ Thirty percent deliver best practices in refrigeration design.
- ➔ Twenty percent deliver best practices in refrigeration O&M.

Discussion: There are two indicators for this objective in 2006:

1. Define the market approach to engaging with refrigeration contractors.
 - Research was conducted with refrigeration contractors to identify potential components of a refrigeration services package and a model contract to support them. A contract with a refrigeration specialist was signed in September 2006 and work assignments were made.
2. Identify and begin to develop/implement specific products and educational curriculum.
 - Work was just beginning in October 2006.

MARKET PROGRESS INDICATORS

The initiative is ultimately seeking changes in the market. Achievement of market progress outlined in Table 7 should also be accompanied by changes in business practices within the market. The first MPER collected baseline data on progress indicators from samples of grocery store managers, grocery store facility leads, wholesale design and construction leads, and refrigeration contractors. As noted in Table 3, these market level studies will be repeated in MPER #3, and thus are not included in this MPER.

As an example of the type of progress indicators tracked by the market studies, Table 9 displays the results for the baseline study of Grocery Store Facility Leads. These indicators are largely self-reports on conditions in the stores. The grocery store facility leads are responsible for



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facility maintenance in local stores operated by a chain. Similar tables were developed for each of the market actor groups for which baselines surveys were conducted.

For the three grocery contacts interviewed for this MPER, we had collected baseline data for two of the chains. As part of the interviews, baseline data was also collected from the third chain so that it would be possible to track changes at the targeted chains and to be able to assess, as part of the third MPER, whether the targeted chains are similar or different from the market.

Table 9: Progress Indicators for Grocery Store Facility Leads

OBJECTIVE/INDICATORS/OUTCOME	2005	COMMENT
Objective 1: Sixty percent of Northwest grocery decision-makers are aware of the specific benefits available from new and existing high performance groceries.		
• Executive level commitment to energy management	33% Very High	1 to 5 scale 5=Very High
• Aware of BetterBricks Smart Markets Program	20%	
Objective 2: Grocers representing 30% of the targeted food retail floor space adopt energy management plans that change business practices.		
• Aware of energy plan	40%	
• Have an energy management plan		Not asked in baseline
Objective 3: Thirty percent of store and/or facility managers are capable of managing change in energy-related business practices for facility operations.		
• Service contracts mention energy efficiency	4%	
• Energy rate schedule and contracts reviewed within the last year	60%	
• Local stores benchmarked	53%	
• Energy performance targets developed for local stores	33%	
• Energy management written into job descriptions of local store staff	4%	
• Energy accounting software used	4%	
• More than two-thirds of stores in chain use electronic controls on key energy-using systems:		
1. Refrigeration	66%	
2. HVAC system	50%	
3. In-store lighting	33%	
4. Parking lot lighting	60%	
		Continued



OBJECTIVE/INDICATORS/OUTCOME	2005	COMMENT
<ul style="list-style-type: none"> More than two-thirds of stores in chain follow best practices: 		
1. Maintenance program for frozen door seals	60%	
2. Anti-sweat controls on refrigeration case doors	46%	
3. Reduced lights during night stocking	40%	
4. Airlocks at entrances/receiving doors	26%	
5. Permanent split capacitor (PSC) motors	6%	
6. Fans with electronically commutated motors	4%	
<ul style="list-style-type: none"> Staff has completed BOC training 	4%	
Objective 4: Thirty percent of grocery chains use procurement specifications for all energy services and equipment with energy efficiency requirements.		
<ul style="list-style-type: none"> Written specifications for purchasing equipment 	40%	
<ul style="list-style-type: none"> Specifications for purchasing equipment require energy efficiency 	4%	
<ul style="list-style-type: none"> Company wide-written guidelines for energy decisions 	4%	
OUTCOME: Thirty percent of targeted grocery floor space uses 10% less energy in building operations as compared to baseline levels.	Electric EUI 54; Natural Gas EUI .73	KEMA 2004



6

PROCESS EVALUATION

This chapter addresses Initiative process issues based on the interviews with Initiative staff and contractors, as well as the market specialist, the Initiative manager, and the BetterBricks senior manager.

The primary issue mentioned by contacts about initiative process concerned the amount of time it takes to gain a decision from NEEA and move forward. Contractors and Initiative staff noted that it was very difficult to get final approval on materials that can be used in the field with grocery stores.

A common comment was that the tools and products for the Initiative need to be developed and tried out with the grocery market, rather than first trying to make them perfect. The market specialist noted:

- *“We really need stuff now and to get it now. A business model is to really get it out there; the Alliance is just too slow and perfect, and yet it could still miss the mark and not be used.”*

Other BetterBricks staff talk about wanting to just get things done and finding that the process is moving so slowly they are stalled out in their process:

- *“The tools need to get out, [we] want to get them out at least at a 75-80% level now rather than 100% level two years from now. [We] want them web-based so it can easily allow us to tweak them and improve them, so we can get this out. I think that the program manager will agree that we are seeing that the grocer does not mind looking at a work in progress.”*

On the other hand, there was an incident when a contractor in the program delivered a product to a grocery store that was not in “full alignment with the message.” The store manager saw no value in the product and the Initiative came very close to permanently losing the relationship with this chain. The Initiative manager reports that he made an extensive effort to make sure the store manager understood that what had been delivered was not representative of the real program approach. This incident has made the Initiative manager even more hesitant to rush products out, despite the concerns of his market specialist and other contractors.

One of the contacts with a great deal of experience working with change management in grocery stores suggested that rather than assuming that NEEA can get it all right up front, it should elicit more involvement from the market:

- *“You can get a lot of mileage out of eliciting gaps from those you talk to—listening is what is really important, hearing what they believe would be important and helpful.”*



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Engineers want to give information, as if that in itself is cool, but fundamentally it is important to be a good listener and listen to the language that they [the grocers] speak and what works for them.”

Another process issue mentioned regarded internal coordination among the various elements of BetterBricks. BetterBricks has a matrix management approach, in which the E&T and the marketing managers work individually with each of the five market managers (three vertical, two cross-cutting) while all seven of the managers report directly to the BetterBricks senior manager. While there is a team meeting every week with all the managers, according to staff, the emphasis is typically on individual initiatives or administrative issues; in-depth discussions of substantive cross-functional issues are rare. Some staff believe that this process creates bottlenecks for moving forward, both because the BetterBricks senior manager never hears detailed discussions between market managers of the challenges of the cross-functional coordination and because the result is that the market managers must manage so many interactions individually.

➔ *“We [staff] do talk frequently to figure out what to do next, but cross-functional team meetings led by the market managers would really help and I think it would help [the commercial lead] as well to be there and hear what is happening around the issues and the bottlenecks.”*

SUMMARY

Program progress appears to be hampered by internal process issues. There is currently a tendency to develop the tools and materials internally by the Grocery Initiative team until they seem right, without involving the market, and with minimal cross-functional coordination. There is either no clear decision-making process or the current process does not communicate sufficient information to staff and contractors so that, while the Initiative manager is the apparent final decision-maker, he has also become the person responsible for revising and finalizing products.



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7 CONCLUSIONS AND RECOMMENDATIONS

Initiative staff and contractors all express belief that the market transformation theory of the Grocery Initiative is valid and will be achieved. The challenge is when this will occur. Contacts note that the ramp-up time has been longer than anticipated, it is more difficult to get the attention of grocery store contacts than anticipated, and the development of tools and materials is taking longer than planned, thus the market specialist is not able to provide specific tools when a contact does express interest. Because the initiative is still in development, the market specialist cannot actively work with any stores on business practices, rather he must focus on the projects the stores are working on and strive to maintain the relationship.

As noted in the first MPER, it will also be challenging to assess the initiative theory because the stated timing of the different objectives do not seem to be internally consistent. Specifically, the objective for awareness (60% by 2010) is too low to accomplish the other objectives and expected outcomes (30% adoption of planning and 30% presence of capability to implement by 2010) or the objectives are set too high. Also, as noted in this report, the timelines did not take into account all of the challenges of working in the market.

There are underlying factors in the market that will also impede theory success in the timeframe set forth in the project description approved by the Board of Directors. Two grocery store contacts made comments on how long it would take for their chain to be able to adopt and implement changes in their business practices:

- ➔ *“I expect it to be years....[T]hings did not change much over the last 20 years, but now we have not paced well and, as we are making changes, it takes time to learn new ways.”*
- ➔ *“It would be nice to say at such and such a time. ...this is what we want to do.... That is the direction we will go as we figure out what to do. ...so a date [with the market specialist] needs to be set and then it gets done.”*

The second chain quoted is ready to begin the process of working on their business practices, but at the same time, many other things continue to intervene with their progress. The first store, which also committed to working on their practices, sees the internal challenges as substantial.

Given the program’s slow roll-out, our concern as evaluators is that the store contacts who are interested will need to see the materials for the program before they are able to respond more directly as to whether they will proceed to implement the business practice changes. Thus, delays in delivering tools and materials create a substantial barrier to success. Given that the foundation of the program is in building relationships, the market specialist currently is working to maintain relationships with very little to offer the stores.

The following are specific conclusions and recommendations based on the evaluation findings.



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Conclusion 1: The products and service contractors and the market specialist are not fully confident in and knowledgeable of the business case for the BetterBricks Grocery Initiative. The development focus for the business case has been largely internal and not enough has been communicated externally. As described in the report, other than one contractor and the market specialist, there have been very few hours billed to the project, largely because there has been little work done by the contractors. The contractors typically say they understand the overall objective, but they do not fully understand the market transformation intentions. One contractor recently delivered a report to a grocery store, that the Grocery Initiative manager reports nearly turned the grocery store off to the purpose of the Initiative. This is happening because the business case is still incomplete and because the contractors (and likely the BetterBricks technical services contractors as well) are not being sufficiently included in the process of evolving the program.

Recommendation: The business case must be completed. Before completion, feedback should be sought from not just the market specialists but also the product and service contractors already engaged by the Grocery Initiative. Once developed, the business case must be discussed in a team meeting with all the development contractors to ensure that they fully understand and can articulate the message, and can address their tools and materials to accomplish that goal.

Conclusion 2: The tools and materials are taking a long time to develop, putting the work the market specialist has done at risk, as grocery store contacts have nothing to respond to, other than his good intentions. As with the business case, the focus on tools and materials has been internal and not enough has been communicated externally. The market specialist is doing a terrific job of staying in touch with grocery store contacts that have an interest in the initiative; and they are all so busy that they certainly are not sitting around waiting for the program. But at the same time, there is a limit to how long the market specialist can promise something is coming and hope that the chains will still be willing to be engaged once the program does have some tools and materials to offer. This market does not require sophisticated communication pieces to gain their attention; they are relationship oriented and the risk of losing those relationships should be a motivator to begin the dialog.

Recommendation: The tools and materials must be drafted and then tested with the market, then revised and finalized. The market is better able to determine the usefulness of the tools and materials than the Initiative staff. The benchmarking product is a successful example of taking a rough product into the field and working with grocery store contacts to use it and improve it. Other tools and materials should move into the field in draft stage and be tested and improved with the market.

Conclusion 3: The Initiative is not meeting its stated progress indicators and it is difficult to know at this point whether the process is slow, whether the timeline for the indicators was overly ambitious, or if there are major barriers to success. It is evident that no one has a



playbook for what to do. It is clear that progress has been made since the Initiative manager was hired in September 2005 and the market specialist in summer 2005. There are indicators to support each of the possible reasons for slow progress.

- ➔ The ACE model and the program outcomes are not aligned as noted in MPER 1.
- ➔ The indicators for 2006 include at least one activity (developing an Energy Action Plan) that is now considered inconsistent with the way the market works and most of the indicators are not being completed on the initially stated timeline.
- ➔ The products and service contractors seem to be unsure as to when they will be called upon to do their tasks and still don't fully understand the premise their work must support

Recommendation: Keep working to get into the field and try these ideas out. NEEA cannot let “perfection be the enemy of the good.” Get out there and do the research in the field to figure out what will and will not work. At the same time it is important to set reasonable timelines, to be honest about what is known and what is not known, and to thus be able to more effectively work with the market to improve everyone's knowledge and to assure stakeholders that progress is being made.



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APPENDICES

APPENDIX A: INTERVIEW GUIDES

APPENDIX B: ORGANIZATION-SPECIFIC PROGRESS INDICATORS



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BETTERBRICKS GROCERY INITIATIVE: MPER #2

APPENDICES



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INTERVIEW GUIDES

BETTERBRICKS GROCERY INITIATIVE – MPER 2: QUESTIONS FOR ALLIANCE PROGRAM STAFF

Date: _____

Name: _____

Position: _____

Goals and Objectives *(Need a clear articulation of how Skip and Paul expect changes in the pilot stores to be repeated in the rest of the market without the direct intervention we are providing and when they think these changes will occur)*

1. Thinking of the goals and objectives of the Smart Markets program, do you feel these are achievable? *(Explain—Probe relative to barriers, timelines, specific targets, etc.)*
2. What are barriers have you been experiencing in 2006 to accomplishing these goals/objectives?
 - a. How do you see the initiative overcoming these barriers?
3. What would you say are the most important issues facing independent grocery store chain owners today?
4. What other organizations or groups are important to the success of your work in the Smart Markets Program? *(Probe how is the team working with them?)*

Implementation

5. Have you hired for the refrigeration activities? *(Paul)*
6. These are the key areas where I understand you are focusing your efforts right now: Employee awareness, EnVINTA Achiever presentations, Action Plan development. What do you consider to be the key activities you are doing in these areas?



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7. What types of changes are you expecting to see in the stores as a result of these activities?
8. How do you see the changes in these stores affecting the rest of the chain's stores?
9. How do you see the changes in these stores affecting other chains in the Pacific Northwest?
10. What activities are occurring with utilities?
11. What are your expectations for the national chains at this time?
 - a. Specifically Wal-Mart
 - b. Albertsons, Safeway, Kroger
12. How are we leveraging other market forces (with utilities)? (*Skip*)
13. How are we making the business case? (*Skip*)
14. Do you have any expectations for a prototype store? Is this a progress indicator?
15. What about refrigeration services, what is happening with this aspect?

Closing

16. What do you expect to be the most difficult challenge of the grocery store initiative?
17. What do you expect to be the most successful aspect of the initiative?
18. What would you say is working well about the Smart Markets effort?
19. What do you think most needs to be changed in the Smart Markets Program?



BETTERBRICKS GROCERY INITIATIVE – MPER 2: QUESTIONS FOR MARKET SPECIALIST, PRODUCT AND SERVICE DEVELOPERS

Date: _____

Name: _____

Position: _____

Roles and Responsibilities

1. Describe your role in the program and how long you have been doing this? (*Probe to clarify exactly what activities they are responsible for*)
2. Who are the main people you work with at the Alliance or as contractors to the Alliance and what are their roles?

Goals and Objectives (Need a clear articulation of how Paul expects changes in the pilot stores to be repeated in the rest of the market without the direct intervention we are providing and when they think these changes will occur)

3. In your own words, what are the goals and objectives of the Smart Markets program?
 - a. Do you feel these are achievable? (*Explain—Probe relative to barriers, timelines, specific targets, etc.*)
4. What are barriers have you been experiencing in 2006 to accomplishing these goals/objectives?
 - a. How do you see the initiative overcoming these barriers?
5. What would you say are the most important issues facing independent grocery store chain owners today?
6. What other organizations or groups are important to the success of your work in the Smart Markets Program?



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Implementation

These are the key areas where I understand you are focusing your efforts right now: Employee awareness, EnVINTA Achiever presentations, Action Plan development.

7. What activities do you feel have been most successful since October?
8. What activities have been least successful or most frustrating since October?
9. What do you expect to do in the next 12 months?
10. About how much time (FTE) do you spend on these activities? (*Probe: How much has been spent at each specific chain – if going to a chain*)
11. Have you entered any data into the CSI database? (*Probe, if yes what was experience, if no, when do they expect to do so and what is the barrier.*)
 - a. Do you anticipate the database will be useful?

CSI Services

12. What tools and resources have you developed/are you using?
 - a. What additional tools and resources are you working on/do you need?
13. Have you worked with the marketing and communications group at the Alliance?
 - a. What has been your experience with this group and how have they worked for the grocery market segment?
 - b. What type of materials, if any, would be useful to your efforts?
14. Have you worked with the BetterBricks Technical Services team? (*Daylighting labs, integrated design labs, lighting design lab, training services*)
 - a. What has been your experience with these services and how have they worked for the grocery market segment?



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- b. What type of technical services do you feel are needed for the grocery store sector?
15. How about how much time have you spent with individual stores – by store if possible?

Closing

16. What do you expect to be the most difficult challenge of the grocery store initiative?
17. What do you expect to be the most successful aspect of the initiative?
18. What would you say is working well about the Smart Markets effort?
19. What do you think most needs to be changed in the Smart Markets Program?



BETTERBRICKS GROCERY INITIATIVE – MPER 2: QUESTIONS FOR PECI/PSE ON ENERGY SMART GROCERY STORES

Date: _____

Name: _____

Company: _____

Introduction about MPER – BetterBricks desire to understand role of ESG relative to BetterBricks.

1. *(For Jeff at PSE):* How long have you been working on the ESG program?
 - a. What other programs do you work on for PSE?
2. *(For Ron):* How long have you been working with PSE on the ESG program?
3. What are the ES Grocery Store program goals? *(Probe also for target market)*
4. What do you view as the goals of BetterBricks Grocery Store Initiative?
5. How do you see ES Grocery Store program working with BetterBricks?
6. Where are there opportunities to work together?
7. Where do you see BetterBricks bringing resources to ESG efforts?
8. What efforts have occurred to coordinate with the BetterBricks team?
9. Have you heard anything from any of the grocery stores you have worked with/talked to about BetterBricks? *(Probe: confusion, interest, etc.)*
10. What are you finding are the key issues facing independent grocery stores in the Pacific Northwest?
11. What do you think it will take to get grocery stores to do the types of investments you are promoting, on their own?



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BETTERBRICKS GROCERY INITIATIVE – MPER 2: QUESTIONS FOR GROCERY STORE STAFF

Date: _____

Name: _____

Company: _____

Position: _____

Need to document, where the pilot chains are now for the practices we are promoting (i.e. the action plan items baseline for each chain.)

Experience with the Program

1. About how often have you met with Paul Enfield?
2. How about other people from BetterBricks?
 - a. Which ones?
3. What type of projects/activities are you pursuing with Paul and BetterBricks?
4. *(T&C only)* What did you think of the “Achiever” session?
5. *(All three)* What did you think of the benchmarking information you received?
6. What type of actions are you thinking or planning on taking as a result of the information you gained from the benchmarking?
7. *(If not already mentioned)* Have you talked with Paul about an awareness campaign for your employees to increase their awareness of energy usage and their behavior in the store?
8. Do they have energy guides – check lists, posters, videos, training, and communication on energy usage?
 - a. How have they been received?



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9. Do you think these types of materials are needed to get your staff to change their behaviors?

Approach to Energy

10. What is the key market conditions facing grocery stores like yours today?
11. What firms do you use for design and construction services? (*Clarify new construction, remodel/renovation*)
12. How about refrigeration services? (*Clarify maintenance versus new installations*)
13. Who is 'in charge' of energy at your local stores?
 - a. For the chain as a whole?
14. Are you familiar with either the term Total cost of ownership or the term life cycle cost?
 - a. What does this term mean to you?
15. Are you familiar with concept of integrated energy design?
 - a. What does this term mean to you?

Baseline Questions for PCC

16. Contracts (*T&C out-sources HVAC and refrigeration, Lambs in house; Lambs out-sources electrical, T&C in-house*): Do you outsource service or do in-house service for refrigeration, electrical, HVAC?
17. Rate Schedule (*track usage Lamb quarterly review, T&C monthly review no accounting software; Lambs had reviewed rate schedule, T&C had not; Lambs tracks usage and cost, T&C just usage*): Are you aware of the rate schedule for your buildings?
 - a. Do you track energy usage monthly, quarterly, semi annually?
 - b. Do you use accounting software?



18. Benchmarking (*no benchmarking before*): Had you done benchmarking of your stores?
19. Performance Targets (*Lambs does not and T&C does*): Do you have performance targets for managers for energy usage?
20. Maintenance—check set points (*Lambs monthly T&C quarterly, yet T&C said 100% of stores check refrigeration set points last 6 months and Lambs said NA; thermostats T&C 2x/yr, L less often*): How often do you check set points—monthly, quarterly, annually, rarely—refrigeration set points?
 - a. Thermostats?
21. Purchasing Procedures (T&C includes EE requirements for purchasing for all systems but Lambs does not): Do you include an energy efficiency requirement for purchasing HVAC, refrigeration, lighting, cooking equipment?

Closer

22. What types of materials do you think you need in order to be able to move forward to change energy using practices chain wide?
23. How long do you think it will take before your change is able to significantly change your use of energy (such that it would show in benchmarking)





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ORGANIZATION-SPECIFIC PROGRESS INDICATORS

As discussed, the Initiative manager developed progress indicators to assess the level of depth each grocery chain has moved in adopting the indicator. The intention is to be able to assess the status of each chain, as to whether they have completed an indicator or only partially completed it, or whether they are still in a planning stage relative to the indicator. In the case of most of these indicators, its associated product is still in development stage. Table 10 shows the progress indicators as they would be applied to one chain.

Table 10: Grocery Initiative Progress Indicators⁷

INDICATOR	PLANNED	PARTIALLY COMPLETED	COMPLETED	STATUS
Employee Awareness Materials	Management intends to deploy posters and/ or use FMI video for new-hire training. (These are lead-in materials, as work proceeds with the chain to assess its suitability and interest in becoming a pilot chain.)	Poster series is in use at some of the chain's stores. Video is in use at some of the chain's stores.	Lead-in stage of relationship with pilot chain can be considered complete because video and posters are in use and process has moved on to subsequent steps.	The awareness materials are in development.
Organizational Potential Assessment Discussion	Intent is in place to hold discussion session using EnVINTA <i>Achiever</i> in a discrete meeting that takes place with management in a single morning or afternoon.	Discussion session has taken place.	Report has been presented to management.	One EnVINTA <i>Achiever</i> session was held and the report presented to management.
Goals, Roles, and Plan	Management has communicated its intent to develop and follow through with an action plan that proactively addresses energy.	Discussions on the content of the plan have been held and/or a draft plan has been put together and circulated among management.	An action plan calling out goals, concrete steps to be taken and staff responsibilities is in place. Roles and accountabilities are defined.	No action plans have been developed.
				Continued

⁷ "Regional Grocery Progress Indicators.doc" April 5, 2006



INDICATOR	PLANNED	PARTIALLY COMPLETED	COMPLETED	STATUS
Tracking & Benchmarking	Management shows its intent to track energy use on an ongoing basis and has shown interest in participating in the benchmarking database project.	Either the tracking has been implemented or stores have been added to the benchmarking database and the results reported to management.	Energy usage data is tracked on a regular basis by accountable staff. Relevant data for all stores have been entered into a benchmarking database (typically, NEEA's and/or ENERGY STAR's).	Data from over seven chains are in the benchmarking database. No chain has stated that they will track data on a regular basis.
Operating Procedures	See <i>Goals, Roles, and Plan</i> , above.	Someone is "in charge" of energy at each store. Checklists, posters, and video are used routinely. Employees are methodically trained. Progress is regularly communicated.	See list in cell to left. If chain has implemented 70% or more of these practices and regards itself as in full implementation of its action plan, regard operating procedures as "completed."	Some best practices have been identified, but no product.
Service Expectations & Procedure	Management intends to implement preventative maintenance checks and routines as part of the plan above.	Maintenance is approached systematically, with progress in these areas: <ul style="list-style-type: none"> • Routine maintenance is performed on a regular schedule. • Preventative maintenance is standardized. • Routines are in place to catch common problems early. • Set-point checklists are used routinely, as appropriate. • A more comprehensive "tune-up" checklist is used to ensure that existing systems are set up correctly. The chain is participating in the development and testing of a service contract template to establish and monitor expectations with service providers.	Maintenance is approached systematically, with the following in place: <ul style="list-style-type: none"> • Routine maintenance is performed on a regular schedule. • Preventative maintenance is standardized. • Routines are in place to catch common problems early. • Set-point checklists are used routinely, as appropriate. • A more comprehensive "tune-up" checklist is in use to ensure that existing systems are set up correctly. • A service contract is in place with clear performance expectations for refrigeration maintenance. 	Some work identifying model contracts and the basis of a refrigeration service package was done, based on interviews with contractors. A refrigeration specialist was hired in late September.

Continued



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INDICATOR	PLANNED	PARTIALLY COMPLETED	COMPLETED	STATUS
Purchasing Procedures, Criteria	Management intends to review purchasing criteria and practices as part of plan above.	Management participates in training session or web seminar on TCO or LCC. Management is taking steps to build TCO into procedures for equipment purchasing for lighting, HVAC, refrigeration systems and cases, and production equipment.	Management is routinely using TCO in purchasing lighting, HVAC, refrigeration systems and cases, and production equipment.	No progress has been identified.
New Construction Guidelines	Management has acknowledged the value and importance of integrating energy efficiency into the decision-making process for new buildings and has agreed to involve BetterBricks in elements of the design and specification process.	Management makes use of lab technical advisory resources during major remodel or new construction projects. If no projects are imminent, management shows genuine interest in NEEA collateral and presentations on new construction and store design.	A commitment to Integrated Energy Design (IED) in new construction has been built into management's Energy Action Plan and management appears to have internalized an understanding of the benefits of IED from a TCO point-of-view.	Two chains have received advice on construction efforts.
Equipment & Facility Upgrades	Steps have been taken to identify and prioritize prime repair and/or replacement opportunities.	Some repair and/or replacement projects have been completed.	All replacement and/or repair opportunities that meet the economic target criteria called out in the Energy Action Plan have been completed.	No progress has been identified.
Follow-Up Assessment Discussion	A follow-up EnVINTA <i>Achiever</i> session has been scheduled.	A session has taken place and a report has been presented to management.	The Energy Action Plan has been updated to reflect new opportunities and/or priorities identified in the follow-up session.	This will only occur after all other steps have occurred.





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