Retailers as gatekeepers between manufacturers and consumers. How to address retailers to promote energy efficient appliances

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The National Top Runner Initiative (NTRI) in Germany – Retailers as gatekeepers between manufacturers and consumers. How to address retailers to promote energy efficient appliances

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Abstract

In addition to the expansion of renewable energies, the efficient use of energy is crucial in order to ensure energy transition successful. The Federal Government of Germany has therefore set itself clear objectives with the National Energy Efficiency Action Plan (NAPE), which aims to reduce the primary energy consumption in Germany - compared to 2008 levels - by 20 per cent until 2020, and by 50 per cent until 2050. In addition, greenhouse gas emissions should fall by 40 per cent compared to 1990.

To reach this goal, the German Federal Ministry of Economic Affairs and Energy (BMWi) inter alia launched the "National Top Runner Initiative (NTRI)" in January 2016. It is an important component and concerns private homes, as well as industry, retail and services.

The NTRI is intended to bring energy efficient and high-quality appliances (so called Top Runners) onto the market more quickly, thus accelerate market replacement. For this purpose, motivation, knowledge and competence in product-related energy efficiency is to be strengthened and expanded along the whole value chain - from the appliance manufacturer to the retailer and the consumer. Manufacturers are pushed to develop more efficient products and consumers get valuable information about Top-Runner products and how they can benefit. In this context, retailers are especially relevant as they act as “gatekeeper” between manufacturers and consumers. They play a key role in advancing an energy efficient production and consumption. They do not only select the products but they also have a direct contact to consumers and influence the purchase decision. In this paper, special emphasis will be put on the role of retailers and the efforts of the National Top Runner Initiative will be illustrated. Barriers and incentives to motivate this target group will be elaborated.
The National Top Runner Initiative

Nearly seven million televisions are sold in Germany per year, a refrigerator can be found in more than 99 per cent of the country's approximately 40 million households - and there are numerous further appliances connected for several hours each day to the network. Though current market research data by GfK (Gesellschaft für Konsumforschung / Market research company) show a trend to more efficient appliances, there is still an enormous economic and technical potential of about 20 % for primary energy and 10 % for electricity savings, if as many households as possible switch to very energy efficient electric appliances [1].

Energy efficiency is the key factor for the energy transition: The representative study "Umweltbewusstsein in Deutschland / Environmental awareness in Germany" [2] has shown that around 46 percent of consumers always choose the most energy-efficient alternative when buying household appliances. When buying TVs or computers, this share is only 36 percent, because other criteria like picture quality and additional features are more important.

With the National Action Plan for Energy Efficiency (NAPE), the Federal Government has launched a comprehensive package of measures for this legislative period in order to better exploit the existing efficiency potential in Germany. The overall aim is to reduce the primary energy consumption in Germany - compared to 2008 levels - by 20 per cent until 2020, and by 50 per cent until 2050.

The ambitious goals of the energy concept address an even better use of existing energy efficiency potentials. Only when citizens, retail, industry and municipalities know their concrete saving potentials can they behave energy-efficiently. The NAPE therefore places a strong focus on the expansion of the information and advisory services.

An important component within the National Energy Efficiency Action Plan (NAPE) is the "National Top Runner Initiative (NTRI)", which was launched in January 2016.

This initiative wants to bring energy efficient products, so called Top-Runner, faster on the market hand in hand along the value chain with manufacturers, retail and industry. Top-Runner products are defined as the most efficient products in their category, in general those with the highest EU energy efficiency label rating. At the beginning, refrigeration appliances, dishwashers, washing machines, tumble dryers, vaccuum cleaners, light sources, TVs and monitors are addressed.

The product range of energy-efficient and high-quality appliances is growing. The market shares of "Top Runner" devices therefore are expected to increase even more and could be accelerated.

The National Top-Runner Initiative (NTRI) of the German Federal Ministry of Economics and Energy (BMWi) has set itself the goal of further increasing this share and encouraging consumers to anchor energy efficiency even more as a buying criterion in their minds. In addition, the NTRI would like to sensitize consumer on purchasing an adequate size of the energy efficient products and to promote energy-saving use of these products.

However, these objectives can only be achieved if all stakeholders co-operate: politics, retailers, manufacturers as well as consumer and environmental organizations. On 20 April 2016 representatives of consumer-, retailer-, manufacturer- and environmental-associations committed themselves by signing a joint declaration to support the NTRI.
Overall Goals of the NTRI

- Increase market penetration of highly energy efficient appliances
- Appropriate size of appliances depending on household size and living conditions
- Energy efficient use of appliances
- On the long run reduce the energy consumption of appliances along the value chain from the development to the distribution to the purchase of appliances.

To address all these goals, a strong alliance for greater product efficiency of all market actors is needed.
All activities with manufacturers, retailers and consumers are highlighted by dissemination activities and all stakeholders are integrated by regular stakeholder-dialogues, organized by the NTRI-consortium. In so far this campaign differs from former campaigns, which essentially had the end consumers in the focus.

**Figure 2: Overview of the measures for the different stakeholder groups**

**Activities of the NTRI to address manufacturers**

Towards manufacturers we pursue two objectives: We motivate manufacturers to develop energy-efficient products and we initiate innovation ideas and processes through an innovation dialogue.

The white goods market is dominated by some big German manufacturers whereas international companies are major players in the market for brown goods. Start-up companies can play also a role for inventing special features. Features to increase the efficiency of product might be an incentive for manufactures as consumers ask for it.

In this respect, the manufacturers of energy-consuming products as well as start-up companies in the technological sector are a key target group. The latter can be achieved in a communicative manner, particularly via networks of innovation workshops funded by BMWi.
Activities of the NTRI to address retailers

Retailers represent the natural link between manufacturers and consumers. Therefore retailers can act as brokers to stimulate the sales of top runner products and their energy-efficient use in the households. Based on the given objectives, we have identified the following objectives:

1. **Retailers have to be supported by informing consumers about the offer and the benefits of top-runner products by advertising media**

   Until now, there have been numerous obstacles to the purchase of energy-efficient appliances. These have their origin, inter alia, in the marketing concepts of the retail. In brochures in the stationary retail and on internet sites in web shops the products usually are only presented with heading, picture, purchasing price and a small icon with the energy efficiency class.

   The marketing of the products takes place too much emphasis on the selling price (advertising focuses primarily to distinguish itself by price arguments from the competition: "Geiz ist geil / Costiveness is cool" mentality). This kind of promotion does not meet the advantages of energy-saving products and leads the consumer focusing solely on the purchase price. The overall life cycle costs are not apparent - in addition, comfort aspects (such as low noise level, simple operation) are hardly addressed. Through the NTRI, the marketing concepts are to be influenced so that the overall costs and comfort aspects are clearly presented in brochures, for example. This allows the consumer to make a direct, holistic comparison.

   The persons who decide on the marketing media are the retail managers. The NTRI-consortium would like to take a positive influence on them and show them the clear advantages resulting from an optimized product presentation. Moreover, some consumers are sceptical about whether the new energy-efficient product performs the same way as the old product; i.e., the consumer asks, for example, whether an efficient and water-saving washing machine washes the laundry as clean and hygienic as a less efficient machine.

2. **Retailers have to be encouraged to include more energy-efficient appliances in their portfolio**

   The product range offered is decided on the management level of the retail retail. Energy efficiency aspects are only a marginal criterion so far. In particular, highly efficient products from smaller manufacturers do not get into the sales areas. In order for managers to match their product range to the most energy-efficient products on the market, we would like to convince them of the advantages especially for the retail. Therefor the NTRI develops an pilot project in which an energy efficient alternative is presented to the consumer while purchasing a product online. The percentage of people switching to the more energy efficient product will be measured and the results will be presented to the retail managers.

3. **Retailers have to be encouraged to make visible the benefits of the most energy-efficient appliances for consumers on their sales areas, thereby moving them to the purchase of a top runner product**

   In order to arouse consumers' interest in purchasing products with low energy consumption, it is necessary to inform and influence them up at the point of sale. Only a well-informed consumer can be convinced that energy consumption is a key factor in the purchasing decision. His personal advantages through the purchase must be obvious. These advantages are to be demonstrated by the sales consultants at the point of sale. Sales consultants can not afford this at the moment because they lack the arguments and it is not clear yet how they benefit from it as an advisor. We want to enable the sales consultants to recognize the value of energy efficiency for the consumer and clearly address this item in sales advice - with the aim of selling the most energy-efficient products. A clear communication of the overall costs as well as other aspects (e.g. lower water consumption with efficient washing machines and comfort aspects) play a role. In addition, consultants should be able to advice their customers about the benefits of energy-saving user behaviour.

   The NTRI therefor offers retailers training material towards the benefits of sales of energy efficient products. These materials are available for the product groups of lighting, refrigerators, freezers, washing machines, tumble dryers and dishwashers. Additionally there
is a training module for the fundamentals of energy efficiency and the EU energy efficiency label.

In the following picture, the targets and measures are presented in a clear manner.

![Diagram showing targets and measures for retailers]

**Figure 3: Retailers as gatekeepers between manufacturers and consumers**

**Activities of the NTRI to address consumers**

The NTRI addresses consumers mainly by the NTRI-Website and related campaigns via a newsletter, a Twitter channel, activities at trade fairs and further actions. The main objectives are:

1. Reduce the barriers that prevents consumers from buying energy-efficient products through communication.

2. Increase the knowledge of consumers about general aspects of energy efficiency (e.g., individual electricity consumption, energy-related product functions, appropriate size of devices, energy-saving user behavior), as well as improving knowledge of governmental instruments and regulations (e.g., transparent electricity bill).

3. Improve the knowledge of consumers about the EU energy efficiency label as well as other public information tools and communicate the benefits of the EU energy efficiency label (transparency, reliability, clarity) in order to strengthen consumer confidence in labelling.

**Conclusion**

In summary, to increase energy efficiency, the NTRI campaign addresses the entire value chain of electrical products for the first time in Germany. From manufacturers over retailers and end users, it therefore differs from former campaigns, which essentially had the end consumers in the focus. Therefore main emphasis lies on the retail. Retail at the interface between manufacturers and end-users is an essential link and is essential for the success of the NTRI efficiency campaign. As the article has shown, the retail is addressed to multiple measures addressed at different levels. If the retail is convinced by the advantages of energy-efficient products, it can also convince its customers.
References
