



# Swimming Upstream: A Distributor's Perspective

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# Objectives

- Understanding the Distributor's challenge in the complicated HVAC marketplace
- Contractor business model and factors that affect program participation
- Engaging distributors and keys to success in proven upstream business models



# The Complicated Business of HVAC

- Low involvement from customer
- Seasonal
- High cost relative to other home upgrades
- Can't just plug and play or self-install
- The countertops and lighting are more appealing than the box on the side of the house
- Only 2% of the population is in the market for HVAC at any given time – a missed energy efficiency sale lasts 15 years
- Relationships with installing contractors
- Selling a particular brand



# Success Factors of HVAC Utility Program Delivery

- Downstream programs
  - Success is...a massive reach and frequency campaign to a targeted demographic of consumers with aging homes who are ready purchasers
- Midstream programs
  - Success is...understanding the business models of the HVAC contractors in the marketplace and coaching vs. requiring a behavior
- Upstream programs
  - Success is...partnering with distributors and manufacturers to define and achieve common energy efficiency goals



# Roadblocks to Contractor Participation

- Marketing
  - As a whole, HVAC contractors are not marketers
    - Some are quite good or rely on distributors to help
    - Most are skilled technicians
- Seasonality
  - Contractors don't need rebates during the busy season
  - Manufacturers offer rebates during the slower months to attract planned replacement buyers
- Objectives that don't fit into a contractor's business model
  - Timing (labor and crew, backlog, 2-day completions)
  - Requirements (duct sealing, energy audits, commissioning, Manual J, paperwork)
  - Training (see Timing!)



# Working with the HVAC Distributor Channel

- All business is local - create relationships
  - Hold a local roundtable and include both distributors and manufacturers
  - Discuss each others goals and solutions
  - Discuss positive experiences and roadblocks
  - Avoid bringing mandates to the table
- Distributors know their installing contractor base, what drives them and when
- HVAC manufacturers have large marketing budgets to be spent towards high efficiency messaging
  - Combined rebates with manufacturer and federal money is attractive & great marketing tool
  - Working together offers the consumer a more affordable comfort solution
- Working in tandem to achieve goals creates an economy of scale and rapid achievement





# 5 Key Components to a Successful Upstream Program

## 1. SIMPLIFICATION

- Process, procedure and paperwork
- Quick payment turnaround

## 2. LONGEVITY

- It runs for multiple years or seasons
- More dealers become engaged over time
- Focus on market transformation





# Centerpoint Energy – Lennox Performance Study

	2011	2012	2013
# Dealers Signed	29	36	25
# Dealers Part.	14	19	16
Total Systems	110	203	304 (projected)
Avg SEER	16.4	16.5	16.7

- The 2013 program is outpacing 2012
- Less dealers are participating, but sales force is signing up dealers who they know will actively participate
- 25 SEER products are being submitted raising the avg SEER



# Keys to Successful Upstream Programs (cont.)

## 3. TRAINING

- Training is integral to any program or technical requirement
- If funding allows, work in partnership to assist with creating a path to success

## 4. FLEXIBILITY

- The ability to make minor changes that do not affect the overlying goals if there is a faulty component or strategy
- The ability to work within both the general distributor and contractor business model
- The ability to be flexible in how the goals are achieved

## 5. TRUST & COMMUNICATION

- Turn the effort into a true partnership
- Communicate with your partners regularly
- Refrain with discussing the program or the parameters with contractors and consumers



# Other Forms of Partnering Engagement

- Marketing
- Co-branding in advertising



The advertisement features the MGE logo (Missouri Gas Energy) and the Lennox logo. It includes a photo of a technician in overalls next to a furnace, a stack of cash, and a technician standing next to a Lennox HVAC unit. The text promotes a rebate offer for MGE customers who purchase a Lennox gas furnace.

**MGE MISSOURI GAS ENERGY**  
A Division of Baker Hughes Company

**MGE customers can now save up to \$500 and enjoy complete home comfort!**

Now you can receive a rebate worth up to \$500\* when you buy a Lennox® gas furnace, with efficient performance that can lower your energy bills year round.

**OR GET UP TO \$1375\*\* BACK**  
when you buy an entire Lennox HVAC System.

Learn more at [BetterHeatingNow.com](http://BetterHeatingNow.com)

\*Up to \$300 rebate from Missouri Gas Energy & up to \$200 rebate from Lennox.  
\*\*Up to \$1375 rebate from Missouri Gas Energy & up to \$100 rebate from Lennox.  
Equipment must be sold and installed by Member of MGC. One offer available per qualifying purchase, good at participating Lennox Dealers. To find a local Lennox Dealer, visit [www.lennox.com](http://www.lennox.com).  
Lennox Dealer includes independent agents and specialized dealers.

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# Contact Information

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**Thank You!**

