

Third party promotion of CFLs in the conditions of the lighting market in the Czech Republic

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ABSTRACT

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URL: <http://www.efficientlighting.net>

How can we best disseminate energy efficient lighting technologies out to the users? Many approaches have been used throughout the world both by manufacturers and energy efficiency propagators. There is no best single universal approach, which could be adopted regardless of specifics of each country.

Many, even well developed, countries benefited from running third-party promotions to supplement manufacturers' own campaigns. The lighting market in the Czech Republic is no exception and the paper is based on the experience from a two-year program – ELI, which aims to accelerate the market penetration of energy-efficient lighting technologies and to introduce a unifying logo for quality products. The paper describes the preparation of the overall marketing strategy tailored for local conditions, among others characterized by low sensitivity to environmental issues. The development of this strategy involved detailed market assessment including evaluation of consumer awareness, potential cooperation with all stakeholders,

analysis of previous mass communications about efficient lighting and evaluation of the effectiveness of individual available approaches.

The market assessment resulted in a communication strategy towards consumers using media advertising and complex PR activities, and a strategy towards other stakeholders – mainly manufacturers and retailers. The content of the communication towards consumers is kept simple with emphasis on the trustworthiness of the message. Involvement of manufacturers aims at their follow-up communication and execution of hard-selling activities leading towards higher sales. The non-brand character of the campaign helps to interconnect the advertising with point of sales. The strategy includes basic retailer education and cooperation with luminaire manufacturers.

The ELI program for residential sector in the Czech Republic is one of the first nationwide promotional program in the Central and Eastern Europe and probably the most complex one. Thanks to its extent, complexity and strategic approach it succeeded in high manufacturers' involvement and close cooperation of almost all stakeholders.

THIRD PARTY PROMOTION OF CFL:S FROM A CZECH REPUBLIC PERSPECTIVE

This paper focuses on the promotion and use of compact fluorescent lamps (CFLs) in households in the Czech Republic and the related market situation.

ELI - Efficient Lighting Initiative - Third-party CFL Promotion in the Residential Sector

The potential of GHG emissions mitigation resulting from wider CFL usage makes them an important product

for the well being of the whole society. If each family in the Czech republic, with its 3.7 million households, would replace one incandescent by a CFL it would contribute to annual savings of approx. 300 000 tons of CO₂ emissions. Such GHG emissions saving potential has motivated a third-party promotions supplementing promotions of individual CFL manufacturers.

The Efficient Lighting Initiative (ELI) is a \$15 million program, sponsored by the Global Environment Facility (GEF) and implemented by the International Finance Corporation (IFC), to reduce greenhouse gas emissions by increasing the use of energy-efficient lighting products. ELI takes place in seven countries, including the Czech Republic, where it is implemented by SEVEN (the Czech energy Efficiency Center) in partnership with other local organizations. ELI's goal in the residential sector was to accelerate the CFL market CFLs (in particular, as replacement for incandescents) and to introduce an ELI program logo for quality products. The project combined market-based tools such as Point-of-Sale material with the features of social campaigns and public education. The initial steps were to conduct market research to identify the contemporary state of the market and the public awareness. Following the market assessment, SEVEN developed a detailed marketing strategy. The strategy laid the main stress upon the complexity of measures taken and on close cooperation with all involved stakeholders in the individual areas.

MAIN CHARACTERISTICS OF THE CZECH MARKET

From the marketing point of view a present day CFL is rather specific product. It is a technology-driven product that was primarily designed for the needs and use of professional users and not household consumers. There is little, apart from energy efficiency, that CFLs can offer to the household user in comparison with its direct competitor – an incandescent lamp. There are of course other favorable parameters of CFLs eg. 6 – 15 times longer life of the bulb, lower operational temperature or possible selection of different colors of the light produced. However are these parameters important in professional lighting (e.g. lamps situated in places with difficult maintenance, use under conditions with special requirements for low temperature operation or demand for daylight color of light), based on the surveys they are circumstantial for most household consumers. Moreover, energy consumption in lighting in households has never been perceived as a main energy consumption and cost problem. On contrary there are several differences in CFL usage that lower the comfort of their use and are perceived as handicaps of the product. They result from the different technology of generation of light. They are namely - longer start-up time, bigger size, different shape, different light distribution etc. The last three might be even responsible for need of replacement of some existing fixtures. Besides, there still exist many rumors about usage of fluorescent lamps – flickering, unnatural color of light, buzzing, extremely long start-up time etc.

Simply put, in the non professional market segment the product does not sell itself easily and needs an extra portion of promotion.

The current CFL penetration rate in the Czech republic is relatively high - around 40% and is evenly spread out throughout all regions (except the capital, with above average penetration). Around 90% of the population is generally aware of the product's existence.

Most of the communication on the product was carried out by main branded CFL producers before 1999. However since the growing influx of cheap non-branded products in 1999, the main manufacturers ceased their advertising almost entirely. As a result there has been almost no information about CFLs communicated to the public since. Therefore a substantial part of the population knows about the product and is aware of some kind of energy savings, but has a very vague concept of the magnitude of its actual savings potential. Only around 10% of consumers knows the actual savings of CFLs. The missing communication also left the consumers with the information and experience of using the "old" types CFLs with electromagnetic ballasts and their imperfections. Since 1999, the almost only communication consumers have received on CFLs was in a form of hypermarkets' and DIY's special price offers for CFLs – mainly of the non-branded ones. The manufacturers of branded products rather focused their strategy on lowering the production costs and retail prices than on technology improvement or promotion of the product benefits.

This helped to lower the prices of CFLs by up to 5 times leaving them around 7 times more expensive than an incandescent. Even this dramatic drop of price did not lead to massive use of CFLs. It may be partly due to characteristic high price sensitivity of Czech consumers who are not willing to invest in the technology without knowing the exact saving potential of CFL use.

Concerning the availability and distribution of CFLs throughout the regions and in different types of shops there are very little differences except the lower availability of low-end products in small, specialized elektro shops. In general there is very weak knowledge of CFL specifics and differences even among shop assistants.

BARRIERS TO WIDER CFL USE

As it is hard for a third party to influence directly the overall marketing mix (product, promotion, price and distribution), most of ELI's proposed measures and activities were therefore connected with communication.

However the CFLs are affordable by everybody, the surveys show that the price remains a main market barrier. The barrier is rather of psychological nature - it is created by very vague knowledge of the payback period and the overall financial potential of savings in connection with high price sensitivity of consumers. To overcome the barrier, people must receive clear and trustworthy information on the actual savings. The proposed basic communication concept focused on rational explanations through advertising and PR.

The main characteristics of ELI communication:

- The target group for the communication is the whole population (there are no significant differences in CFL penetration based on socio-demographical or regional data)
- The communication should have a long term effect
- Easy-to-understand language should be used

COMMUNICATION CAMPAIGN

The campaign is aimed at raising consumers awareness of CFLs' main benefits, increasing CFL sales and attaching the ELI logo to a special group of certified products. The emphasis is laid upon motivating other program stakeholders to take part in the program and thereby multiplying the program's effect.

The main emphasis was laid upon forming a complex communication campaign formed by a set of mutually interconnected instruments, which mutually enhance each other. It consists of a media advertising campaign closely tied with accompanying PR activities, promotional activities at point of sales and activities for specific target groups such as school children, sales persons and retailers, luminaire manufacturers and luminaire designers and organizations involved in information dissemination on energy efficiency or consumer oriented organizations.

The campaign was launched at the beginning of this year's lighting season (October 2001). The timing was identified as an important feature of the campaign. Despite the higher prices of media in the months of October, November and December (the cost per rating point is 20% more expensive as compared to the "cheapest" month of January). The main reasons for the timing included synchronizing the campaign launch with the activities of manufacturers and retailers and thus pooling the effect of a communication on efficient lighting. The proper timing also helps to motivate the stakeholders to take further actions using the help of the ELI brand-nonspecific campaign. This period is characteristic by higher public interest in topics connected with lighting (short days) which helps pushing PR topics through and creates opportunities for PR topics identification – e.g. Christmas presents (CFLs are still considered a good present by many).

The campaign will continue till the end of the lighting season.

INDIVIDUAL ACTIVITIES

Advertising campaign

The main objectives of the advertising campaign are to raise consumers' concern for efficient lighting/attract attention to efficient lighting and to generate desire for more information on the topic to inform about the basic benefits of CFLs -the cost effectiveness of their operation and their longer lifetime which counteract the psychological barrier of the higher initial cost of CFLs.

The main message is connected with the issue of money savings and the benefits of investments in CFLs. Although consumers are often aware of the electricity savings generated by CFLs and its higher efficiency, only very few are informed about the length of the actual payback period and the concrete financial savings over the CFL's lifetime. The ELI logo is used as an identifying tool for all the activities. A TV spot also carries a secondary message about CFLs longer lifetime over the normal light bulb.

A very simple and funny animated creative solution is being used to attract the target group's attention. It is based upon a challenging question "Do you know, how much your incandescent gobbles up?" and an accompanying cartoon caricature of a fat guzzling light bulb and a cute slim CFL having dinner. This advertising, unlike all previous commercials, uses a simple language code and targets a wide audience of common people. The caricatures of the light bulbs together with the animated form clearly separates the commercial from other advertising. The form is very catchy and well accepted by public. The popularity of the commercial was proven by the success on the prestigious competition of Czech commercials "Zlatá Pecka 2001", organized by the Czech Association of the Advertising Agencies (ACRA). The commercial was awarded the 1st prize in the category of TV spots.

The selection of media channels for the advertising campaign reflects the aim of reaching the large target group of the whole adult population. The main emphasis is laid upon TV and print advertising in dailies and magazines. Other channels include outdoor advertising media such as billboards (out of the capital of Prague), public transport (in the capital of Prague) and the internet.

Public Relations (PR)

The launch of the advertising campaign was accompanied by complex PR activities. While the advertising is capable of gaining people's attention, PR campaign gives the possibility of communicating more detailed information to the recipient and it adds extra importance to the activity/product described. Publishing of non-branded articles is one of the key element in achieving the Czech ELI program goals. Besides the ELI team generated articles a cooperation with professional journalist was established. A group of around 50 of the most suitable journalists was selected, addressed and mailed a special information pack.. The material contains comprehensive information on the ELI program, program activities, information on CFLs and lighting in general, FAQs, press releases and other information. There were two general types of message published: 1) Messages containing information on the (not-so-well-known) benefits of CFLs (e.g. pay-back period, availability of CFLs in different light temperatures etc.) and disproving false statements about CFLs. 2) Messages containing information on ELI activities (school projects, program patronage etc.) in connection with general information on the benefits of CFLs.

In order to increase the credibility and visibility of the campaign a suitable publicly well-known and credible personalities were addressed to support the program. The

Table 5 Special media benefits

Type of media	Amount paid (EURO)	Media value obtained (EURO)
TV	107 000	260 000
Print	63 000	198 000
PR	0	141 500
Outdoor	15 140	72 500
TOTAL	185 140	672 000

Czech Minister of the environment agreed to give his personal patronage to the ELI project. Also a well-known Czech actor agreed to publicly support and promote CFLs.

The non-commercial character and the social status of the campaign helped to ensure special conditions as favorable media prices and/or free space in some media both for PR and advertising. (Table)

The final media value obtained was approximately four times higher in comparison to the actual amount paid (including free PR space). The total medial value exceeded 4 times the total amount spend on all advertising of CFLs in 1999.

Activities in schools

The non-commercial character of the ELI program also enables to use communication channels other than standard media- e.g. schools, through an educational program for children with the effect of reaching both children the future consumers and CFL users and their parents. The advantage of such communication is that the information has higher credibility than advertisement or PR. Parents can be involved in the project through helping the children with assignments and will remember the delivered information. This makes information transfer through education programs very effective.

The educational program - "Shedding Light on Savings" is drawn up as an integral part of the ELI residential campaign, having two goals: to educate school children about efficient lighting and to deliver the message about the advantages of CFL to their parents through a trustworthy channel. The program was prepared and organized in cooperation with an NGO, Tereza, as a school project on environmental education using methods of interactive education, learning through experience and project education. It will last from September 2001 to April 2002. The project is mainly focused on children aged between 12-15 years, but younger children can also participate in most activities. 250 schools (approx. 6% of all schools) from right across the Czech Republic participated in the project. The project is in the form of two sets of worksheets. The first one specifically focuses on lighting, whereas the second frames the topic of energy efficiency in households in general and serves as a background information material. To obtain a background information and to deepen the schools involvement the schools can take part in a competition for the best project report.

Luminaire design competition

As it is not possible to influence the shape and size of CFLs in the framework of ELI activities, it is important to try to adapt and promote luminaires compatible with CFLs.. The aim is to increase luminaire manufacturers' and importer's awareness about CFL market trends, so that the designers and producers take into account the CFL compatibility of their products. They were addressed through a direct mail providing them with information about recent trends in CFL penetration, ELI activities accelerating the development of the CFL market. To attract wider attention of the professionals to the topic a luminaire design competition was prepared. Luminaire producers have been invited to cooperate in the design competition. Producers took part in evaluating the designs. Through the cooperation with luminaire producers there will be a greater chance of producing and marketing the winning designs. Besides increasing the awareness of designers and producers, both activities should highlight possible issues for PR articles focused on informing the public about luminaire design and lighting in households. In the competition around 50 entries were received both from professional designers and students. The competition criteria included innovative design, low production costs, convenient handling and harmony of materials used. The jury consisted of the top Czech designers and architects. A special board of technical advisors including representatives of luminaire manufacturers ensured the producibility of the designs.

WWW-page

Following the current trend of increasing internet usage a special web page for Czech consumers was created. The page has been built as a source of comprehensive information about efficient lighting in households. The internet page <http://www.uspornazarivka.cz> supplies easy and understandable information about efficient lighting and all ongoing ELI activities to the general public. The user can find comprehensive information on efficient lighting sources for households, calculate actual savings achieved by replacing the incandescent light bulb with the CFL, find information on placing CFLs in various rooms of a typical household, browse through a list of ELI certified products available in the Czech republic, and find information on ongoing program activities such as the design competition and the educational project for school pupils.

COOPERATION WITH CFL MANUFACTURERS AND RETAILERS

As mentioned above, the only part of a marketing mix that was possible/reasonable to influence was the communication on the product. However basic communication plays an important role in influencing consumers opinions on the product, unless it is an "image" product (i.e. a product which is purchased for its image parameters rather than rational benefits). Communication itself can help little to change actual shopping habits of the consumers. A CFL is not a product suitable for emotional or "image" communication and most of the benefits are connected with rational aspects. The advertising can change peoples'

attitudes about it but very rarely drive them into shops and lead them towards the purchase. It is very often right at the shelves of lighting sources where the second thoughts are given to the decision. And it is again the disadvantages of higher purchase price and more difficult selection of an appropriate efficient lighting source that favors an incandescent bulb. Therefore it is advisable, if possible, to combine the out-of-store communication with other steps of the marketing mix – that is support the product at the point of sale (special price offers, POS materials etc.). In such activities the cooperation with manufacturers is inevitable. ELI does not “have” its own product and depends on the manufacturer with its distribution, price etc. Therefore ELI has little influence on such support. Moreover, an interest of manufacturers to cooperate helps start up the negotiations with retailers. In case of ELI a secondary objective of the program was to introduce an ELI logo for quality guaranteed CFLs on the consumer lighting market. And such task was identified as impossible to fulfill without rather deep manufacturers involvement – at least a willingness to submit the products for testing and to enable to use the logo on CFL packages. Since it is very difficult to obtain accurate data on CFL sales through other bodies, at least a basic cooperation with manufacturers is also needed for program impact evaluation and market assessment.

After the final discussions over the strategy all 3 manufacturers of ELI qualified products marked their selected products with the logo and using the logo as an identifying tool in their communication activities. The cooperation with the manufacturers resulted in closely connected approach towards the retail sector, cooperation on complementary activities (design competition, fair exhibition etc.), data and experience sharing (retail sector) and cooperation is expected within the evaluation process as well.

The process of involving CFL manufacturers into the project activities in the framework of ELI was doubtless one of the most difficult, lengthy and uncertain part of the program.

The negotiation had lasted for almost two years prior to the implementation phase of the program. However there had been little outcome of the negotiations. The manufacturers were expressing general interest in the activities but would not commit themselves to any kind of activity. This made planning of the strategy more difficult and finally led to development of a strategy that was independent of manufacturers. However their involvement remained a very important part of the program and was continuously being pursued. The manufacturers were regularly informed on the overall strategy development as well as on all activities taken. As a result of no manufacturers commitment to join the activities the logo promotion was dropped in the initial stage and was used only as an identifying tool that provided a unifying graphic identity (“look and feel”) to all ELI activities. The manufacturers were offered to use the logo for all ELI certified products promotion activities and thus connect them with the ELI campaign.

RETAIL SECTOR

Point of sale (POS) materials:

The information present right at the point of sale can often be a decisive tool changing the customer’s shopping decisions. The other communication through media “distant” to the shelf changes the perception about products and formulates shopping plans. However it is only at the shop, when the consumers make the final step – purchase. Even a CFL determined customer may under the actual conditions change his intentions. Thus it is ideal to interconnect the “out-of-the-store” advertising that influences planning with the point of sales (POS) communication which influences the action. Therefore ELI activities tried to use as much as possible both types of communication. The ELI logo provided a graphical connection between POS materials and the advertising campaign and served as a link to concrete products. The main focus was on displays in the shops with the highest sale volumes. However, even small specialized electro shops, which still play an important part in light sources purchases were taken into account. Through cooperation with light source distributors and wholesalers and retailers, SEVEN arranged for displays of ELI POS materials to be placed in 2 supermarkets Makro and TESCO and 3 DIY stores – OBI, Baumarkt and Hornbach. The first 4 are rated among first 7 retailing companies with the highest sales in the Czech republic and Hornbach is 24th. The number of stores is for Makro 9 stores, TESCO 12, OBI 14, Baumarkt 15 and Hornbach 3 stores. A variation on the hypermarket POS materials was distributed to over 1000 selected specialized electro shops by direct mailing and another 500 shops were supplied with identical materials through wholesale/distribution channels. The basic POS materials included stickers and image boards. The distribution companies helped to distribute and maintain the POS materials in the shops.

A special promotional channel – advertising in the shop’s product magazine was used in Makro and OBI. This channel lies on the boundary of POS and advertising communication. It is using the potential of reaching the consumer at home together with the distribution of this media at the point of sale. In both cases the occurrence of the third party, brand non-specific advertising was accompanied with advertising of an individual product at special price. The magazines are printed and distributed in million copies.

An information brochure

Addressing one of the identified problem with low level of shop assistant’s knowledge of information on CFLs an informational brochure for customers and shop assistants was developed. The brochure serves as a comprehensive guide to CFL shopping (general info on efficient lighting, CFL selection criteria, ELI logo etc.), answers FAQs of consumers and covers basic information on lighting in general. It is written in an easy-to-understand way. The material was distributed 1500 smaller specialized electro shops.

ASSESSMENT

An evaluation of the impact of the carried out activities, message selected as well as the media selection on the consumers awareness of CFL will be evaluated through an omnibus survey in march 2002. The impact on the volumes sold and the change in volumes of different CFLs categories sold (price/quality categories) will be based on the sales numbers received from the manufacturers and retailers. However based on information received from retailers and manufacturers so far, the program had an impact on the CFL market including the change in shopping behaviour of consumers as well as retailers' approach to CFLs.

The program was successful at linking the main benefits and opportunities of social campaign with marketing tools used in commercial promotion through a close co-operation with all stakeholders. Thanks to the social status of the program a special conditions for media purchase were ensured as well as the possibility to use specific communication channels as school programs and to use the credibility of a non-commercial source of information. This part of the program was mainly aimed at information dissemination with long term effects. The close interconnection of ELI's activities with manufacturers and retailers and their overall harmonisation should ensure raising sales of CFLs on short time bases. Such pooling of "CFL-promoting-forces" helped to multiply the volume and the spectrum of communication on the product towards the target group.

The program is planned to continue next year. The focus of the program's second stage will be based on the outcomes of evaluation of the activities carried out within the first stage. The program in the second stage should be able to profit from the established contacts with the stakeholders as well as from the deep knowledge of the lighting market and its contexts.

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