

How to Reach the Commercial Building Sector

By Jeffrey M. Seisler

Dealers and installers of solar equipment must begin to target their market strategies toward commercial building owners and managers who now spend major portions of their annual operating expenses on energy. Though marketing to these people is time-consuming and expensive, this sector of the building population is relatively wide open to new ways of reducing energy costs.

The conclusions drawn from the findings of a workshop conducted with commercial building owners and energy managers can provide guidelines to improve your marketing strategies for the commercial building sector. The workshop, held in support of research for the Pacific Northwest Laboratories, brought together building owners and managers, all from the Washington, D.C., metropolitan area. The group included energy managers from a major department store, a large hardware/home improvement retail chain, a supermarket chain, and a major shopping mall; the president of a local condominium association; executives from two property management and construction firms; and executives from the Building Owners and Managers Association and the National Apartment Association.

Reaching the commercial market

Conservation and solar businesses can successfully approach the commercial building market by identifying the commercial building decision-makers and by tailoring information for the key people who make buying decisions.

The decision-makers in commercial buildings can be characterized broadly in two groups by building types: non-residential commercial buildings and residential multi-family buildings, owner- or renter-occupied. In non-residential commercial buildings, the people making investment decisions may include the building owner or manager, a committee of key corporate executives, a vice-president

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Be Prepared To Give Potential Buyers Complete and Specific Information

TECHNICAL INFORMATION

- ENERGY SAVINGS
- AVAILABILITY OF PARTS
- RELIABILITY OF VENDOR
- SIMPLICITY OF OPERATION
- TRAINING REQUIREMENTS
- PERSONNEL REQUIREMENTS
- NEED FOR PUBLIC RELATIONS

ECONOMIC/ FINANCIAL

- ALLOCATED BUDGET LIMITATIONS
- COST/ AVAILABILITY OF CAPITAL
- GOVERNMENT INCENTIVES
- O&M COSTS OVER LIFE OF EQUIPMENT

LEGAL/ REGULATORY

- STATE & LOCAL CODES & STANDARDS
- PUBLIC UTILITY COMMISSIONS
- RENT CONTROL

for engineering, or the "Director of Stores." (Management structures for these organizations vary, depending on the type of business.) The primary decision-makers in residential multi-family buildings are owners. Property managers often represent owners of renter-occupied buildings, while in owner-occupied buildings, officers of condominium or co-op associations usually make the key decisions affecting the property.

In larger businesses, such as retail store chains, the energy manager's preferences weigh heavily in an investment proposal. In smaller businesses, the decision-maker usually evaluates one option at a time, without considering the wider range of products available.

The wide variation of who makes the decisions to buy conservation and solar makes marketing to the commercial building sector difficult, but success can be achieved by making direct, personal contact with the responsible individuals. Advertising in trade journals and association

publications, as well as multi-media advertising directly to commercial building owners and condominium residents will enhance marketing success and increase sales.

Unless you are a national (or international) firm, start locally where you are most familiar with the commercial building market. Call your local retailers—large and small—to identify the individuals responsible for making purchasing decisions. Learn about their energy problems, needs, budgets, and the process used to make buying decisions. If they show any interest visit the decision-makers and make a presentation. Attack the multi-family market in the same way.

List your contacts and start with the largest buildings (malls or other facilities) first and then proceed down your list. When that's exhausted, expand your marketing to nearby areas and proceed accordingly. Remember, keep detailed notes on all conversations for future follow-ups.

Preparing specific product information

Workshop participants identified three categories of information that are used in making decisions: technical/engineering information, financial information, and legal information. When marketing individual building owners the most effective method is to prepare, in advance, complete information to help potential buyers make a well-considered decision. The better a case can be made to buy *your* product, using very specific information tailored to each building owner or energy manager, the better the chance that your marketing will be successful.

Technical information must provide the basis for evaluating the ease and cost of operating any solar or conservation equipment. Your information should include: energy savings; availability of parts; reliability of vendor; simplicity of operation; training requirements; personnel requirements; and need for public relations.

Financial information that potential buyers want to know is: first cost of equipment (relative to any allocated budget limitations); cost/availability of capital; government incentives; and operations and maintenance costs over the life of the equipment. The quantity and type of information that is required by an individual

Commercial building owners and operators expect non-technical information tailored exclusively to their needs.

owner or manager largely depends on each company's investment criteria. Thus, information on tax advantages may be very significant to building owner A, whereas information on rate of return may be most important to building owner B.

Legal information needs to be evaluated by building owners before they choose a particular solar or conservation technology, since time, money, and effort are wasted in assessing any project that may not conform to codes or other regulations. Generally, legal issues relate to: state and local building codes and standards (easements, piping, ventilation, etc.); public utility regulatory commission rules (e.g., utility metering); and rent control rules. To improve buyers' potential acceptance of conservation and solar products, it is essential that all regulatory and legal considerations be investigated before marketing begins. This is particularly important when entering out-of-state (or international)

market areas where laws may be different than those to which you are accustomed.

Understanding buyers' financial thinking

For energy investments, workshop participants said that building owners tend to use two types of financial criteria: simple payback and life-cycle costing/net present value.

Simple payback, referring to the time it takes to retrieve the money invested, is easy to calculate and to understand; thus it is a commonly used determinant for a solar or conservation investment project. Owners tend to expect a two- to three-year payback period.

Using the payback period as the only criterion for project evaluation has the following shortcomings:

- It ignores the present value concept—the comparison of present and future outlays.
- It does not consider the lifetime of the capital equipment investment. (Investment A may last 20 years with a payback period of four years, whereas investment B may last 10 years with a payback period of three years.)

The simple payback criterion, therefore, is a shorthand approach. How highly it is ranked as a criterion depends on the size of the investment, or the sophistication of the decision-maker's background in evaluating different options. For many individuals, however, it seems to be the driving economic consideration beyond first cost.

While building managers said they rely on payback period analyses for small investments, they emphasized that life-cycle costing analyses are applied to larger investments (more than \$10,000). Life-cycle costing accounts for all cash flows (costs and revenues) throughout the useful life of the investment.

Be assertive

Workshop participants felt that solar and conservation dealers and installers are a major source of information, and that the quality of the information dealers provide is improving. They pointed out, however, that while the larger commercial building owners and operators have a staff to assist with evaluating information, the small owner may have problems understanding and evaluating the available technical information provided by each vendor. Decisions are often made on a case-by-case, building-by-building basis for each type of technology or piece of equipment being bought. Thus, for each type of commercial building the primary decision-maker must be identified and marketed personally and assertively. Expect to provide maximum information communicated in non-technical terms. Your chances of successful marketing will be greatly improved. ☼



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