



FINAL REPORT

**APPLIANCE INDUSTRY
NATIONAL RESOURCE LABELLING PROJECT**

PREPARED FOR THE

AUSTRALIAN GREENHOUSE OFFICE

BY

**Mike O'Neill
BigStep! Services
ONCON PTY LTD**

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Final Report: National Resource Labelling Project

Executive Summary

Project Outline

The Australian Greenhouse Office (AGO) is exploring support for a voluntary endorsement-type labelling scheme to help promote the “best of class” products in certain categories of gas and electrical appliances.

This project consisted of the principal of BigStep contacting appliance industry leaders to brief them of possible changes under consideration by the Australian Greenhouse Office (AGO), on behalf of the Ministerial Council on Energy (MCE). The energy rating labelling of appliances and the introduction of an appliance award program represents a major new initiative for gas and electrical products. This report records electrical appliance industry leader reactions to the proposal. It represents is the outcome of those contacts commencing in August 2003 and completed in December 2003

This consultancy targeted industry leaders as AGO staff have been in regular contact with technical and marketing executives about this concept and another consultant has been working with consumer focus groups to refine the actual label images.

Approach and Materials Employed

Appliance manufacturers/suppliers and retailers were contacted with the objective to provide a conduit of information to the industry regarding proposed changes and deliver market input back to the AGO to assist them in delivering market introduction.

The project was managed over a 4 month period enabling changes to be made with information and illustrations as consumer research progressed by ARTCRAFT RESEARCH and the AGO staff provided industry feedback on the project.

Given the span of time taken, comments have varied marginally during the process as materials evolved and industry leaders reacted to those improvements. Validation has been covered with a revisit to ASKO and MIELE Appliances where the CEO’s had been in the initial batch of interviews.

As part of the interview process, explanation is given that materials and information will cover only non technical aspects of the existing and any future program, as technical are covered by the regulatory committee’s currently serving the industry.

Response

Wide support for the developments proposed has been forthcoming with only minimal concern for displacement as a non performer. This displacement was only seen as a short term negative as those identifying it also commented that they would seek to be a TESAW winner in the medium term.

Leaders were keen to see an additional benefit emerge where administration would be handled by one organisation (AGO) enabling the industry to gain business process efficiency plus ease for consumers through access to a common website.

Support exists for facilitated group discussion amongst marketing and product people to contribute ideas towards communication activities to promote the new rating and TESAW labels to the community. Due to the extensive involvement of international companies there was a perception that this would enhance relationships with HQ streamlining product development.

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Conclusion

Opportunity exists for collaboration, bringing together manufacturers/suppliers, retailers and government, to deliver a meaningful proposition for consumers to respond through their purchase pattern.

Caution has been expressed by leaders commenting on the need for simplicity, particularly to assist the consumer and hence some scepticism exists about the various parties, on the regulatory side, to collaborate resulting in a watered down outcome.

Expectation has been elevated requiring management to ensure the final product is applauded as a progressive act, recognised locally and internationally, delivering consumer outcome through joint government and industry collaboration.

A Road Map setting out the next steps towards a launch and full implementation of the scheme is attached.

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Detailed Report

Overview

The project has been conducted on a singular interview basis taking interviewees through a summary of existing labels with an explanation of proposed developments, leading into an outline of possible changes culminating in the potential scenarios for the TESAW program. During the initial part questions, views and observations were often put, dealt with immediately or sidelined until later in the meeting, where the response may have been more self evident and the additional commentary gained of increased value.

Meetings often involved more than one person from the company as the initial contact person felt less able to respond to the subject matter. This was despite advising in the initial telephone contact that discussions would not be technical, as there were alternative processes dealing with these matters, as the focus of the project was to gain a corporate and marketing contribution to the initiative. However as the meeting unfolded executives found the process informative and appreciated the opportunity to be involved realising comments would be taken into consideration in the final program.

A total of 34 interviews were completed, being;

- Suppliers – 25 (2 repeat visits)
- Retailers – 7 (inclusive of 3 Buying Groups)
- Other – 2 (HIA & Counterpoint)

A list of each person interviewed is attached.

Interviews were confined to suppliers of electrical appliances which in the majority of cases included laundry and dishwashing hence crossing to water usage.

Although companies supplying gas and or water appliances were not included one supplier did market a range of gas heaters together with bathroom and kitchen tap ware.

Interestingly the displaying of the gas label generally caused the interviewee to raise the issue of labelling of cooking.

As can be expected at executive level the general knowledge of the labelling process and the intent or goal is limited having been left to the technical staff to deal with matters at a regulatory level. Despite this lacking there was a greater desire to become involved, shifting from a reactive to proactive involvement.

This new found motivation being stimulated by the recent water rebate programs run in various states with differing approaches and degrees of input. There appeared to be a unanimous call to have such programs standardised for greater business efficiency and community benefit recognising that all retailers and suppliers are national.

There was no hesitancy in agreeing to be interviewed and all were appreciative of the inclusion. While the electrical appliance industry involves many suppliers, retailers, advisers and organisations with an interest in this topic, the industry leaders interviewed represent a reasonable cross-section of the industry and the persons involved are the leaders in the electrical products arena.

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Suppliers

The interviewing of 25 suppliers does not represent a catch all approach although the majority have been reached in number and market share. Suppliers can be categorised into one (1) of three (3) groups with each taking a different view to the issue of labelling;

- Direct Importers (Agents)
- Subsidiary Importer – Global Parentage (with manufacturing centre/s)
- Manufacturer – Local (Inc NZ)

Direct importers generally have little to no say in what can be achieved to develop more efficient products and seek to use labelling as a stick with international supplier to improve volumes. Local resources are limited with labelling being an additional burden to be staffed.

Subsidiary importers are well resourced certainly at the global level if not the local and are receptive to changes that raise the bar as this can be used to leverage resources at corporate gaining much needed prioritisation of local projects. The biggest issue facing this group is the application of labels at the production centre and hence the inclusion and opportunity for input in this current project has met with favourable outcome.

Manufacturers are well connected in the current process and are not complacent regarding their responsibility to the community, locally and globally.

An interesting by product of the project has emerged from the subsidiary and manufacturers where a core group have indicated preparedness to expand labelling to whole of product life issues. Currently they see this as a need requiring address with differing projects being initiated, largely by government departments, with out comprehensive inclusion of major players.

The subject of commonality with New Zealand was raised by some participants particularly as marketing programs are more often Trans Tasman based for the larger organisations.

Suppliers were receptive to the concept of an industry steering group to assist deliver and continue to improve implementation. It was recommended that this steering group should include retailers in a manner not dissimilar to the current Applie-com steering group.

Additionally the idea of a CEO forum was floated that would work parallel to the existing regulatory groups providing a mechanism for representatives of various government departments to bring ideas forward.

The former front load washer association (FLWA) resurfaced as a possible vehicle to further increase market share with the resultant less energy and water consumption. It was strongly suggested that this may be an initiative that the AGO may wish to champion.

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Retailers

At the time of submitting this report seven (7) retail groups had been approached, four having connection with New Zealand.

A common theme with the retailers was the expectation that the suppliers would be responsible through direct store representation for ensuring all products were correctly labelled.

Education of retail sales staff was identified as a need requiring a common format to ensure an agreed standard of knowledge is achieved avoiding misinterpretation and possible risk of unintentionally misleading or conflicting messages to consumers.

Consistent with the need for education the team at Myer identified the program as 'HARMONISATION' achieving an outcome that would simplify understanding for the three constituent groups,

- Manufacturers – a simplified and efficient process
- Consumer – ease of interpretation, KISS principle
- Retail salesperson – ease of understanding equals ease of selling

Development of a simple customer guide particularly when selection of the ideal product embraces two labels was recommended along with a small pocket guide for retail sales staff. The team at Domayne (division of Harvey Norman) summarised it as make it simple for the retail franchisee to increase volumes and the result will be forthcoming.

Cooperative promotional support within retail catalogues was discussed with varying outcomes although all would be receptive to incorporating subject to retail catalogue themes, available space and return on investment.

BSL were interested in developing a consumer approach and developing a theme within catalogues to take a leadership role.

Other retail groups were receptive to grouping efficient products within a category together within catalogues enabling an 'Energy' theme subject to sufficient product being available from suppliers to satisfy catalogue selection criteria.

Comment was given to the development of a small logo to be used in catalogues where the full label would be illegible.

David Jones indicated that the development of TESAW would meet with range criteria and could assist in delivering internal ranging goals.

There was a general feeling that the announcement or launch should be timed to coincide with an industry prestige event such as Home or Consumer Electronic Show where industry and consumer awareness could be jointly achieved. This would elevate the prestige and recognition associated with being a winner.

The retail buying groups of Betta, NARTA & Retravisio, committed to providing access to appropriate group meetings to present the business case to members providing an ideal forum to inform, educate and engage.

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Labelling Overview

The development of a standard labelling format for all three rating labels was seen as a progressive development.

The expectation is through a coordinated (Harmonised) approach across all three resources manufacturers/suppliers would respond to the additional competition generated resulting in an ever increasing number of efficient appliances simplifying the decision process for consumers.

In the initial few interviews there was a preference to see the introduction of a similar labelling methodology as used in Europe however as the consumer focus groups delivered feedback and changes were made to the artwork this was not an issue. The revisit to ASKO and MIELE tested this preference with both responding positively to the final samples shown.

Electrical Appliances

It was generally accepted that the existing label is widely understood and beneficial to the greater community although some suppliers and retailers lacked full appreciation of the perceived value placed by consumers.

Gas Appliances

As with consumers the greater majority (90% plus) of interviewees had no knowledge of the gas efficiency label. This was generally a result of lack of category participation with relevant appliances although retailers who promoted certain labelled product were still unaware.

Some suppliers were aware that discussions are underway for labelling to be introduced on certain cooking appliances but again were not aware of the existing label.

Support was evident for extension of gas labelling to be mandatory with common guidelines for marketing as the electrical label resulting in quicker consumer recognition if the label was of the same design and directional wording for additional information.

Water Appliances

All interviewed agreed that until the early part of this year little if any knowledge existed for the droplet label with the 5 'A' rating scheme. Acknowledgement was given to the current efforts by various state bodies to use the label to drive purchase of water efficient washers. It was evident that this has been successful in extending consumer awareness and driving the purchase decision.

Explanation was provided regarding the use of the label across non electrical or gas appliances to plumbing appliances such as shower heads, toilet cisterns, etc.

The proposed 5 star label consistent with the electricity rating label was seen as a positive development although reasoning to retain a numerical consistency of 5 transitioning from 'A' to stars was difficult to comprehend. It was generally felt that this should be 6 for consistency with the other labels, leaving future range for brands to achieve beyond current levels.

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With later interviews being shown a choice between per usage and annual usage it was felt that both should be shown as per the washer label with cold and warm wash cycle. Reasoning behind this was that while the per cycle consumption was an immediate control in establishing better usage patterns the annual figure would have a greater impact in the initial decision making process.

In the later interviews the reduced size label was introduced and acknowledged as a benefit in assisting fitment to product and streamlining the process for consumers without loss of importance.

Label Design

Support for the development of common mandatory labelling to cover all three resources was unanimous.

Particular attention was given to the direction given on the label to a uniform website to aid in the decision process.

Some comment was given to the differing number of stars displayed on the water label in direct contradiction to the 6 star on both other resource labels. In general it was considered that 6 stars should be adopted across all resource labels as 'A' ratings in commerce finish at 3 hence the potential for confusion and disconnect by consumers.

TESAW Award

The development of the former Galaxy program into TESAW has wide appeal regardless of the current status of suppliers in achieving best in class.

Simplifying the label to incorporate a red or green band at the base of the two energy labels was well received as it reduced the need for a third individual label which had the potential to increase resistance by manufacturing facilities due to the additional complexity. It should be noted that less than half have seen this development as it emerged mid way through after consumer focus groups held by ARTCRAFT.

While supporting the use of the base band suppliers raised the matter of consumer knowledge, "Winner of what?" which highlighted the need to develop an effective consumer education campaign.

There was also some comment regarding the implied singularity of the word 'Winner' and whether there was a better word that could be used yet this was still preferable to the use of a separate label.

At the time of reporting Myer was the only retailer to see the revised TESAW program with all others having been interviewed earlier in the project. The Myer team felt there was a need to develop a special logo to be used in any retail advertising for quick recognition by consumers.

Suppliers/manufacturers saw the demise of the Galaxy Awards program in recent years as a negative towards competition although many had maintained the overall commitment. They see TESAW delivering recognition that can be displayed effectively to consumers on retail floors.

When canvassing commitment to promotion of the award there was support from retailers and suppliers plus preparedness to consider a uniform marketing strategy to develop consumer awareness.

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Conclusion

- Common label design incorporating 6 stars across each of the 3 resource labels
- Common submission process for each of the 3 resource labels
- Demystify the technical jargon to make for easier involvement in the process
- Common TESA logo and special marketing logo
- Common website

Opportunities

- Develop an industry communication strategy to inform and educate
- Expand beyond current technical group setting standards to engage marketing
- Engage CEO's and marketing representatives in steering group discussion to develop consumer marketing strategy
- Develop guidelines for application of labels on appliances to ensure uniformity of message to consumers as the number increases
- Develop a pocket sales aid to ensure a common pitch by retail sales persons
- Identify suitable opportunity for ministerial launch

Summary

All interviewees have been supportive of the changes proposed concerned that a void (loss of focus) had developed since the demise of the former Galaxy Award program. The focused attention delivered by the former program ensured manufacturers, suppliers and retailers were pro active developing competition, actively raising the bar, for brand leadership.

Equally it was accepted that the ongoing raising of the bar, by the regulator and regulatory committees via the MEPS program, was important although sometimes demanding amongst other priorities driven by regulators in countries that their international parent participated.

There is generally little understanding of the progress Australia has made against other countries particularly the leadership position that Australia holds in developing initiatives that reduce electricity consumption per unit in support of greenhouse gas emission reduction.

Particular acknowledgement was given to the efficiency that would be derived through the uniformity of one body administering all labels on behalf of all state and territorial governments as well as different sectorial bodies. While some interviewees had no responsibility for New Zealand they none the less saw this as beneficial to those who did particularly as retailers continue to develop Trans Tasman operations.

The companies interviewed have expressed interest in meeting to discuss marketing ideas and opportunities to broaden awareness of the TESA program with consumers.

The industry is ready to move forward in support of the AGO administering all labels for the benefit of the appliance and general community.

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Attachment 1: Detailed Contact List

a. Retail Executives

Organisation	Contact	Position	Telephone #	Email Address	R
Betta Stores Limited (BSL)	Guy Houghton	CEO	07 3222 3999	guy.houghton@betta.com.au	4.5
David Jones	Warwick Kerr	Buying Manager	02 9266 5511	wkerr@davidjones.com.au	4
David Jones	Ben Jack	Buyer – Whitegoods	02 9266 5587	bjack@davidjones.com.au	3
Domayne	Scott Lindsay	Managing Director	02 8748 4205	slindsay@domayne.com.au	5
Domayne					3.5
Domayne	Suzanne Dick	Seasonal & Small Appliances Co-ordinator	02 8748 4325	sdick@domayne.com.au	4
Harvey Norman	Stephen Hauville	Director – Electrical	02 9201 6344	shauville@harveynorman.com.au	5
MyerGrace	David Jackson	Business Manager Electrical & Furniture	03 9661 4092	david.jackson@myer.com.au	4.5
MyerGrace	Luke McDonald	Buyer Large Appliances	03 9661 4686	luke.mcdonald@myer.com.au	3.5
NARTA	Kay Spencer	CEO	02 9518 6711	kay.spencer@narta.com.au	4.5
Retravisision	Keith Perkin	CEO – Australia	02 9747 6777	keithperkin@retravisision.com.au	4
Retravisision	Milton Kaloudis	Merchandising Services Manager	02 9747 6777	miltonkaloudis@retravisision.com.au	3

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b. Supplier Executives

Organisation	Executive	Position	Telephone #	Email	R	
AEG	Andrew Meyers	Managing Director	03 9569 1255	andrew.m@andico.com.au	5	
ARISTON	Grant Webster	Managing Director	03 9557 4044	grantw@aristonappliances.com	4	
ASKO	Richard Sim	Managing Director	03 8551 2202	richard.sim@asko.com.au	5	
BLANCO	Shane McNulty	General Manager	02 9503 2888	mcnultys@hagemeyer.com.au	4	
BOSCH	Paul Ravlich	General Manager Household Appliances	03 9541 5265	paul.ravlich@au.bosch.com	4	
CUCINA	Phillip Ross	Managing Director	03 9463 5111	phillip@cucinaappliances.com	4	
CUCINA	Olivia Holden	Corporate Services Manager	03 9463 5106	olivia@cucinaappliances.com	3	
ELECTROLUX	Donovan Wearne	General Manager – Appliance Division	02 9717 2282		0	Resigned see successor below
ELECTROLUX	David Woolbank	Director – Marketing	02 9717 2111	david.woolbank@elecrolux.com.au	4.5	Not able to meet prior to report
FISHER & PAYKEL	Mike Church	General Manager – Australia	02 8745 8218	mike.church@fp.com.au	4.5	
HAIER	Garry Walters	General Manager	02 9898 3188	garryw@haier.net.au	3.5	
HITACHI	Bernhard Kotarski	Director & General Manager – Sales & Marketing	02 9888 4100	bernhardk@hitachi.com.au	4.5	
HITACHI	Peter Steele	Technical Support Manager	02 9888 4100	peters@hitachi.com.au	4	
LG Electronics	Graeme Cunningham	National Business Manager	02 9684 8000	cunningham@lge.com	4.5	

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Organisation	Executive	Position	Telephone #	Email	R	
LG Electronics	Brian Kim	Product Manager Whitegoods	02 9684 8156	haohan@lge.com.au	3.5	
LG Electronics	Bill Kwon	QE Manager	02 9684 8167	kyhcbcb@kangseo.lge.co.kr	4.5	
LG Electronics	Chris Hong	QA Coordinator	02 9684 8172	chrisl@lge.com	3.5	
MAYTAG	Malcolm Walker	Managing Director	02 8845 2302	malcolm.walker@maytag.com	4	
Mitsubishi Electric	Keith Allen	Executive Director	02 9684 7591	allenk@meaust.meap.com	4.5	
Mitsubishi Electric	Andrew Milroy	Sales & Marketing Manager	02 9684 7599	milroya@meaust.meap.com	4	
NEC	Charles Carter	General Manager – Sales	02 9877 2323	charles.carter@nec.com.au	4	
NEC	Paul Cunningham	Product Manager	02 9877 2323		3	
OMEGA - SMEG	Andrew Cronin	Managing Director	02 9384 5678	cronina@hagemeyer.com.au	5	
PANASONIC	Graham Day	Chief Operating Officer	02 9986 7543	grahamd@panasonic.com.au	4.5	
Sampford & Staff	Paul Bridgeford	CEO	03 9418 5818	pbridgeford@sampford.com.au	5	
SAMSUNG	Mark Beard	General Manager – Marketing	02 9763 9766	markb@samsung.com	4	
SAMSUNG	Ron Wills	Technical			3	
SHARP	Ross McLennan	General Manager – Technical Services Division	02 9830 4886	rmclennan@sharp.net.au	4	
SHRIRO	Mike Westrup	CEO	02 9415 5000	mikew@shriro.com.au	4	
Whirlpool	Bernadette Archibald	Managing Director – Oceania	03 9237 2888	bernadette_archibald@email.whirlpool.com	4	

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Attachment 2: 2004 Implementation Outline

	Monthly Planning		
First Quarter	<u>January</u> <ul style="list-style-type: none"> ○ Written contact with trade ○ Pending announcement ○ Committee Nominee's ○ Committee Founded 	<u>February</u> <ul style="list-style-type: none"> ○ Ministerial Announcement ○ Committee Meeting <ul style="list-style-type: none"> ○ Way Forward ○ Retravision Marketing Meeting <ul style="list-style-type: none"> ○ Melbourne 5th 	<u>March</u> <ul style="list-style-type: none"> ○ NARTA Principals Meeting <ul style="list-style-type: none"> ○ Melbourne 17th – 18th
	<u>April</u> <ul style="list-style-type: none"> ○ 	<u>May</u> <ul style="list-style-type: none"> ○ Committee Meeting <ul style="list-style-type: none"> ○ Progress Review ○ Retravision National Conference <ul style="list-style-type: none"> ○ Los Angeles 26th – 30th ○ BSL National Conference 	<u>June</u> <ul style="list-style-type: none"> ○
Second Quarter	<u>July</u> <ul style="list-style-type: none"> ○ 	<u>August</u> <ul style="list-style-type: none"> ○ Committee Meeting <ul style="list-style-type: none"> ○ Progress Review 	<u>September</u> <ul style="list-style-type: none"> ○
	<u>October</u> <ul style="list-style-type: none"> ○ 	<u>November</u> <ul style="list-style-type: none"> ○ Committee Meeting <ul style="list-style-type: none"> ○ Review & 2005 Goals 	<u>December</u> <ul style="list-style-type: none"> ○
Third Quarter			
Fourth Quarter			

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Attachment 3: Leadership Quotes

Leader	Quote	Permission To Use
Peter Murphy CEO - MIELE	“Outstanding move in the right direction to assist consumers, during the critical selection period, identify and purchase efficient appliances. The introduction of common labels will simplify the process for consumers and retail sales staff removing complexity from what is often an emotional decision.” Peter Murphy	Yes
Richard Sim CEO – ASKO	“An excellent initiative to finally deliver uniformity for the appliance industry in relation to standardisation of efficiency labelling enhanced by the stimulation of market competition through the introduction of the TESAW program” Richard Sim	Yes
Guy Houghton CEO – BSL (Betta Stores)	“The standardisation of labels and implementation of TESAW will enable Betta Stores to expand previous marketing initiatives of energy efficient appliances via targeted themes in retail catalogues.” Guy Houghton	Yes
Stephen Hauville Director – Harvey Norman	“In today’s environment consumers are very aware of the importance of improved efficiency of appliances and the greater responsibility they have for social responsibility and buy accordingly. The AGO initiative to seek input from industry leaders in the development of this program is refreshing.” Stephen Hauville	Yes
Mike Church General Manager – Australia	“Fisher & Paykel support the standardisation of the three labels as an important means to communicate one concise message to consumers, regarding appliance efficiency, whilst making a purchase decision.” Mike Church	Yes
Graeme Cunningham LG Electronics – National Business Manager	“LG as a significant player in the consumer appliance industry would support moves by the Ministerial Council for Energy (MCE) via the AGO to simplify the process of resource labelling to assist consumers select the correct appliance for their needs. The introduction of the new awards program, TESAW, ensures competitive spirit remains in the marketing by suppliers and retailers alike.” Graeme Cunningham	Yes