

Market Transformation in Commercial Food Service: Integrating DSM into Procurement Processes

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Introduction

This poster expands upon the findings of a process evaluation conducted by ADM Associates for a mid-southern natural gas utility's commercial food service rebate program. The program provided financial incentives for both the installation of high efficiency options within traditional equipment classes as well as for the adoption of alternative cooking technologies (where a program participant would install equipment that utilizes a differing cooking process). This poster examines the approaches and points of intervention for a range of commercial food service end-users, including corporate chain restaurants, independently-owned restaurants, K-12 schools, and institutional facilities.

Data for this study includes a culmination of survey data from program participants in 2011, 2012, and the first quarter of 2013. This data is further supplemented by comprehensive surveying of non-participating food service end-users as well as in-depth interviews with program administration staff and participating food service vendors.

What was found in this study was that the market for this type of program is heterogeneous in composition, with a wide range of procurement processing that subsequently require a diverse range of intervention strategies. Examples of segment-specific barriers to program uptake included:

Corporate chain restaurants:

- Use of out-of-state vendors. Corporate chain restaurants (including franchise locations) will typically use a single vendor with a purchase agreement with their corporate headquarters. These vendors are often located out-of-state and thus are generally not reached by program marketing efforts.
- Equipment preapproval lists. Corporate chain restaurants will often have a preapproved list of equipment from which to select. This list at times does not include high efficiency options, and when high efficiency options are included, the guidelines do not speak of possible available incentives.
- Competition with available component retrofit options. The evaluation effort yielded findings that many corporate chains will opt for component retrofits of existing equipment in lieu of installing new high efficiency equipment. This was most commonly associated with burner retrofits in commercial fryers, with savings that are difficult to capture as these retrofits are not subject to the same laboratory testing as found in new high efficiency units.

K-12 Schools:

- Competitive bidding for public sector facilities. K-12 schools in particular are required to put food service procurement out to competitive bid, which often does not factor in the benefits of energy efficient equipment or available incentives, instead making purchase decisions based on lowest upfront cost.
- Approvals through different channels than most equipment retrofits. Most equipment decisions are made by district maintenance departments, who are the primary targets of outreach from most public partnership programs. Decisions on commercial kitchen equipment are generally made by district nutritional departments that may be overlooked in school district outreach.

Independently-Owned Restaurants:

- Competition from the secondary market. In this evaluation effort it was found that the decision-making process for many independent restaurants was between incentivized high efficiency options or purchases of used equipment on the secondary market. With this in mind, the upfront cost comparison (as well as relative gains from the high efficiency option) differs sharply from publicly available ENERGY STAR® estimates.

Given these barriers, effective food service program design should be flexible in allowing program offerings to be seamlessly integrated into the varying procurement processes. The poster summarizes these approaches as well as their strengths and weaknesses in transforming the target market. The poster summarizes several mitigating strategies, including:

- Third-party rebate sign-over, allowing for the integration of rebates into competitive bids.
- Targeting of corporate decision-makers in achieving amendments of equipment eligibility lists.
- Targeted outreach to rebate consultancies in order to ensure program awareness when corporate chains prioritize their purchasing decisions
- Identification of field-measureable performance metrics for food service equipment, to allow for the possibility of incentivizing component retrofits.
- Use of marketing comparing energy cost and O&M savings against secondary market units rather than new standard efficiency equipment.

The mitigation strategies are summarized with an analysis of benefits, drawbacks, and market applicability. Further, these strategies are evaluated on the basis of cost and difficulty of implementation relative to traditional outreach approaches.